FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1

Financial Statements

Year Ended December 31, 2025

with

Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Fossil Ridge Metropolitan District No. 1

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the Fossil Ridge Metropolitan District No. 1, as of December 31, 2025, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fossil Ridge Metropolitan District No. 1 and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 11 to the financial statements, the District has restated its beginning fund balance to correct an error related to the classification of certain capital assets. Certain costs previously reported as construction in progress had been either expensed or placed into service in prior periods, resulting in an overstatement of construction in progress and an understatement of depreciable capital assets and accumulated depreciation. Accordingly, beginning fund balance has been restated. Our opinion is not modified with respect to this matter.

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 Fossil Ridge Metropolitan District No. 1'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 Fossil Ridge Metropolitan District No. 1'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 Fossil Ridge Metropolitan District No. 1's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fossil Ridge Metropolitan District No. 1's basic financial statements. The supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Revenues, Expenditures and Change in Fund Balance – Capital Projects Fund, Schedule of Revenues, Expenditures and Change in Fund Balance – Reserve Study Fund, and Schedule of Revenues, Expenditures and Change in Fund Balance – Special Revenue Fund, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Littleton, Colorado
July 20, 2026

BASIC FINANCIAL STATEMENTS

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1
BALANCE SHEET/STATEMENT OF NET POSITION (DEFICIT)
GOVERNMENTAL FUNDS
December 31, 2025

Assets	General	Capital Projects	Reserve Study	Special Revenue	Total	Adjustments	Statement of Net Position
Cash and investments - unrestricted	$ 2,371,115	$ 2,238,700	$ -	$ 228,033	$ 4,837,848	$ -	$ 4,837,848
Accounts receivable - assessments	25,632	-	-	525	26,157	-	26,157
Due from District No. 2	17,221	-	-	-	17,221	-	17,221
Due from District No. 3	110,553	-	-	-	110,553	-	110,553
Due from UMB - Capital Projects	26,118	-	-	-	26,118	-	26,118
Deposits	-	5,000	-	-	5,000	-	5,000
Prepaid expenditures	75,265	-	-	-	75,265	-	75,265
Capital assets not being depreciated	-	-	-	-	-	10,527,718	10,527,718
Capital assets, net of accumulated depreciation	-	-	-	-	-	11,106,746	11,106,746
Total Assets	$ 2,625,904	$ 2,243,700	$ -	$ 228,558	$ 5,098,162	$ 21,634,464	$ 26,732,626
Liabilities							
Accounts and retainage payable	$ 248,273	$ 4,558	$ -	$ 16,306	$ 269,137	$ -	$ 269,137
Prepaid assessments	11,391	-	-	300	11,691	-	11,691
Deposits	8,390	-	-	-	8,390	-	8,390
Total Liabilities	268,054	4,558	-	16,606	289,218	-	289,218
Non-spendable:							
Prepaid expenditures	75,265	-	-	-	75,265	(75,265)	-
Deposits	-	5,000	-	-	5,000	(5,000)	-
Restricted:							
Emergency reserve	62,600	-	-	-	62,600	(62,600)	-
Assigned:							
Capital projects	-	2,234,142	-	-	2,234,142	(2,234,142)	-
Special revenue	-	-	-	211,952	211,952	(211,952)	-
Unrestricted:							
Unassigned	2,219,985	-	-	-	2,219,985	(2,219,985)	-
Total Fund Balances	2,357,850	2,239,142	-	211,952	4,808,944	(4,808,944)	-
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 2,625,904	$ 2,243,700	$ -	$ 228,558	$ 5,098,162		
Net Position (Deficit)							
Net investment in capital assets						21,634,464	21,634,464
Restricted for:							
Emergencies						62,600	62,600
Unrestricted						4,746,344	4,746,344
Total Net Position (Deficit)						$ 26,443,408	$ 26,443,408

The notes to the financial statements are an integral part of these statements.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2025

