

**Serratoga Falls Metropolitan District No. 1**  
**Larimer County, Colorado**

**Financial Statements and  
Independent Auditors' Report  
December 31, 2025**



**Haynie**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Serratoga Falls Metropolitan District No 1  
Larimer County, Colorado

### Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Serratoga Falls 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 Serratoga Falls Metropolitan District No 1, 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 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 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 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.

## **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 the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

## **Required Supplementary Information**

Management has omitted the management 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.

Accounting principles generally accepted in the United States of America require that the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget – Governmental Fund Type – General Fund, Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget – Governmental Fund Type – Special Revenue Fund – Pump House, and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget – Governmental Fund Type – Special Revenue Fund – Operations, 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 on this 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 accompanying supplemental information 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 taken as a whole.

A handwritten signature in black ink, appearing to read "Haynie", is positioned above the typed name and date.

Littleton, Colorado  
September 21, 2026

## **BASIC FINANCIAL STATEMENTS**

# Serratoga Falls Metropolitan District No. 1

## Statement of Net Position

December 31, 2025

|                                      | <b>Governmental<br/>Activities</b> |
|--------------------------------------|------------------------------------|
| <b>Assets</b>                        |                                    |
| Cash and Investments                 | \$ 293,902                         |
| Property Taxes Receivable            | 400,053                            |
| Due From County Treasurer            | 3,028                              |
| Intergovernmental Receivable         | 25,664                             |
| Assessment and Fees Receivable       | 200,202                            |
| Prepaid Expenses                     | 7,092                              |
| Capital Assets, Net                  | <u>23,324,928</u>                  |
| Total assets                         | <u>24,254,869</u>                  |
| <b>Liabilities</b>                   |                                    |
| Accounts payable                     | 25,744                             |
| Deposits                             | 75,500                             |
| Prepaid assessments                  | 34,888                             |
| Interest payable                     | 2,164,202                          |
| Developer payable                    | 1,192,641                          |
| Bonds and notes payable              |                                    |
| Due in more than one year            | <u>23,261,663</u>                  |
| Total Liabilities                    | <u>26,754,638</u>                  |
| <b>Deferred Inflows of Resources</b> |                                    |
| Deferred property tax revenue        | <u>400,053</u>                     |
| Total deferred inflows of resources  | <u>400,053</u>                     |
| <b>Net Position</b>                  |                                    |
| Net investment in capital assets     | (413,139)                          |
| Restricted                           |                                    |
| Emergencies                          | 18,673                             |
| Unrestricted                         | <u>(2,505,357)</u>                 |
| Total net position                   | <u>\$ (2,899,822)</u>              |

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

# Serratoga Falls Metropolitan District No. 1

## Statement of Activities

### For the Year Ended December 31, 2025

| Functions/Programs                              | Expenses            | Program Revenues                          |                                       |                                     | Net (Expense)<br>Revenue and Changes<br>in Net Position<br>Primary Government |
|-------------------------------------------------|---------------------|-------------------------------------------|---------------------------------------|-------------------------------------|-------------------------------------------------------------------------------|
|                                                 |                     | Charges for<br>Services and other<br>fees | Operating Grants<br>and Contributions | Capital Grants and<br>Contributions |                                                                               |
| Primary government:                             |                     |                                           |                                       |                                     |                                                                               |
| Governmental activities:                        |                     |                                           |                                       |                                     |                                                                               |
| General government                              | \$ 1,150,083        | \$ 277,195                                | \$ 49,700                             | \$ -                                | \$ (823,188)                                                                  |
| Interest and related costs on<br>long-term debt | 764,656             | -                                         | -                                     | -                                   | \$ (764,656)                                                                  |
|                                                 | <u>\$ 1,914,739</u> | <u>\$ 277,195</u>                         | <u>\$ 49,700</u>                      | <u>\$ -</u>                         | <u>\$ (1,587,844)</u>                                                         |
| General revenues:                               |                     |                                           |                                       |                                     |                                                                               |
| Property tax                                    |                     |                                           |                                       |                                     | 463,209                                                                       |
| Specific ownership tax                          |                     |                                           |                                       |                                     | 36,865                                                                        |
| Other revenue                                   |                     |                                           |                                       |                                     | 249,230                                                                       |
| Interest income                                 |                     |                                           |                                       |                                     | 14,935                                                                        |
|                                                 |                     |                                           |                                       |                                     | <u>764,239</u>                                                                |
| Total general revenues                          |                     |                                           |                                       |                                     | (823,605)                                                                     |
| Change in net position                          |                     |                                           |                                       |                                     | (2,076,217)                                                                   |
| Net position (deficit)- beginning of year       |                     |                                           |                                       |                                     | <u>\$ (2,899,822)</u>                                                         |
| Net position (deficit) - end of year            |                     |                                           |                                       |                                     | <u><u>\$ (2,899,822)</u></u>                                                  |

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

**Serratoga Falls Metropolitan District No. 1**  
**Governmental Funds Balance Sheet and**  
**Reconciliation of Fund Balances to Net Position**  
**December 31, 2025**