	General	Capital Projects	Reserve Study	Special Revenue	Total	Adjustments	Statement of Activities
Expenditures							
Property management	$ 82,800	$ -	$ -	$ -	$ 82,800	$ -	$ 82,800
Accounting and audit	92,198	-	-	-	92,198	-	92,198
District management	31,178	-	-	-	31,178	-	31,178
District office administration	15,451	-	-	-	15,451	-	15,451
Elections	25,309	-	-	-	25,309	-	25,309
County treasurer fees	40	-	-	-	40	-	40
Dues and memberships	1,237	-	-	-	1,237	-	1,237
Insurance	69,736	-	-	-	69,736	-	69,736
Legal	105,696	-	-	-	105,696	-	105,696
Website	11,368	-	-	-	11,368	-	11,368
Miscellaneous	596	-	-	-	596	-	596
Grounds	589,506	-	-	-	589,506	-	589,506
Retreat expenses	334,150	-	-	-	334,150	-	334,150
Utilities	199,952	-	-	-	199,952	-	199,952
Sewer operations	525,853	-	-	-	525,853	-	525,853
Maintenance and repairs	-	-	-	77,698	77,698	523,809	601,507
Capital improvements	-	987,717	-	-	987,717	(987,717)	-
Depreciation	-	-	-	-	-	682,247	682,247
2025 Bond payout to Brookfield	23,500,000	-	-	-	23,500,000	(23,500,000)	-
Total Expenditures	25,585,070	987,717	-	77,698	26,650,485	(23,281,661)	3,368,824
Program Revenues							
Homeowner assessments	1,767,990	-	-	-	1,767,990	-	1,767,990
Sewer service fees	381,380	-	-	-	381,380	-	381,380
Sewer operations fees	132,578	-	-	-	132,578	-	132,578
Property tax - delinquent accounts	4,052	-	-	-	4,052	-	4,052
Sewer administration fees	-	5,742	-	-	5,742	-	5,742
Storm drainage fees	-	16,500	-	-	16,500	-	16,500
System development fees	-	150,150	-	-	150,150	-	150,150
Maintenance fees	-	-	-	88,760	88,760	-	88,760
Amenity user fees	107,150	-	-	-	107,150	-	107,150
Late and legal fees	8,347	-	-	-	8,347	-	8,347
Miscellaneous	909	2,605	-	-	3,514	-	3,514
Reimbursements - Brookfield	-	343,270	-	-	343,270	-	343,270
Total Program Revenues	2,402,406	518,267	-	88,760	3,009,433	-	3,009,433
General Revenues							
Transfer from District No. 2	273,997	-	-	-	273,997	-	273,997
Transfer from District No. 3	476,000	-	-	-	476,000	-	476,000
Transfer from District No. 3 Bond	23,500,000	-	-	-	23,500,000	-	23,500,000
Interest	135,564	39,230	-	-	174,794	-	174,794
Total General Revenues	24,385,561	39,230	-	-	24,424,791	-	24,424,791
Excess of Revenues Over (Under) Expenditures	1,202,897	(430,220)	-	11,062	783,739	23,281,661	24,065,400
Special Item							
Developer Contributions related to Developer Settlement Agreement	-	-	-	-	-	51,768,528	51,768,528
Other Financing Sources (Uses)							
Transfers (to) from other funds	(552,490)	2,049,150	(1,617,355)	120,695	-	-	-
Total Other Financing Sources (Uses)	(552,490)	2,049,150	(1,617,355)	120,695	-	-	-
Changes in Fund Balances	650,407	1,618,930	(1,617,355)	131,757	783,739	(783,739)	-
Change in Net Position (Deficit)	-	-	-	-	-	75,833,928	75,833,928
Fund Balances/Net Position (Deficit)							
Beginning of year, as restated	1,707,443	620,212	1,617,355	80,195	4,025,205	(53,415,725)	(49,390,520)
End of Year	$ 2,357,850	$ 2,239,142	$ -	$ 211,952	$ 4,808,944	$ 21,634,464	$ 26,443,408

The notes to the financial statements are an integral part of these statements.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2025

	Original and Final Budget	Actual Amounts	Variance Favorable (Unfavorable)
Revenues			
Homeowner assessments	$ 1,769,600	$ 1,767,990	$ (1,610)
Sewer service fees	340,200	381,380	41,180
Sewer operations fees	126,000	132,578	6,578
Property tax - delinquent accounts	4,879	4,052	(827)
Amenity user fee	60,000	107,150	47,150
Transfer from District No. 2	273,997	273,997	-
Transfer from District No. 3	476,000	476,000	-
Late and legal fee income	5,000	8,347	3,347
Interest	80,000	135,564	55,564
Miscellaneous	-	909	909
Total Revenues	3,135,676	3,287,967	152,291
Expenditures			
Accounting	100,000	70,241	29,759
Audit Preparation	28,000	11,657	16,343
Audit	10,300	10,300	-
District management	50,000	31,178	18,822
District office administration	13,000	15,451	(2,451)
Election	15,000	25,309	(10,309)
County treasurer fees	150	40	110
Legal - general	25,000	35,047	(10,047)
Legal - litigation	600,000	55,104	544,896
Legal - consolidation	-	15,545	(15,545)
Dues and memberships	1,500	1,237	263
Insurance	70,000	69,736	264
Property and community management	82,800	82,800	-
Website	8,000	11,368	(3,368)
Miscellaneous	10,000	596	9,404
Grounds	441,500	589,506	(148,006)
Retreat expenses	351,800	334,150	17,650
Utilities	197,700	199,952	(2,252)
Sewer operations	466,200	525,853	(59,653)
Emergency reserves	74,200	-	74,200
Total Expenditures	2,545,150	2,085,070	460,080
Excess of Revenues over Expenditures	590,526	1,202,897	612,371
Other Financing Sources (Uses)			
Transfer to Other Funds	(431,795)	(552,490)	(120,695)
Total Other Financing Sources (Uses)	(431,795)	(552,490)	(120,695)
Net Change in Fund Balance	158,731	650,407	491,676
Beginning Fund Balance	1,410,299	1,707,443	297,144
Ending Fund Balance	$ 1,569,030	$ 2,357,850	$ 788,820

The notes to the financial statements are an integral part of these statements.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUND
For the Year Ended December 31, 2025

	Original and Final Budget	Actual Amounts	Variance Favorable (Unfavorable)
Revenues			
Maintenance fees			
Private Access Area No. 1	$ 15,600	$ 15,310	$ (290)
Townhome Area No. 3 - 15	14,620	14,620	-
Townhome Area No. 3 - 16N	20,300	20,300	-
Townhome Area No. 3 - 165	29,400	29,400	-
PAA #2 (Brookfield Share)	3,000	-	(3,000)
PAA #3 F15 (Brookfield Share)	16,000	5,160	(10,840)
PAA #3 F16N (Brookfield Share)	14,000	1,450	(12,550)
PAA #3 F16S (Brookfield Share)	16,000	2,520	(13,480)
Total Revenues	128,920	88,760	(40,160)
Expenditures			
Maintenance and repairs			
Private Access Area No. 1	15,000	12,293	2,707
Townhome Area No. 3 - 15	14,000	13,266	734
Townhome Area No. 3 - 16N	18,000	9,286	8,714
Townhome Area No. 3 - 165 Fee	25,000	14,189	10,811
PAA #2 (Brookfield Share)	3,000	2,360	640
PAA #3 F15 (Brookfield Share)	16,000	12,594	3,406
PAA #3 F16N (Brookfield Share)	14,000	5,299	8,701
PAA #3 F16S (Brookfield Share)	16,000	8,411	7,589
Total Expenditures	121,000	77,698	43,302
Excess of Expenditures (Over) Under Revenues	7,920	11,062	3,142
Other Financing Sources			
Transfer from General Fund	-	120,695	120,695
Total Other Financing Uses	-	120,695	120,695
Net Change in Fund Balance	7,920	131,757	123,837
Beginning Fund Balance	115,667	80,195	(35,472)
Ending Fund Balance	$ 123,587	$ 211,952	$ 88,365
Private Access Area No. 1		$ 20,947	
Private Access Area No. 2		50,308	
PAA #2 (Brookfield Share)		(1,250)	
PAA #3 F15 (Brookfield Share)		2,763	
PAA #3 F16N (Brookfield Share)		725	
PAA #3 F16S (Brookfield Share)		1,282	
Townhome Area No. 3 - 15		17,635	
Townhome Area No. 3 - 16N		44,714	
Townhome Area No. 3 - 165		74,828	
		$ 211,952	

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1
Notes to Financial Statements
December 31, 2025

Note 1:

Summary of Significant Accounting Policies

The accounting policies of the Fossil Ridge Metropolitan District No. 1 (District), located in Jefferson County, Colorado, conform to the accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District was organized October 10, 2006, as a quasi-municipal corporation and political subdivision of the State of Colorado pursuant to the Colorado Special District Act. At the time of organization, Fossil Ridge Metropolitan District No. 2 (District No. 2) and Fossil Ridge Metropolitan District No. 3 (District No. 3) were also organized (collectively, the Districts). All three Districts are governed by the same Service Plan (as amended by the Second Amended and Restated Service Plan approved by the City of Lakewood on August 27, 2007), which provides that the District is the Operating District and District No. 2 and District No. 3 are the Taxing Districts. The Taxing Districts are to provide funding to the Operating District for the construction, operation and maintenance of various public improvements and the Operating District is expected to manage such construction, operation and maintenance. The Operating District's primary revenues are homeowner assessments, various fees, developer advances and transfers from the Taxing Districts. The District is governed by an elected board of directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. The pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by GASB.

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

Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 – Special Purpose Governments.

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the governmental funds statement of revenues, expenditures and changes in fund balance/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation
The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the time of the related cash flows. Property taxes are recognized as revenues in the year for which they are collected.

Government fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-time obligation is paid.

The District reports the following major governmental funds:

General Fund – the General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

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 or construction of capital facilities and other assets.

Reserve Study Fund – the Reserve Study Fund is used to account for all financial resources that are restricted, committed or assigned for repairs and maintenance of existing District assets.

Special Revenue Fund – the Special Revenue Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for designated maintenance costs.

Budgetary Accounting

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with the Local Government Budget Law of Colorado, the District's board of directors holds a public hearing in the fall of each year to approve the budget and appropriate the funds for the ensuing year. 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 public notification and hearing requirements. The appropriation is at the total fund expenditures level and lapses at year end. For the year ended December 31, 2025, supplementary appropriations approved by the District's board of directors modified the appropriation in the Capital Projects Fund from $587,500 to $994,770.