|                                                                                                                       | General<br>Fund   | Special<br>Revenue<br>Fund<br>Pump House | Special<br>Revenue<br>Fund<br>Operations | Debt<br>Service<br>Fund | Capital<br>Projects<br>Fund | Total<br>Governmental<br>Total |
|-----------------------------------------------------------------------------------------------------------------------|-------------------|------------------------------------------|------------------------------------------|-------------------------|-----------------------------|--------------------------------|
| <b>Assets</b>                                                                                                         |                   |                                          |                                          |                         |                             |                                |
| Cash and cash equivalents                                                                                             | \$ 80,538         | \$ 39,119                                | \$ 159,482                               | \$ 13,045               | \$ 1,718                    | \$ 293,902                     |
| Assessments & fees receivable                                                                                         | 16,150            | 72,567                                   | 111,485                                  | -                       | -                           | 200,202                        |
| Property taxes receivable                                                                                             | 80,008            | -                                        | -                                        | 320,045                 | -                           | 400,053                        |
| Due from County Treasurer                                                                                             | 587               | -                                        | -                                        | 2,441                   | -                           | 3,028                          |
| Due from Capital Projects                                                                                             | 20,807            | -                                        | -                                        | -                       | -                           | 20,807                         |
| Due from Special Revenue Pumphouse                                                                                    | 29,671            | -                                        | -                                        | -                       | -                           | 29,671                         |
| Intergovernmental Receivable                                                                                          | -                 | 25,664                                   | -                                        | -                       | -                           | 25,664                         |
| Prepaid expenses                                                                                                      | 7,092             | -                                        | -                                        | -                       | -                           | 7,092                          |
| Total assets                                                                                                          | <u>\$ 234,853</u> | <u>\$ 137,350</u>                        | <u>\$ 270,967</u>                        | <u>\$ 335,531</u>       | <u>\$ 1,718</u>             | <u>\$ 980,419</u>              |
| <b>Liabilities</b>                                                                                                    |                   |                                          |                                          |                         |                             |                                |
| Accounts payable                                                                                                      | \$ 4,984          | \$ 1,853                                 | \$ -                                     | \$ 7,000                | \$ -                        | \$ 13,837                      |
| Due to General Fund                                                                                                   | -                 | 29,671                                   | -                                        | -                       | 20,807                      | 50,478                         |
| Due to others                                                                                                         | -                 | 10,476                                   | -                                        | -                       | 1,431                       | 11,907                         |
| Deposits                                                                                                              | 75,500            | -                                        | -                                        | -                       | -                           | 75,500                         |
| Prepaid assessments                                                                                                   | 20,243            | 4,270                                    | 10,375                                   | -                       | -                           | 34,888                         |
| Total liabilities                                                                                                     | <u>100,727</u>    | <u>46,270</u>                            | <u>10,375</u>                            | <u>7,000</u>            | <u>22,238</u>               | <u>186,610</u>                 |
| <b>Deferred Inflows of Resources</b>                                                                                  |                   |                                          |                                          |                         |                             |                                |
| Deferred property tax revenue                                                                                         | <u>80,008</u>     | <u>-</u>                                 | <u>-</u>                                 | <u>320,045</u>          | <u>-</u>                    | <u>400,053</u>                 |
| Total deferred inflows of resources                                                                                   | <u>80,008</u>     | <u>-</u>                                 | <u>-</u>                                 | <u>320,045</u>          | <u>-</u>                    | <u>400,053</u>                 |
| <b>Fund Balance</b>                                                                                                   |                   |                                          |                                          |                         |                             |                                |
| Nonspendable                                                                                                          | 7,092             | -                                        | -                                        | -                       | -                           | 7,092                          |
| Restricted                                                                                                            | 3,686             | 4,014                                    | 2,487                                    | 8,486                   | -                           | 18,673                         |
| Committed                                                                                                             | -                 | 87,066                                   | 258,105                                  | -                       | -                           | 345,171                        |
| Unassigned                                                                                                            | <u>43,340</u>     | <u>-</u>                                 | <u>-</u>                                 | <u>-</u>                | <u>(20,520)</u>             | <u>22,820</u>                  |
| Total Fund Balances                                                                                                   | <u>54,118</u>     | <u>91,080</u>                            | <u>260,592</u>                           | <u>8,486</u>            | <u>(20,520)</u>             | <u>393,756</u>                 |
| <b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>                                             | <u>\$ 234,853</u> | <u>\$ 137,350</u>                        | <u>\$ 270,967</u>                        | <u>\$ 335,531</u>       | <u>\$ 1,718</u>             | <u>\$ 980,419</u>              |
| <b>Amounts reported for governmental activities in the statement of net position are different because:</b>           |                   |                                          |                                          |                         |                             |                                |
| Total fund balance - governmental funds                                                                               |                   |                                          |                                          |                         |                             | \$ 393,756                     |
| Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds. |                   |                                          |                                          |                         |                             | 23,324,928                     |
| Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.    |                   |                                          |                                          |                         |                             |                                |
| Interest payable                                                                                                      |                   |                                          |                                          |                         |                             | (2,164,202)                    |
| Developer payable                                                                                                     |                   |                                          |                                          |                         |                             | (1,192,641)                    |
| Bonds and notes payable                                                                                               |                   |                                          |                                          |                         |                             | (23,261,663)                   |
| <b>Net position of governmental activities</b>                                                                        |                   |                                          |                                          |                         |                             | <u><u>\$ (2,899,822)</u></u>   |

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

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

|                                                     | General<br>Fund  | Special<br>Revenue<br>Fund<br>Pump House | Special<br>Revenue<br>Fund<br>Operations | Debt<br>Service<br>Fund | Capital<br>Projects<br>Fund | Total             |
|-----------------------------------------------------|------------------|------------------------------------------|------------------------------------------|-------------------------|-----------------------------|-------------------|
| <b>Revenues</b>                                     |                  |                                          |                                          |                         |                             |                   |
| Property Taxes                                      | \$ 99,226        | \$ -                                     | \$ -                                     | \$ 363,983              | \$ -                        | \$ 463,209        |
| Specific Ownership Taxes                            | 7,144            | -                                        | -                                        | 29,721                  | -                           | 36,865            |
| Nonpotable water fees                               | -                | 81,090                                   | -                                        | -                       | -                           | 81,090            |
| Assessment fees                                     | -                | -                                        | 125,559                                  | -                       | -                           | 125,559           |
| Operation fees                                      | 6,500            | -                                        | 1,375                                    | -                       | -                           | 7,875             |
| Tap fees                                            | -                | 62,671                                   | -                                        | -                       | -                           | 62,671            |
| Interest                                            | 147              | 6,431                                    | -                                        | 8,350                   | 7                           | 14,935            |
| Other revenue                                       | -                | -                                        | 8,742                                    | -                       | 240,488                     | 249,230           |
| Intergovernmental revenues                          | 3,330            | 46,370                                   | -                                        | -                       | -                           | 49,700            |
| <b>Total Revenues</b>                               | <u>116,347</u>   | <u>196,562</u>                           | <u>135,676</u>                           | <u>402,054</u>          | <u>240,495</u>              | <u>1,091,134</u>  |
| <b>Expenditures</b>                                 |                  |                                          |                                          |                         |                             |                   |
| Current:                                            |                  |                                          |                                          |                         |                             |                   |
| General government:                                 |                  |                                          |                                          |                         |                             |                   |
| Audit and legal                                     | 66,088           | -                                        | -                                        | -                       | -                           | 66,088            |
| Management and accounting services                  | 25,000           | 11,000                                   | -                                        | -                       | -                           | 36,000            |
| Utilities                                           | 3,446            | 22,958                                   | -                                        | -                       | -                           | 26,404            |
| Tap fees                                            | -                | 58,517                                   | -                                        | -                       | -                           | 58,517            |
| Landscape contract and enigneers                    | 7,700            | -                                        | -                                        | -                       | -                           | 7,700             |
| Irrigation and drainage system                      | -                | -                                        | 79,603                                   | -                       | -                           | 79,603            |
| Water assessments                                   | -                | 29,282                                   | -                                        | -                       | 1,043,742                   | 1,073,024         |
| Meter equipment and software                        | -                | 907                                      | -                                        | -                       | -                           | 907               |
| Sewer construction                                  | -                | -                                        | -                                        | -                       | 782,892                     | 782,892           |
| Streets and sidewalks                               | -                | -                                        | -                                        | -                       | 3,460,947                   | 3,460,947         |
| Parks and recreation                                | -                | -                                        | -                                        | -                       | 3,407,082                   | 3,407,082         |
| Office and administration                           | 677              | 508                                      | -                                        | -                       | -                           | 1,185             |
| Recreational lease                                  | 6,661            | -                                        | -                                        | -                       | -                           | 6,661             |
| Insurance                                           | 5,792            | -                                        | -                                        | -                       | -                           | 5,792             |
| Treasurer fees                                      | 1,965            | -                                        | -                                        | 7,198                   | -                           | 9,163             |
| Bank and paying agent fees                          | 10               | -                                        | -                                        | 7,499                   | 144                         | 7,653             |
| Miscellaneous                                       | 5,543            | 10,618                                   | 3,298                                    | -                       | -                           | 19,459            |
| Debt Service:                                       |                  |                                          |                                          |                         |                             |                   |
| Interest expense                                    | -                | -                                        | -                                        | 790,424                 | -                           | 790,424           |
| <b>Total Expenditures</b>                           | <u>122,882</u>   | <u>133,790</u>                           | <u>82,901</u>                            | <u>805,121</u>          | <u>8,694,807</u>            | <u>9,839,501</u>  |
| <b>Other financing sources (uses):</b>              |                  |                                          |                                          |                         |                             |                   |
| Bond proceeds                                       | -                | -                                        | -                                        | -                       | 8,694,663                   | 8,694,663         |
| <b>Total other financing sources (uses)</b>         | <u>-</u>         | <u>-</u>                                 | <u>-</u>                                 | <u>-</u>                | <u>8,694,663</u>            | <u>8,694,663</u>  |
| <b>Excess of revenues over (under) expenditures</b> | <u>(6,535)</u>   | <u>62,772</u>                            | <u>52,775</u>                            | <u>(403,067)</u>        | <u>240,351</u>              | <u>(53,704)</u>   |
| <b>Net change in fund balances</b>                  | <u>(6,535)</u>   | <u>62,772</u>                            | <u>52,775</u>                            | <u>(403,067)</u>        | <u>240,351</u>              | <u>(53,704)</u>   |
| <b>Fund balances:</b>                               |                  |                                          |                                          |                         |                             |                   |
| <b>Beginning of the year</b>                        | <u>60,653</u>    | <u>28,308</u>                            | <u>207,817</u>                           | <u>411,553</u>          | <u>(260,871)</u>            | <u>447,460</u>    |
| <b>End of the year</b>                              | <u>\$ 54,118</u> | <u>\$ 91,080</u>                         | <u>\$ 260,592</u>                        | <u>\$ 8,486</u>         | <u>\$ (20,520)</u>          | <u>\$ 393,756</u> |