Assets, Liabilities and Net Position

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2025, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value.

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

Deferred Outflow/Inflows of Resources

In addition to assets, the statement of financial 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 that time. The District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable using the straight-line method. Depreciation on the property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated.

Property, plant and equipment are depreciated using the straight-time method over the following estimated useful lives:

Recreation center	25 years
Equipment	5-7 years
Sanitation	40 years

Interfund Balances

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/due from other funds. These amounts are eliminated in the Statement of Net Position.

Estimates

The preparation of these financial statements in conformity with GAAP requires the District's management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property Taxes

Property taxes are levied by a special district's board of directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of that 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 County Treasurer remits the taxes collected monthly to the special district.

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

There are only 53 residential properties within the District's jurisdictional boundaries, all of which are also within the jurisdictional boundaries of either District No. 2 or District No. 3. Because the residential properties are already being assessed property taxes by either District No. 2 or District No. 3, the District does not assess a property tax against the residences.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Fund Balance

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact.

The nonspendable fund balance in the General Fund in the amount of $75,265 represents $75,265 in prepaid expenditures.

The nonspendable fund balance in the Capital Projects Fund in the amount of $5,000 represents a deposit.

Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the General Fund represents emergency reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of $62,600 of the General Fund balance has been reserved in compliance with this requirement.

Committed Fund Balance

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

Assigned Fund Balance

Assigned fund balance includes amounts the District intends to use for a specific purpose. Intent can be expressed by the District's board of directors or by an official or body to which the board of directors delegates the authority.

The District had established a Reserve Study Fund related to repairs and maintenance of existing District assets. Beginning in 2025, the District's board of directors approved to close the Reserve Study Fund and move the expenditures to the General Fund or Capital Fund based on capitalization policy. Therefore, the Reserve Study Fund at the end of 2025 has an assigned fund balance of $0.

The District has established a Capital Projects Fund for the expenditures of funds for capital projects. The assigned reserve fund balance at the end of 2025 was $2,234,142.

The District has established a Special Revenue Fund related to the collection and expenditures of funds for designated maintenance costs. The assigned special revenue fund balance at the end of 2025 was $211,952.

Unassigned Fund Balance
Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

Net Position
Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District can 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 or resources related to those assets. As of December 31, 2025, the District had a net investment in capital assets of $21,634,464.

Restricted net position – net position is considered restricted if their 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. As of December 31, 2025, the District had $62,600 restricted for emergency reserves.

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 the purposes for which both restricted and unrestricted net position are available, the District will use the most restrictive net position first.

Note 2:

Cash and Investments
As of December 31, 2025, cash and investments are classified in the accompanying statement of net position as follows:

Cash and investments – unrestricted	$ 4,837,848
Total	$ 4,837,848

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

Deposits with financial institutions	$ 217,108
Investments – COLOTRUST	4,620,740
Total	$ 4,837.848

Deposits:

Custodial Care Risk

The Colorado Public Deposit Protection Act, (PDPA) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. 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 is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

The District follows state statutes for deposits. None of the District's deposits were exposed to custodial credit risk. At December 31, 2025 the District's cash deposits had a bank balance of $313,465 and a carrying balance of $217,108.

Investments:

Investment Valuation

Certain investments are measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's investments are not required to be categorized within the fair value hierarchy.

Credit Risk

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts and local government investment pools.

Custodial and Concentration of Credit Risk

None of the District's investments are subject to custodial or concentration of credit risk.

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the board of directors.

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

COLOTRUST

During 2025, the District invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing Colotrust. The District invested in COLOTRUST PLUS+ Colotrust records its investments at fair value and the District records its investments in Colotrust using the net asset value method. COLOTRUST PLUS+ operates similarly to a money market fund and each share is equal in value to $1.00. There are no unfunded commitments, the redemption period frequency is daily and there is no redemption notice period. Both portfolios may invest in U.S. Treasury securities, federal instrumentality and agency securities, repurchase agreements and tri-party repurchase agreements, collateralized bank deposits and government money market funds. COLOTRUST PLUS+ may also invest in corporate bonds and highest rated commercial paper.

A designated custodial bank serves as custodian for Colotrust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for Colotrust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by Colotrust. COLOTRUST PLUS+ are rated AAAm by S&P Global Ratings with a weighted average maturity of under 60 days. At December 31, 2025, the District had $4,620,740 invested in COLOTRUST PLUS+.

Note 3:

Capital Assets

The capital assets under the construction in progress were restated at the beginning of 2025. An analysis of the changes in capital assets for the year ended December 31, 2025 follows:

Governmental Type Activities	Restated Balance 1/1/2025	Transfers/ Additions	Transfers/ Deletions	Balance 12/31/2025
Capital assets not being depreciated:				
Construction in progress	$ -	$ 364,300	$ 248,562	$ 115,738
Parks and recreation	10,411,980	-	-	10,411,980
Total capital assets not being depreciated:	10,411,980	364,300	248,562	10,527,718
Capital assets being depreciated:				
Recreation center and equipment	9,219,712	348,170	-	9,567,882
Sanitation	9,943,782	-	-	9,943,782
Total capital assets being depreciated:	19,163,494	348,170	-	19,511,664
Less accumulated depreciation:				
Recreation center	5,480,743	433,652	-	5,914,395
Sanitation	2,241,928	248,595	-	2,490,523
Total accumulated depreciation:	7,722,671	682,247	-	8,404,918
Net capital assets being depreciated:	11,440,823	(334,077)	-	11,106,746
Government type assets, net	$ 21,852,803	$ 30,223	$ 248,562	$ 21,634,464

Upon completion and acceptance, all fixed assets except for the recreation center, sanitation, parks and landscaping will be conveyed by the District to other local governments. The District will not be responsible for maintenance except as noted in the First Amended and Restated Intergovernmental Agreement Between The City of Lakewood and Fossil Ridge Metropolitan District No. 1 Relating to Maintenance.

Note 4:

Long-Term Obligations

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

	Balance 1/1/2025	Additions	Retirements/ Refunding	Balance 12/31/2025	Current Portion
Other obligations:					
Developer advances					
Capital - principal	$ 56,649,346	$ -	$ 56,649,346	$ -	$ -
Capital - interest	17,149,528	-	17,149,528	-	-
Operations - principal	808,257	-	808,257	-	-
Operations - interest	661,397	-	661,397	-	-
Total	$ 75,268,528	$ -	$ 75,268,528	$ -	$ -

A description of long-term obligations as of December 31, 2025, is as follows:

Reimbursement of Developer Loan and Public Infrastructure Acquisition Agreement
On May 13, 2008, the District and Carma Lakewood LLC entered into a Reimbursement of Developer Loan and Public Infrastructure Acquisition Agreement (Loan Agreement). On December 6, 2011 Carma Lakewood LLC, Solterra LLC and the District entered into an Assignment of Reimbursement of Developer Loan and Public Infrastructure Acquisition Agreement, by which Carma Lakewood LLC assigned all of its rights and delegated all of its duties under the Loan Agreement to Solterra LLC (Developer or Solterra LLC).

The Loan Agreement provides for the advancement by the Developer of certain monies for capital improvements and operating and maintenance costs for an amount not to exceed $91,000,000. The Loan Agreement also provides that the Developer may construct public improvements and transfer them to the District (or to a third party at the District's direction). The Loan Agreement expressly limits the District's obligation to repay the Developer for cash advances, or the value of public improvements constructed, to bond proceeds. The Districts are responsible for determining when bonds should be issued, based on

economic factors. The District's board of directors may, in its sole discretion, use other legally available funds to repay Developer advances. The Developer's cash advances bear interest at a rate of 6% per annum from the date of the advance. With respect to public improvements constructed by the Developer, interest at the rate of 6% per annum will begin accruing when all of the following criteria have been met: a) the District has provided notice of acceptance to the Developer; b) the notice also states that the District does not have funds at such time to pay the purchase price as defined in the Loan Agreement; and, c) the Developer has provided a bill of sale and otherwise satisfied the District's conditions for the District to acquire the public improvements. The repayment obligations by the District constitute a multiple fiscal year financial obligation and normally would be subject to annual appropriation; however, the District's eligible electors previously authorized this multiple fiscal year financial obligation, so it is not subject to annual appropriation. That said, as discussed above, the repayment obligation is restricted to bond proceeds.

On January 22, 2025, the District and the Developer entered into a Settlement Agreement and Mutual Release to fully resolve litigation explained in Note 8. As a result of the settlement, District No. 3 issued Bonds in an amount sufficient to make a net payment to the Developer in the amount of $23,500,000 and the obligation to the Developer was considered to be settled in full. The remaining $51,768,528 was recognized as a Special Item in the current year.

Joint Funding and Capital Pledge Agreement

In 2009 and 2014 the District entered into Joint Funding Agreements with the Taxing Districts for the purpose of providing for the payment of debt in the District and District No. 3. In connection with the 2020 issuance of District No. 3's refunding and improvement bonds, on October 29, 2020, the Districts entered into a termination of pledge agreement, terminating the 2009 and 2014 Joint Funding Agreements. On October 29, 2020, the District entered into a Joint Funding and Capital Pledge Agreement (2020 Joint Funding Agreement) with the Taxing Districts. Whereas the 2009 Joint Funding Agreement, as amended, contemplated that any subsequent debt obligations secured by ad valorem property taxes would be issued by the District, the Districts subsequently determined that it would be in the best interest of the Districts, the residents and the taxpayers thereof: (i) for such indebtedness to be issued by District No. 3, (ii) for such indebtedness be payable from such ad valorem property taxes and specific ownership taxes of the Taxing Districts for the purpose of prepaying in full the District's Series 2010 Bonds, District No. 3's Series 2014 Bonds and Series 2016 Bonds, and financing or reimbursing an additional portion of improvements funded by the District.