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

# Serratoga Falls Metropolitan District No. 1

## Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities

### December 31, 2025

Amounts reported for governmental activities in the Statement of Activities are different because:

|                                                     |             |
|-----------------------------------------------------|-------------|
| Net change in fund balance—total governmental funds | \$ (53,704) |
|-----------------------------------------------------|-------------|

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.

|                |           |
|----------------|-----------|
| Depreciation   | (5,245)   |
| Capital outlay | 8,694,663 |

Long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.

|                   |             |
|-------------------|-------------|
| Developer advance | (8,694,663) |
|-------------------|-------------|

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:

|                                                     |           |
|-----------------------------------------------------|-----------|
| Change in accrued interest on long-term obligations | (764,656) |
|-----------------------------------------------------|-----------|

|                                                   |              |
|---------------------------------------------------|--------------|
| Change in net position of governmental activities | \$ (823,605) |
|---------------------------------------------------|--------------|

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

**Serratoga Falls Metropolitan District No. 1**  
**Notes to Financial Statements (continued)**  
**December 31, 2025**

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**1. Summary of Reporting Entity**

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Serratoga Falls Metropolitan District No 1 (the District), was organized in May 2006, under the State of Colorado statutory authority, as a quasi-municipal corporation and is governed by a five-member Board of Directors pursuant to the provisions of the Colorado Special District Act (Title 31, Article I, Colorado Revised Statutes). The District was organized concurrently with Serratoga Falls Metropolitan District Nos. 2 and 3 (District Nos. 2-3), collectively referred to as the Districts. The Districts' service area is located in the town of Timnath, Larimer County, Colorado. The Districts were formed to provide public improvements to be dedicated to the Town of Timnath, Colorado or other governmental entities or retained by the Districts for the use and benefit of the residents and visitors of the Districts.

The District was originally intended to serve as the operating district with District Nos. 2-3 intended to serve as the financing districts. In April 2016, District No. 2 entered into an Intergovernmental Agreement (2016 IGA), under which District No. 2 shall be responsible to operate and maintain services for the public improvements constructed for the use and benefits of taxpayers of District No. 2. In August 2022, the District and District No. 2 entered into a First Amendment to the IGA under which they further revised certain responsibilities.

As required by US GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local government entities. The District has no component units as defined by the Governmental Accounting Standards Board ("GASB"), Statement No. 14, *The Reporting Entity*, and GASB No. 39, *Determining Whether Certain Organizations are Component Units*.

All operations and administrative functions are contracted.

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**2. Summary of Significant Accounting Policies**

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The accounting policies of the Serratoga Falls Metropolitan District No. 1 (the "District") conform to the accounting principles generally accepted in the United States of America ("US GAAP") as applicable to governmental entities. The following is a summary of the more significant policies consistently applied in the preparation of the basic financial statements of the District.

The accompanying financial statements are presented in accordance with GASB Statement No. 34, *Special Purpose Governments*.

**Government-wide Statements**

The government-wide financial statements, the Statement of Net Position, and the Statement of Activities report information on all of the governmental activities of the District.

**Serratoga Falls Metropolitan District No. 1**  
**Notes to Financial Statements (continued)**  
**December 31, 2025**

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**2. Summary of Significant Accounting Policies (continued)**

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The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program or general revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Revenues and expenditures are recorded on the accrual basis of accounting.

**Governmental Fund Financial Statements**

The governmental fund financial statements are prepared 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 if the revenues are collectible within the current period, or soon thereafter, to pay liabilities of the current period. For that purpose, the District considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period.

*Governmental Funds*

For 2025, the district has five Governmental funds:

- *General Fund* – The General Fund is the general operating fund of the District. It is used to account for all of the financial resources not accounted for and reported in another fund.
- *Special Revenue Fund - Pumphouse*– accounts for committed fees received from homeowners and other governmental entities for the non-potable irrigation system required to be used for the operation and maintenance of their irrigation system and ground maintenance or any other budgeted expense
- *Special Revenue Fund - Operations* – accounts for restricted fees received from homeowners required to be used for operation and maintenance expenses, included to maintain publicly-owned landscaping, drainage facilities, fulfill the District’s easement related obligations and to shovel and maintain sidewalks.
- *Debt Service Fund* – The Debt Service Fund is used to account for all financial resources that are restricted, committed, or assigned to expenditures for principal, interest, and other debt-related costs.
- *Capital Projects Fund* – The Capital Projects Fund is used to account for all financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition of capital facilities, and other assets.

**Serratoga Falls Metropolitan District No. 1**  
**Notes to Financial Statements (continued)**  
**December 31, 2025**

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**2. Summary of Significant Accounting Policies (continued)**

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During the course of operations, the district has activity between funds for various purposes. Any residual balances outstanding at yearend are reported as due to/from other funds. Further, certain activity occurs during the year involving transfers of resources between funds reported at gross amounts as transfers in/(out). As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

**Deposits**

District management considers cash and cash equivalents to include cash on hand, demand deposits, and money market accounts. Investments, as applicable, of the District are reported at fair value.

District management may at times follow the practice of pooling cash, and investments of all funds to maximize investment earnings. Except when required by regulations or other agreements, all cash is deposited to, and disbursed from a minimum number of bank accounts. Cash in excess of immediate operating requirements may be pooled for deposit, and investment flexibility. As applicable, investment earnings are allocated periodically to participating funds based upon each fund's average equity balance in total cash.

**Capital Assets**

The district's capital assets, as applicable, are recorded at cost, if purchased or constructed. Donated capital assets are valued at the estimated fair value at the time of donation. The District has a capitalization policy of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. The District's Board of Directors has the option to capitalize certain items costing less than \$5,000 in certain circumstances.

The cost of normal maintenance, and repairs, as incurred, that do not add value to, or materially extend the life of, the related capital asset, are charged to expense as incurred.

Depreciation is provided under the straight-line method, with an estimated service life ranging from 10-20 years for non-potable irrigation system and 10 years for landscaping.

**Receivables**

Assessments and fees receivable consist of homeowner irrigation, operation and other miscellaneous fees due at December 31, 2025. The District considers all assessments and fees receivable collectible at December 31, 2025.

**Serratoga Falls Metropolitan District No. 1**  
**Notes to Financial Statements (continued)**  
**December 31, 2025**

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**2. Summary of Significant Accounting Policies (continued)**

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Intergovernmental receivables consist of funds due from District No. 2 and No. 3 to operate and maintain public improvements in the service area as part of an intergovernmental agreement, see Note 4.

**Fair Value of Financial Instruments**

The District's financial instruments include, as applicable, cash and cash equivalents, various receivables, and accounts payable. The District estimates that the fair value of these financial instruments, as of December 31, 2025, does not differ materially from the aggregate carrying values used in the accompanying financial statements. The carrying amount of these financial instruments approximates the fair value due to the short maturity of these financial instruments.

**Deferred Outflows/Inflows of Resources**

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows or resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time frame. In the current year, the District had one item that qualified for reporting in this category, unavailable revenue – property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**Leases**

The District determines if an arrangement is or contains a lease at inception. Leases are recognized as a lease liability and intangible right-to-use lease asset (leased assets) in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of \$5,000 or more. Leased assets are reported as other capital assets and lease liabilities are reported with long-term debt in the statement of net position. Short-term leases are leases with a maximum contract of 12 months or less and are recognized as outflows of resources based on the payment provisions of the lease contract.

**Long-Term Debt Obligations**

In the government-wide financial statements, long-term debt is reported as a liability in the applicable governmental activity.

**Serratoga Falls Metropolitan District No. 1**  
**Notes to Financial Statements (continued)**  
**December 31, 2025**

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**2. Summary of Significant Accounting Policies (continued)**

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**Use of Estimates**

The preparation of financial statements in conformity with US GAAP involves the use of management's estimates which affect the reported amounts of assets, and liabilities as of the date of the financial statements, and the reported amounts of revenue, and expenditures during the reporting period. These estimates are based upon management's best judgment, after considering past events, and assumptions about future events. Actual results could differ from those estimates.

**Property Tax**

Property taxes are levied by the District's Board of Directors. When applicable, the levy is based upon 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 taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. The Country Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows of resources in the year that they are levied, and measurable since they normally are not available nor are they budgeted as a resource until the subsequent year. Property taxes are recorded as revenue in the subsequent year when they are available or collected.

Under the Service Plan, the maximum Mill Levy for the District shall be 50 mills, subject to statutory adjustment.

**Fund Balance**

The District utilizes the fund balance presentation as required under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balances, as applicable are categorized as non-spendable, restricted, committed, assigned, or unassigned.

*Non-spendable* – represents amounts that cannot be spent because they are either in non-spendable form or legally required to remain intact;

*Restricted* – represents amounts with external constraints placed on the use of these resources or imposed by enabling legislation;

*Committed* – represents amounts that may only be used for specific purposes imposed by a formal action of the District's highest level of decision-making authority, the District's

**Serratoga Falls Metropolitan District No. 1**  
**Notes to Financial Statements (continued)**  
**December 31, 2025**

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**2. Summary of Significant Accounting Policies (continued)**

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Board of Directors. Committed resources cannot be used for any other purpose, unless the District's Board of Directors remove or change the specific use by the same type of action used to commit those amounts, either by resolution or by ordinance;

*Assigned* – represents amounts that the District intends to use for specific purposes, as expressed by the District's Board of Directors or a District official delegated the authority to assign such amounts;

*Unassigned* – represents the residual classification for the general fund or deficit balances in other funds, as applicable.

Amounts are considered to have been spent when an expenditure is incurred for purposes for which both restricted, and unrestricted (committed, assigned, or unassigned) amounts are available. Unrestricted amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of these unrestricted fund balances classifications could be used.

**Net Position**

The District's net position represents the difference between the District's assets, liabilities, and deferred inflow of resources. The District may report three categories of net position, as follows:

*Net investment in capital assets* – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

*Restricted net position* – net position is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

*Unrestricted net position* – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net positions are available, the District will use the most restrictive net position first.

**Serratoga Falls Metropolitan District No. 1**  
**Notes to Financial Statements (continued)**  
**December 31, 2025**

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**3. Budget Information**

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Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with State Budget Law, the District's Board of Directors holds a public hearing in the fall of each year to approve the budget and appropriate funds for the ensuing year. The appropriation is at the total fund expenditure 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 total appropriation can only be modified upon completion of a budget amendment approved following a public hearing on the same. The budget includes each fund on its basis of accounting unless otherwise indicated. The appropriation is at the total fund expenditures level and lapses at year-end.

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**4. Cash and Investments**

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**Cash and Investments**

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 equal to 102% of the aggregate uninsured public deposits.

As of December 31, 2025, all of the district's deposits were either insured by the FDIC or held in eligible depositories. Cash and investments are reported on the Statement of Net Position as follows:

|                      |                   |
|----------------------|-------------------|
| Cash and investments | <u>\$ 288,268</u> |
|                      | <u>\$ 288,268</u> |

At December 31, 2025, the District had \$288,268 in deposits held at financial institutions.

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

The District has not adopted a formal investment policy, however, it follows state statute regarding investments. At December 31, 2025, the District does not hold any investments.

**Serratoga Falls Metropolitan District No. 1**  
**Notes to Financial Statements (continued)**  
**December 31, 2025**

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**5. Long-Term Debt**

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**Authorized Debt**

At December 31, 2025, the District had total authorized debt of \$240 million of which \$24,454,304 has been issued, leaving an authorized but unissued balance of \$215,545,696, including debt refinancing of \$40 million. Under the 2021 Service Plan, the District has total authorized but unissued balance of \$9,270,359, not including debt refinancing. As noted below, the District has \$10,433,000 available in authorized but unissued debt, and \$1,162,641 of this total authorized but unissued amount is expected to be used to pay down the outstanding developer debt, thus resulting in an anticipated unissued balance of \$9,270,359.

**Senior General Obligation Limited Tax Bonds, Series 2023A and Subordinate General Obligation Limited Tax (Convertible to Tax-Exempt) Bonds, Series 2023B**

On December 20, 2023, the District issued its \$25,000,000 maximum aggregate par amount of private placement bonds with an affiliate of the Developer. The District issued a maximum aggregate par amount of \$16,245,000 Senior General Obligation Limited Tax Bonds, Series 2023A, and a maximum aggregate par amount of \$8,755,000 Subordinate General Obligation Limited Tax (Convertible to Tax-exempt) Bonds, Series 2023B. The bonds were issued as draw down bonds for the purpose of reimbursing the costs of public improvements of the District and paying issuance costs. At December 31, 2023, the District had drawn \$14,567,000 of the 2023A Senior Bonds and can draw the remaining \$10,433,000 in future periods. Advances on the Bonds shall be made in the amount of \$100,000 or an integral in excess thereof.

The 2023A Senior Bonds bear interest at 7.5%, calculated on the basis of a 360-day year of twelve 30-day months, payable annually on each December 1, commencing on December 1, 2024, to the extent pledged revenue is available, maturing on December 1, 2063. The 2023B Subordinate Bonds bear interest at a rate of 7.57%, calculated on the basis of a 360-day year of twelve 30-day months, payable annually on December 15, commencing on December 15, 2024, to the extent that pledged revenue is available, maturing on December 15, 2063.