Under the 2020 Joint Funding Agreement, the Taxing Districts are obligated to provide for the payment to District No. 3's trustee of certain property taxes and specific ownership taxes collected for the purpose of paying debt service on District No. 3's Series 2020 Bonds and Series 2025 Bonds.

Debt Authorization

As of December 31, 2025, the District had remaining voted debt authorization of approximately $647,255,000. The District did not issue new debt during 2025. Per the District's Service Plan, the District, in combination with the Taxing Districts, cannot issue more than $91 million in revenue debt, of which $70 million of such authorization may be allocated to general obligation debt. As of December 31, 2025, the Districts have issued $64,395,000 in general obligation debt, the proceeds of which $60,417,634 were paid to the Developer, $1,977,366 were paid for bond issuance cost and $2,000,000 were set up in an Improvement Project Fund.

Note 5:

District Agreements

Master Intergovernmental Agreement

On January 8, 2008, the District entered into a Master Intergovernmental Agreement (Master IGA) with the Taxing Districts. Per the Master IGA, the District is to construct, own, and operate the facilities, and to provide certain maintenance services to the facilities, for the benefit of the residents within the Districts' boundaries. Subject to the limitations of the Service Plan, the Districts are to pay the costs related to the construction, operation, and certain maintenance services of such facilities, including the payment of eligible costs owed the Developer from the proceeds of bonds issued to finance such facilities. In addition, and subject to the limitations of the Service Plan, the costs for certain administrative, operational, and maintenance services are paid from homeowner assessments and various fees, and the Taxing Districts' annual certification of a mill levy. At December 31, 2025, the total *ad valorem* property tax for each of the Taxing Districts was 37.5 mills. The IGA also sets forth certain provisions pertaining to the processes for payment of capital, operations, and maintenance costs, review of budgets and project plans, execution of construction contracts, administrative management, establishment of user fees and the transfers of funds between the Districts.

IGA with Green Mountain Water and Sanitation District – Extra-territorial Sewer Service

On January 15, 2008, the District entered into an Intergovernmental Agreement for Extra-territorial Sewer Service with the Green Mountain Water and Sanitation District (Green Mountain). The purpose of this agreement is to outline the responsibilities associated with the design and construction of the sewer system within the Districts as well as the collection of the associated system development fees and the billing for the ongoing sewer service. In 2014, the District and Green Mountain entered into an Amended and Restated Intergovernmental Agreement for Extra-Territorial Sewer Service which, among other things, provided for the collection of the system development fee payments.

IGA with Green Mountain Water and Sanitation District – Sewer System Maintenance and Repair

On September 19, 2008, the District entered into an Intergovernmental Agreement for Maintenance and Repair of Sewer System with Green Mountain. Under the agreement, Green Mountain will perform the maintenance and repair services and the District will compensate Green Mountain monthly based on a mutually agreed upon rate schedule. In 2018, the District and Green Mountain entered into a First Amendment to the Intergovernmental Agreement for Maintenance and Repair of the Sewer System, which amendment updated Green Mountain's rate schedule and adjusted the scope of the services Green Mountain will provide.

IGA with the City of Lakewood – Maintenance

On April 22, 2008, the District entered into an Intergovernmental Agreement Relating to Maintenance with the City of Lakewood (Lakewood). The purpose of this agreement is to set forth the obligations of and the benefits to both parties in relation to the maintenance activities within the District. Lakewood's responsibilities will be comparable to its maintenance of other similar improvements throughout the city. This agreement terminates on December 31 of each year and automatically renews for successive one-year periods. On September 12, 2016, this agreement was amended by the First Addendum to First Amended and Restated Intergovernmental Agreement between the City of Lakewood and Fossil Ridge Metropolitan District No. 1 Relating to Maintenance. This Addendum relates only to the provisions pertaining to sign posts and frames within the District.

Note 6:

Tax, Spending and Debt Limitations

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments. Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

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.

On November 7, 2006, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

Note 7:

Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool (Pool) which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate.

The District pays annual premiums to the Pool for auto, public officials' liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Note 8:

Developer Lawsuit on General Obligation Bonds and Maintenance of Improvements

In 2005, Carma Lakewood LLC ("***Carma***") commenced development of a residential community called "Solterra", which is located in the City of Lakewood. To finance and construct the public improvements within Solterra, Carma organized the District in 2005. At the same time, Carma also organized Fossil Ridge Metropolitan District No. 2 and Fossil Ridge Metropolitan District No. 3 (collectively, the "***Taxing Districts***", and with the District, the "***Districts***"). The primary purpose of the Taxing Districts was to generate tax revenue to pay the principal and interest on all general obligation debt would be issued to fund certain public improvements.