The Bonds are cash flow bonds and are subject to mandatory sinking fund redemption commencing on December 1, 2024 for the 2023A Senior Bonds and December 15, 2024 for the 2023B Subordinate Bonds, to the extent of moneys on deposit, if any, in the respective Bond fund on October 16<sup>th</sup> for the 2023A Senior Bonds and November 15<sup>th</sup> for the 2023B Subordinate Bonds. Amounts shall be applied first to interest and then to principal after accrued interest has been paid.

**Serratoga Falls Metropolitan District No. 1**  
**Notes to Financial Statements (continued)**  
**December 31, 2025**

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**5. Long-Term Debt (continued)**

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*Optional Redemption*

The Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, commencing on December 1, 2030, and on any date thereafter, upon payment of principal and accrued interest with redemption premiums ranging from 0% to 3%.

The Bonds are secured by pledged revenues which include property tax revenue, specific ownership taxes collected as a result of the required mill levy, and other legally available moneys which the District determines, in its sole discretion, to credit the respective bond fund. The senior mill levy is 40 mills (as adjusted), or less, to generate sufficient funds to make debt service payments.

*Events of Default*

Events of default as defined in respective indentures of trust for Bonds include (1) failure by the District to impose the necessary required mill levy or apply the proceeds thereof as required by the trust indenture, (2) default by the District in performance or observance of any other covenants on the part of the District in the indenture, and failure to remedy after notice, and (3) the District files a petition under federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the debt represented by the bonds. Failure to pay principal and interest on the Bonds when due shall not, of itself, constitute an event of default. Remedies available in the event of default include receivership, suit for judgement, and mandamus or another suit. The District's obligation to repay the Bonds shall terminate December 31, 2063 regardless of the amount of principal and interest paid prior to the termination date.

*Developer Advances*

On May 3, 2018, the District, acting on behalf of District No. 3 and Kitchel Lake Partners, LLC (Developer) entered into an Advance, Acquisition and Reimbursement Agreement for the purpose of understanding the commitment between the District, District No. 3 and the Developer related to the funding and repayment of certain costs including but not limited to reimbursable costs. The Reimbursement Agreement allows for the District to request and for the Developer to pay for the public improvements and any management, operating and administrative expenses if the District has insufficient funds. The Developer shall have no obligation to make an advance. Interest under this agreement shall commence at the date of transfer of the public improvements to the District or the date of the advance at 7% per annum. The District's obligation under this agreement shall terminate at the earlier of repayment in full or December 31, 2057, whichever occurs first.

On January 5, 2021 the District entered into an Amended and Restated Advance, Acquisition and Reimbursement Agreement for Serratoga Falls Metropolitan District No. 3 between the District,

**Serratoga Falls Metropolitan District No. 1**  
**Notes to Financial Statements (continued)**  
**December 31, 2025**

**5. Long-Term Debt (continued)**

District No. 3 and the Developer and Serratoga Falls, LLC (SFLLC) the former Developer for the outlining reimbursable costs related to the development of District No. 3. The Amended Reimbursement Agreement replaced the Reimbursement Agreement in its entirety with respect to District No. 3. Interest under this agreement shall commence at the date of transfer of the public improvements to District No. 3 or other governmental entity or the date of the advance at 7% per annum. District No. 3's obligation under this agreement shall terminate at the earlier of repayment in full or December 31, 2057, whichever occurs first. The District has no reimbursement obligation under this agreement.

On November 16, 2023, the District entered into an Amended and Restated Advance, Acquisition and Reimbursement Agreement for Public Improvements Serratoga Falls Metropolitan District No. 1 among the District, the Developer, Kitchel Lake F3, LLC and Kitchel Lake F3 Development Corporation to amend and restate the Reimbursement Agreement with regards to the District and to acknowledge boundary changes and the corresponding changes in responsibilities between the District and District No. 3 as well as the assignment to Front Range Securities LLC, (the "Investor") of any and all rights which they have or may claim reimbursement from the District.

At December 31, 2025, unpaid accrued interest under the developer advances amounted to \$2,164,202.

**Changes in the District's Long-Term Debt**

On September 22, 2025, under the Series 2023A and 2023B, the District authorized the execution and delivery of Delivery Certificates in the amount of \$1,678,663 and \$7,016,000, respectively, in connection with a public improvement's construction project.

The changes in the District's long-term debt for the year ended December 31, 2025 are as follows:

|                                 | Balance at<br>December<br>31, 2024 | Additions           | Reductions  | Balance at<br>December<br>31, 2025 | Due Within<br>One Year |
|---------------------------------|------------------------------------|---------------------|-------------|------------------------------------|------------------------|
| <u>Private Placement Bonds:</u> |                                    |                     |             |                                    |                        |
| 2023 Bonds                      | \$14,567,000                       | \$ 8,694,663        | \$ -        | \$23,261,663                       | \$ -                   |
|                                 | <u>\$14,567,000</u>                | <u>\$ 8,694,663</u> | <u>\$ -</u> | <u>\$23,261,663</u>                | <u>\$ -</u>            |
| <u>Direct Borrowings:</u>       |                                    |                     |             |                                    |                        |
| Developer Advance               | \$ 1,192,641                       | \$ -                | \$ -        | \$ 1,192,641                       | \$ -                   |
|                                 | <u>\$ 1,192,641</u>                | <u>\$ -</u>         | <u>\$ -</u> | <u>\$ 1,192,641</u>                | <u>\$ -</u>            |

**Serratoga Falls Metropolitan District No. 1**  
**Notes to Financial Statements (continued)**  
**December 31, 2025**

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**5. Long-Term Debt (continued)**

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**Future Maturities**

Due to the “cash flow” structure of the Series 2023A and 2023B Bonds, the future minimum required payments cannot be projected. As such, the entire outstanding balance is reflected in the year of maturity.

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**6. Capital Assets**

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Changes in the District’s capital assets for the year ended December 31, 2025 are as follows:

|                                            | Balance at<br>December 31,<br>2024 | Additions           | Deletions   | Balance at<br>December 31,<br>2025 |
|--------------------------------------------|------------------------------------|---------------------|-------------|------------------------------------|
| Capital assets not being depreciated       |                                    |                     |             |                                    |
| Construction in progress                   | \$ 14,622,881                      | \$ 8,694,663        | \$ -        | \$ 23,317,544                      |
| Total capital assets not being depreciated | 14,622,881                         | 8,694,663           | -           | 23,317,544                         |
| Capital assets being depreciated           |                                    |                     |             |                                    |
| Non-potable irrigation system              | 106,501                            | -                   | -           | 106,501                            |
| Total capital assets being depreciated     | 106,501                            | -                   | -           | 106,501                            |
| Less accumulated depreciation              |                                    |                     |             |                                    |
| Non-potable irrigation system              | (93,872)                           | (5,245)             | -           | (99,117)                           |
| Total accumulated depreciation             | (93,872)                           | (5,245)             | -           | (99,117)                           |
| Capital assets being depreciated, net      | 12,629                             | (5,245)             | -           | 7,384                              |
| Capital assets, net                        | <u>\$ 14,635,510</u>               | <u>\$ 8,689,418</u> | <u>\$ -</u> | <u>\$ 23,324,928</u>               |

Depreciation expense of \$5,245 was charged to general government expense during 2025.

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**7. Agreements**

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**Inter-District Intergovernmental Agreement – District No. 3**

In 2015, the District and District No. 3 entered into an Inter-District Intergovernmental Agreement for the purpose of implementation of their service plan. The IGA establishes the operating and financing districts’ responsibilities noting that the District, as the operating district, owned, operated and maintained all public improvements in the service area. Additionally, District No. 3, as the Financing District, shall assign revenues from all sources to the operating district.

**Serratoga Falls Metropolitan District No. 1**  
**Notes to Financial Statements (continued)**  
**December 31, 2025**

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**7. Agreements (continued)**

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Consistent with the 2021 Service Plan, in April 2023, the District and District No. 3 entered into a Memorandum of Understanding (MOU) as a temporary agreement to be replaced by a permanent Amended and Restated Intergovernmental Agreement (Future IGA) to be negotiated by and between the Districts after the May 2023 election.

The MOU was entered into to set forth the basic rights and responsibilities of the District and District No. 3 due to reconfiguration of the Districts as set forth in the 2021 Service Plan. Under the 2021 Service Plan, the District is to include residential and commercial taxable property, and each district is generally responsible to provide its own services and tax properties within its own boundaries to generate revenue.

In May 2023, the District and District No.3 entered into an Amended and Restated Inter-District Intergovernmental Agreement to amend and restate in their entirety the original Inter-District IGA and MOU. Under the 2023 IGA, the District and District No.3 shall be individually responsible for design, acquisition, installation, construction, relocation, funding, financing, operation, and maintenance of public improvements within each respective district except as outlined in the agreement.

In connection with the 2023 IGA, in May 2023, the District also entered into an Agreement and Release Agreement with District No. 3 and Kitchel Lake Partners, LLC and Kitchel Lake Development Corporation (collectively the “Developers”). The District, as the operating district, incurred costs associated with the operations of District No. 3. As the District is no longer the operating district for District No. 3, the Developers will pay the District \$181,940 for expenses incurred by the District on behalf of District No. 3. This amount shall not be repaid by the District or District No. 3. Upon receipt of the payment from the Developers, District No. 3 shall release the Developers of any and all obligations to District No. 3 with regard to public improvements and the District shall release District No. 3 with regard to any obligations to reimburse the District for costs paid on behalf of the District No. 3 as the operating district through the date of the agreement.

The District and District No. 3 will each be responsible for payment of 50% of the annual fee under the Recreational Improvements Agreement between the District and Kitchell Reservoir Company, see Note 5. The District will operate and maintain any recreational improvements which are anticipated to include a community pool, clubhouse, dock and/or water storage. The District will invoice District No. 3 for amounts due under this agreement. The amount due as of December 31, 2025 is \$25,664 and is included in the Intergovernmental receivable at December 31, 2025. The payments made by District No. 3 to the District in 2025 summarized \$128,212.

**Serratoga Falls Metropolitan District No. 1**  
**Notes to Financial Statements (continued)**  
**December 31, 2025**

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**7. Agreements (continued)**

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**Inter-District Intergovernmental Agreement – District No. 2**

In 2016, the District and District No. 2 terminated their prior Inter-District Agreement dated July 31, 2006. Under the new IGA, the District is no longer the operating District as it relates to District No. 2. Under the 2016 IGA, District No.2 had agreed to pay a percentage of shared costs for the Pump House. Pump House costs include the operation and maintenance costs of all pumps as outlined in the agreement.

On August 31, 2022, the District and District No. 2 entered into a First Amendment to the 2022 IGA to amend the 2016 IGA to revise the responsibilities for maintenance of certain areas as outlined in the agreement and to update the method for calculating and paying for non-potable irrigation water.

Under the 2022 IGA, District No. 2 has agreed to continue to pay a percentage of shared costs for the Pump House, however, these costs will be determined based on a new allocation percentage to include the actual volume of non-potable water used by District No. 2 up to a maximum of 50 acre-feet per year. Amounts in excess of 50 acre-feet per year will be billed as outlined in the 2022 IGA.

Additionally, in order to properly track actual volume used, District No.2 shall pay for the installation of water meters. After installation, ownership of such meters shall be transferred to the District and thereafter owned and maintained by the District. District No. 2 will be responsible for reimbursing the District for costs associated with maintenance of such meters.

District No. 2 shall have access to Kitchel Reservoir upon payment of 14.44% of the annual lease price for the year of access but must notify the District no later than November 15 of the prior year. District No. 2 did not elect access during 2025.

At December 31, 2025, revenue under the IGA amounted to \$11,189, all of which was due as of December 31, 2025. This payment was received on March 5, 2026.

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**Serratoga Falls Metropolitan District No. 1**  
**Notes to Financial Statements (continued)**  
**December 31, 2025**

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**8. Interfund Receivables, Payables, and Transfers**

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The composition of interfund balances, due from/to other funds at December 31, 2025 is as follows:

| <b>Receivable Fund</b> | <b>Payable Fund</b>          |                                | <b>Total</b>     |
|------------------------|------------------------------|--------------------------------|------------------|
|                        | <b>Capital Projects Fund</b> | <b>Special Fund Pump House</b> |                  |
| General Fund           | \$ 20,807                    | \$ 29,671                      | \$ 50,478        |
|                        | <u>\$ 20,807</u>             | <u>\$ 29,671</u>               | <u>\$ 50,478</u> |

At December 31, 2025, the outstanding balances between the funds is the result of the time lag between the dates that (1) reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

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**9. Fund Balances**

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As of December 31, 2025, the District's Fund balance consisted of the following:

| <b>Fund Balances</b>    | <b>General Fund</b> | <b>Special Revenue Pump House Fund</b> | <b>Special Revenue Operation Fund</b> | <b>Debt Service Fund</b> | <b>Capital Projects Fund</b> | <b>Total</b>      |
|-------------------------|---------------------|----------------------------------------|---------------------------------------|--------------------------|------------------------------|-------------------|
| Nonspendable            | \$ 7,092            | \$ -                                   | \$ -                                  | \$ -                     | \$ -                         | \$ 7,092          |
| Restricted              | 3,686               | 4,014                                  | 2,487                                 | 8,486                    | -                            | 18,673            |
| Committed               | -                   | 87,066                                 | 258,105                               | -                        | -                            | 345,171           |
| Unassigned              | 43,340              | -                                      | -                                     | -                        | (20,520)                     | 22,820            |
| Fund Balances (deficit) | <u>\$ 54,118</u>    | <u>\$ 91,080</u>                       | <u>\$ 260,592</u>                     | <u>\$ 8,486</u>          | <u>\$ (20,520)</u>           | <u>\$ 393,756</u> |

At December 31, 2025, the Capital Projects Fund reported a deficit fund balance of \$20,520. The deficit resulted from the payment of retainage payable outstanding at December 31, 2024. Although a contribution was received to fund the retainage payment, the contribution was not sufficient to address the amount due to the General Fund. Management expects the deficit to be eliminated through future funding sources and repayment or conversion of the related interfund obligation.

**Serratoga Falls Metropolitan District No. 1**  
**Notes to Financial Statements (continued)**  
**December 31, 2025**

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**10. Related Parties**

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All members of the Board of Directors are associated with the Developer and may have conflicts of interest in dealing with the District. The District has a funding agreement with the Developer and issued the Bonds with an affiliate of the Developer as noted above. Management believes that all potential conflicts, if any, have been disclosed to the Board.