In the fall of 2006, the Districts' voters authorized the Districts to issue up to $70,000,000 in general obligation debt (i.e., general obligations bonds ("***Bonds***")). On May 13, 2008, the District and Carma entered into a Reimbursement of Developer Loan and Public Infrastructure Acquisition Agreement ("***Loan Agreement***"). On December 6, 2011, Carma, Solterra LLC, and the District entered into an agreement that assigned all of Carma's rights and delegated all of its duties under the Loan Agreement to Solterra LLC ("***Developer***").

Prior to December 2022, the Districts had issued $38,130,000 in Bonds, the proceeds of which were paid to the Developer. The Districts were authorized to issue up to an additional

$31,870,000 in Bonds. On December 6, 2022, the Developer filed a lawsuit against the Districts in the District Court for Jefferson County, Case No. 2022CV31409. Solterra filed a First Amended Complaint and Jury Demand ("***Complaint***") on February 8, 2023, asserting claims against the District(s) for breach of the Loan Agreement, declaratory relief regarding the Districts' Repayment Obligation, breach of the Loan Agreement regarding maintenance, breach of the covenant of good faith and fair dealing, unjust enrichment, and promissory estoppel (collectively, the "***Claims***"). Solterra asserted it is owed at least $31.87 million from the Districts under the Loan Agreement.

The Districts filed their Answer and Counterclaims on November 10, 2023. The Districts asserted the following counterclaims against the Developer: a) declaratory judgment as to how much, if any, the District still owed the Developer; b) declaratory judgment as to the Districts' discretion in determining if and when to bond; c) declaratory judgment that the Developer must repair and maintain certain public infrastructure that had never been accepted by the District; d) an accounting from the Developer as to alleged costs incurred to build public infrastructure; e) breach of contract for failing to follow applicable acceptance procedures; f) unjust enrichment based on the Districts having to fund local public improvements that were required to be privately funded by the Developer; g) breach of the duty of good faith and fair dealing based on the Developer unilaterally deeding property to the District to avoid contractual acceptance obligations; and, h) breach of the duty of good faith and fair dealing in causing the Developer board members to resign from the Districts' boards, including conspiracy and aiding and abetting claims related to the same.

On January 22, 2025, the parties entered into a Settlement Agreement and Mutual Release to fully resolve this matter ("***Settlement Agreement***"). Among other terms of the settlement, one or more of the Districts were required to issue Bonds in an amount sufficient to make a net payment to the Developer in the amount of $23,500,000. On April 10, 2025, District No. 3 issued Bonds in an amount that was sufficient to pay the Developer the $23,500,000. The Developer and the Districts promptly filed with the Court a Stipulation for Dismissal with Prejudice, which the Court granted on April 17, 2025. The litigation was fully and finally resolved by the Court's April 17 Order. As a result of the settlement, the Developer's receivable obligation previously recorded was fully written off in the prior year and all developer obligations were satisfied in the current year. See Note 4.

Developer Lawsuit to Enforce Service Plan

On February 17, 2023, the Developer filed a motion in the District Court for Jefferson County, Case No. 2005CV003044, to enforce the Districts' Service Plan ("***Motion***") against both the Districts and Green Mountain Water and Sanitation District ("***GMWSD***"), arguing that the District and GMWSD unilaterally modified the Districts' Service Plan by failing and/or refusing to agree to provide sewer service to the Developer's filings 18, 20, and 21 within the Solterra development, which were not yet occupied and/or built out.

On March 21, 2023, the Districts responded to the Developer's Motion, arguing that the Districts' Service Plan contemplates that sewer service would be provided through the

District's Intergovernmental Agreement with GMWSD and, as such, GMWSD is the party responsible for providing the service. A two-day evidentiary hearing was held on October 9-10, 2023. On October 14, 2023, the Court issued an Order denying the Developer's Motion. On November 17, 2023, the Developer appealed the Court's Order to the Colorado Court of Appeals, Case No. 2023CA1990. The Districts filed their Answer Brief on July 26, 2024.

On November 26, 2024, the parties signed a Settlement Agreement. Among other things, the Settlement Agreement required GMWSD to issue certificates for providing sewer service in Filings 18, 20 and 21 as they are built out. On November 27, 2024, the parties filed a Joint Notice of Settlement, Motion to Vacate Oral Argument, and Stay of Appeal Pending Completion of Settlement, which the Court granted.

On January 16, 2025, the Parties filed a Stipulation for Dismissal with Prejudice, which the Court granted on January 22, 2025, fully resolving the matter.

Developer Lawsuit for Allegedly Failing to Provide Sewer Service

On April 24, 2024, the Developer filed a separate civil action in the Jefferson County District Court, Case No. 2024CV30589, against the Districts and GMWSD asserting the following claims based on the same facts the Court considered in ruling against the Developer in the lawsuit discussed above: unjust enrichment, promissory estoppel, breach of contract, and alleged violations of the Colorado and United States Constitutions.