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**12. Risk Management**

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The District is exposed to various risks of loss related to torts, errors or omissions, and natural disasters, as well as theft of, damage to, or destruction of, property.

The District is a member of the Colorado Special Districts Property and Liability Pool (“Pool”) as of December 31, 2025. The Pool is an organization created by intergovernmental agreements to provide property, liability, and public officials’ liability coverage to its members.

The District pays annual premiums to the Pool for liability, property, public officials’ liability, and workers’ compensation 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 that the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

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**13. Tax, Spending, and Debt Limitations**

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Article X, Section 20 of the Colorado Constitution, commonly known 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 upon 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 increase, 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. 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.

**Serratoga Falls Metropolitan District No. 1**  
**Notes to Financial Statements (continued)**  
**December 31, 2025**

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**14. Subsequent Events**

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The preparation of the District's financial statements and accompanying footnotes in conformity with United States Generally Accepted Accounting Principles requires District management to evaluate transactions and events subsequent to the balance sheet date involving the District. Management has evaluated subsequent transactions and events of the District through September 21, 2026, which is the date that the financial statements and accompanying notes were available for issuance.

## **Required Supplementary Information**

**Serratoga Falls Metropolitan District No. 1**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance—Actual and Budget**  
**Governmental Fund Type—General Fund**  
**For the Year Ended December 31, 2025**

|                                        | <b>Original &amp;<br/>Final<br/>Budget</b> | <b>Actual</b>    | <b>Variance<br/>Favorable<br/>(Unfavorable)</b> |
|----------------------------------------|--------------------------------------------|------------------|-------------------------------------------------|
| <b>Revenues</b>                        |                                            |                  |                                                 |
| Property Taxes                         | \$ 114,263                                 | \$ 99,226        | \$ (15,037)                                     |
| Specific Ownership Taxes               | 6,856                                      | 7,144            | 288                                             |
| Operation fees                         | -                                          | 6,500            | 6,500                                           |
| Interest                               | -                                          | 147              | 147                                             |
| Intergovernmental revenues             | 123,600                                    | 3,330            | (120,270)                                       |
| Fines                                  | 7,950                                      | -                | (7,950)                                         |
| Total Revenues                         | <u>252,669</u>                             | <u>116,347</u>   | <u>(136,322)</u>                                |
| <b>Expenditures</b>                    |                                            |                  |                                                 |
| Management & Accounting Services       | 25,000                                     | 25,000           | -                                               |
| Audit and legal                        | 37,500                                     | 66,088           | (28,588)                                        |
| Design Review Fees                     | 3,450                                      | -                | 3,450                                           |
| Election                               | 3,500                                      | -                | 3,500                                           |
| Utilities                              | 4,356                                      | 3,446            | 910                                             |
| Insurance                              | 5,910                                      | 5,792            | 118                                             |
| Engineers                              | -                                          | 7,700            | (7,700)                                         |
| Treasurer's Fees                       | 2,285                                      | 1,965            | 320                                             |
| Office and administration              | 500                                        | 677              | (177)                                           |
| SDA Dues                               | 1,500                                      | -                | 1,500                                           |
| Contingency                            | 40,000                                     | -                | 40,000                                          |
| Landscape maintenance and repair       | 55,944                                     | -                | 55,944                                          |
| Miscellaneous                          | -                                          | 12,214           | (12,214)                                        |
| Total Expenditures                     | <u>179,945</u>                             | <u>122,882</u>   | <u>57,063</u>                                   |
| <b>Excess Revenue Over (Under)</b>     |                                            |                  |                                                 |
| Expenditures                           | <u>72,724</u>                              | <u>(6,535)</u>   | <u>(79,259)</u>                                 |
| <b>Other financing sources (uses)</b>  |                                            |                  |                                                 |
| Transfer out                           | <u>(150,000)</u>                           | <u>-</u>         | <u>150,000</u>                                  |
| Total other financing sources (uses)   | <u>(150,000)</u>                           | <u>-</u>         | <u>150,000</u>                                  |
| <b>Net change in fund balances</b>     | (77,276)                                   | (6,535)          | 70,741                                          |
| <b>Fund Balances—Beginning of year</b> | <u>106,064</u>                             | <u>60,653</u>    | <u>(45,411)</u>                                 |
| <b>Fund Balances—End of Year</b>       | <u>\$ 28,788</u>                           | <u>\$ 54,118</u> | <u>\$ 25,330</u>                                |

**Serratoga Falls Metropolitan District No. 1**  
**Schedule of Revenues, Expenditures,**  
**and Changes in Fund Balance - Actual and Budget**  
**Special Revenue Fund - Pump House**  
**For the Year Ended December 31, 2025**

|                                        | <b>Budgeted Amounts</b> |              |               | <b>Variance<br/>Favorable<br/>(Unfavorable)</b> |
|----------------------------------------|-------------------------|--------------|---------------|-------------------------------------------------|
|                                        | <b>Original</b>         | <b>Final</b> | <b>Actual</b> |                                                 |
| <b>Revenues</b>                        |                         |              |               |                                                 |
| Nonpotable water fees                  | \$ 52,090               | \$ 127,340   | \$ 81,090     | \$ (46,250)                                     |
| Tap fees                               | -                       | 64,223       | 62,671        | (1,552)                                         |
| Fines                                  | 150,000                 | -            | -             | -                                               |
| Interest                               | -                       | 6,812        | 6,431         | (381)                                           |
| Intergovernmental revenues             | 80,000                  | 14,204       | 46,370        | 32,166                                          |
| Total Revenues                         | 282,090                 | 212,579      | 196,562       | (16,017)                                        |
| <b>Expenditures</b>                    |                         |              |               |                                                 |
| Management & Accounting Services       | 11,000                  | 11,000       | 11,000        | -                                               |
| Water assessment                       | -                       | -            | 29,282        | (29,282)                                        |
| Meter equipment and software           | -                       | -            | 907           | (907)                                           |
| Miscellaneous                          | -                       | -            | 10,618        | (10,618)                                        |
| Contingency                            | 12,000                  | -            | -             | -                                               |
| Utilities                              | 38,249                  | 32,855       | 22,958        | 9,897                                           |
| Office and administration              | -                       | -            | 508           | (508)                                           |
| Landscaping                            | 58,800                  | 89,935       | -             | 89,935                                          |
| Tap fees                               | -                       | -            | 58,517        | (58,517)                                        |
| Total Expenditures                     | 120,049                 | 133,790      | 133,790       | -                                               |
| <b>Excess Revenue Over (Under)</b>     |                         |              |               |                                                 |
| <b>Expenditures</b>                    | 162,041                 | 78,789       | 62,772        | (16,017)                                        |
| <b>Other financing sources</b>         |                         |              |               |                                                 |
| Transfer from other funds              | -                       | 50,000       | -             | (50,000)                                        |
| Total other financing sources          | -                       | 50,000       | -             | (50,000)                                        |
| <b>Net change in fund balances</b>     | 162,041                 | 128,789      | 62,772        | (16,017)                                        |
| <b>Fund Balances—Beginning of year</b> | 54,694                  | 28,308       | 28,308        | -                                               |
| <b>Fund Balances—End of Year</b>       | \$ 216,735              | \$ 157,097   | \$ 91,080     | \$ (16,017)                                     |

**Serratoga Falls Metropolitan District No. 1**  
**Schedule of Revenues, Expenditures,**  
**and Changes in Fund Balance - Actual and Budget**  
**Special Revenue Fund - Operations**  
**For the Year Ended December 31, 2025**

|                                        | <b>Budgeted Amounts</b> |                   |                   | <b>Variance</b>                    |
|----------------------------------------|-------------------------|-------------------|-------------------|------------------------------------|
|                                        | <b>Original</b>         | <b>Final</b>      | <b>Actual</b>     | <b>Favorable<br/>(Unfavorable)</b> |
| <b>Revenues</b>                        |                         |                   |                   |                                    |
| Assessment fees                        | \$ 124,975              | \$ 124,975        | \$ 125,559        | \$ 584                             |
| Operation fees                         | -                       | -                 | 1,375             | 1,375                              |
| Interest charges                       | 7,685                   | 7,685             | 8,742             | 1,057                              |
| Total Revenues                         | <u>132,660</u>          | <u>132,660</u>    | <u>135,676</u>    | <u>3,016</u>                       |
| <b>Expenditures</b>                    |                         |                   |                   |                                    |
| Irrigation system                      | 65,615                  | 79,603            | 79,603            | -                                  |
| Landscape contract                     | 4,946                   | -                 | -                 | -                                  |
| Miscellaneous                          | -                       | 3,298             | 3,298             | -                                  |
| Total Expenditures                     | <u>70,561</u>           | <u>82,901</u>     | <u>82,901</u>     | <u>-</u>                           |
| <b>Excess Revenue Over (Under)</b>     |                         |                   |                   |                                    |
| <b>Expenditures</b>                    | <u>62,099</u>           | <u>49,759</u>     | <u>52,775</u>     | <u>3,016</u>                       |
| <b>Net change in fund balances</b>     | 62,099                  | 49,759            | 52,775            | 3,016                              |
| <b>Fund Balances—Beginning of year</b> | <u>207,816</u>          | <u>207,817</u>    | <u>207,817</u>    | <u>-</u>                           |
| <b>Fund Balances—End of Year</b>       | <u>\$ 269,915</u>       | <u>\$ 257,576</u> | <u>\$ 260,592</u> | <u>\$ 3,016</u>                    |

## **Other Supplementary Information**

**Serratoga Falls Metropolitan District No. 1**  
**Schedule of Revenues, Expenditures,**  
**and Changes in Fund Balance - Actual and Budget**  
**Debt Service Fund**  
**For the Year Ended December 31, 2025**

|                                        | <b>Budgeted Amounts</b> |                     |                  | <b>Variance<br/>Favorable<br/>(Unfavorable)</b> |
|----------------------------------------|-------------------------|---------------------|------------------|-------------------------------------------------|
|                                        | <b>Original</b>         | <b>Final</b>        | <b>Actual</b>    |                                                 |
| <b>Revenues</b>                        |                         |                     |                  |                                                 |
| Property tax                           | \$ 475,336              | \$ 475,336          | \$ 363,983       | \$ (111,353)                                    |
| Specific ownership tax                 | 28,520                  | 28,520              | 29,721           | 1,201                                           |
| Interest income                        | -                       | -                   | 8,350            | 8,350                                           |
| Total Revenues                         | <u>503,856</u>          | <u>503,856</u>      | <u>402,054</u>   | <u>(101,802)</u>                                |
| <b>Expenditures</b>                    |                         |                     |                  |                                                 |
| Treasurer fees                         | 9,507                   | 7,198               | 7,198            | -                                               |
| Paying agent fees                      | 4,000                   | 7,499               | 7,499            | -                                               |
| Interest - 2023 Bonds                  | <u>490,349</u>          | <u>790,424</u>      | <u>790,424</u>   | <u>-</u>                                        |
| Total Expenditures                     | <u>503,856</u>          | <u>805,121</u>      | <u>805,121</u>   | <u>-</u>                                        |
| <b>Excess Revenue Over (Under)</b>     |                         |                     |                  |                                                 |
| <b>Expenditures</b>                    | <u>-</u>                | <u>(301,265)</u>    | <u>(403,067)</u> | <u>(101,802)</u>                                |
| <b>Net change in fund balances</b>     | -                       | (301,265)           | (403,067)        | (101,802)                                       |
| <b>Fund Balances—Beginning of year</b> | <u>-</u>                | <u>-</u>            | <u>411,553</u>   | <u>411,553</u>                                  |
| <b>Fund Balances—End of Year</b>       | <u>\$ -</u>             | <u>\$ (301,265)</u> | <u>\$ 8,486</u>  | <u>\$ 309,751</u>                               |

**Serratoga Falls Metropolitan District No. 1**  
**Schedule of Revenues, Expenditures,**  
**and Changes in Fund Balance - Actual and Budget**  
**Capital Projects Fund**  
**For the Year Ended December 31, 2025**

|                                        | <b>Budgeted Amounts</b> |                     |                    | <b>Variance</b>                    |
|----------------------------------------|-------------------------|---------------------|--------------------|------------------------------------|
|                                        | <b>Original</b>         | <b>Final</b>        | <b>Actual</b>      | <b>Favorable<br/>(Unfavorable)</b> |
| <b>Revenues</b>                        |                         |                     |                    |                                    |
| Interest income                        | \$ -                    | \$ 11               | \$ 7               | \$ (4)                             |
| Tap Fee                                | 706,822                 | -                   | -                  | -                                  |
| Other revenue                          | -                       | -                   | 240,488            | 240,488                            |
| Total Revenues                         | <u>706,822</u>          | <u>11</u>           | <u>240,495</u>     | <u>240,484</u>                     |
| <b>Expenditures</b>                    |                         |                     |                    |                                    |
| Management and Accounting              | 6,000                   | -                   | -                  | -                                  |
| Water assessments                      | -                       | -                   | 1,043,742          | (1,043,742)                        |
| Tap Fee                                | 706,822                 | -                   | -                  | -                                  |
| Bank and treasurer fees                | -                       | 216                 | 144                | 72                                 |
| Capital Projects                       | -                       | 8,694,663           | 7,650,921          | 1,043,742                          |
| Total Expenditures                     | <u>712,822</u>          | <u>8,694,879</u>    | <u>8,694,807</u>   | <u>72</u>                          |
| <b>Excess Revenue Over (Under)</b>     |                         |                     |                    |                                    |
| <b>Expenditures</b>                    | <u>(6,000)</u>          | <u>(8,694,868)</u>  | <u>(8,454,312)</u> | <u>240,556</u>                     |
| <b>Other financing sources (uses)</b>  |                         |                     |                    |                                    |
| Developer advances                     | <u>1,000,000</u>        | <u>8,694,663</u>    | <u>8,694,663</u>   | <u>-</u>                           |
| Total other financing sources (uses)   | <u>1,000,000</u>        | <u>8,694,663</u>    | <u>8,694,663</u>   | <u>-</u>                           |
| <b>Net change in fund balances</b>     | 994,000                 | (205)               | 240,351            | 240,556                            |
| <b>Fund Balances—Beginning of year</b> | <u>(244,944)</u>        | <u>(260,871)</u>    | <u>(260,871)</u>   | <u>-</u>                           |
| <b>Fund Balances—End of Year</b>       | <u>\$ 749,056</u>       | <u>\$ (261,076)</u> | <u>\$ (20,520)</u> | <u>\$ 240,556</u>                  |