On June 20, 2024, GMWSD filed a Motion to Dismiss the lawsuit with prejudice on the grounds that a) the claims are barred by either issue preclusion or claim preclusion; b) the claims fail to plausibly allege a claim; and c) the claims are barred by a failure to comply with the relevant provisions of sovereign immunity. On June 28, 2024, the Districts filed a similar Motion to Dismiss. On or about August 13, 2024, the Court denied GMWSD and the Districts' Motions to Dismiss and the case proceeded through various Court procedures, with a jury trial set to begin on March 4, 2025.

On November 26, 2024, the parties signed a Settlement Agreement. On January 16, 2025, the Parties filed a Stipulation for Dismissal with Prejudice, which the Court granted on January 17, 2025, fully resolving the matter.

Note 9:

Reconciliation of Government-Wide Financial Statements with Fund Financial Statements

The Government Funds Balance Sheet/Statement of Net Position includes an adjustments column. The adjustments have the following elements:

1) Capital improvements used in government activities are not financial resources and, therefore are not reported in the funds; and,

The Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance/Statement of Activities includes an adjustments column. The adjustments have the following elements:

1) Governmental funds report capital outlays as expenditures; however, in the statement of activities, the costs of those assets are held as construction in progress pending transfer to other governmental entities or depreciated over their useful lives;

Note 10:

Subsequent Events

Management has evaluated subsequent events through July 13th, 2026 and no material events were identified requiring disclosure.

Note 11:

Correction of Error

During the year ended December 31, 2025, the District determined that the assets classified as construction in progress were actually completed or should be expensed. Therefore, construction in progress assets were overstated by $26,561,590, capital assets were understated by $8,591,005 and depreciation was understated by $1,788,703.
The effect of correcting that error is shown in the table below.

	12/31/2024 Net Position as Previously Reported	Error Correction	12/31/2024 Net Position as Restated
Government-Wide			
Governmental Activities	$ (29,631,231)	$(19,759,238)	$ (49,390,469)
Total Primary Government	$ (29,631,231)	$(19,759,238)	$ (49,390,469)

SUPPLEMENTAL INFORMATION

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual Amounts	Variance Favorable (Unfavorable)
Revenues				
Development fees	$ -	$ 150,150	$ 150,150	$ -
Storm drainage fees	-	16,500	16,500	-
Administrative set up fee	-	5,742	5,742	-
Miscellaneous	-	2,605	2,605	-
Transfer from FRMD #3 (IPF)	-	343,270	343,270	-
Interest	40,000	39,230	39,230	-
Total Revenues	40,000	557,497	557,497	-
Expenditures				
Engineering	50,000	50,000	21,030	28,970
Capital improvements - Retreat				
Roof repair	10,000	10,000	-	10,000
HVAC/Water heater replacement	15,000	15,000	11,266	3,734
Bathroom upgrade	8,500	8,500	7,218	1,282
Capital improvements - Pool				
Pool repairs	120,000	120,000	119,415	585
Pool tiles	-	4,000	3,702	298
Pool pumps and equipment	15,000	15,000	-	15,000
Concrete lifting	20,000	20,000	4,640	15,360
Capital improvements - Common area				
Irrigation controllers/computer	114,000	114,000	111,061	2,939
Wall repairs	25,000	25,000	23,478	1,522
Stamped concrete repairs	15,000	15,000	-	15,000
Signs	20,000	20,000	16,197	3,803
Hardscape repairs	25,000	25,000	-	25,000
Emergency tributary repairs (Brookfield)	25,000	25,000	-	25,000
Emergency tributary repairs (Brookfield - reim)	(25,000)	(25,000)	-	(25,000)
Other common area repairs	25,000	25,000	16,715	8,285
Capital improvements - Other				
Trees, shrubs and grasses F 1-12	100,000	145,000	271,545	(126,545)
Trees, shrubs and grasses F 13-15 (Brookfield)	175,000	175,000	-	175,000
Trees, shrubs and grasses F 13-15 (Brookfield - reim)	(175,000)	(175,000)	-	(175,000)
Capital expenditures	25,000	40,000	38,180	1,820
Capital - IPF assets	-	343,270	343,270	-
Total Expenditures	587,500	994,770	987,717	7,053
Other Financing Sources				
Transfer from Other Fund	431,795	2,049,150	2,049,150	1,617,355
Total Other Financing Uses	431,795	2,049,150	2,049,150	1,617,355
Net Change in Fund Balance	(115,705)	1,611,877	1,618,930	1,624,408
Beginning Fund Balance	1,980,398	620,212	620,212	2,600,610
Ending Fund Balance	$ 1,864,693	$ 2,232,089	$ 2,239,142	$ 4,225,018