

**Promontory Metropolitan District No. 1
Adams County, Colorado**

FINANCIAL STATEMENTS

With Independent Auditor's Report

December 31, 2025

Promontory Metropolitan District No. 1

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Promontory Metropolitan District No. 1
Adams County, Colorado

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2025, and the respective changes in financial position thereof, 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk 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 judgement, 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 to those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplemental 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 supplemental information as identified in the table of contents is presented for the purposes of additional analysis and legal compliance 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Fiscal Focus Partners, LLC

Arvada, Colorado
March 20, 2026

BASIC FINANCIAL STATEMENTS

Promontory Metropolitan District No. 1
STATEMENT OF NET POSITION
December 31, 2025

	Governmental Activities
Assets	
Cash and investments	\$ 1,792,358
Cash with County Treasurer	3,338
Due from other governments	30,295
Prepaid expense	6,641
Property taxes receivable	751,145
Capital assets, not being depreciated	8,164,019
Total Assets	10,747,796
Liabilities	
Accounts payable	3,464
Total Liabilities	3,464
Deferred Inflow of Resources	
Property tax revenue	751,145
Total Deferred Inflow of Resources	751,145
Net Position	
Net investment in capital assets	8,164,019
Restricted for:	
Emergencies	44,000
Unrestricted	1,785,168
Total Net Position	\$ 9,993,187

The accompanying Notes to Financial Statements are an integral part of these statements.

Promontory Metropolitan District No. 1
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2025

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
Functions/Programs:	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary government					
General government	\$ 132,330	\$ -	\$ 30,295	\$ -	\$ (102,035)
Total primary government	<u>\$ 132,330</u>	<u>\$ -</u>	<u>\$ 30,295</u>	<u>\$ -</u>	<u>(102,035)</u>
General Revenues:					
					916,901
					419,065
					50,475
					18,450
					<u>1,404,891</u>
					1,302,856
					<u>8,690,331</u>
					\$ 9,993,187

The accompanying Notes to Financial Statements are an integral part of these statements.

Promontory Metropolitan District No. 1

**BALANCE SHEET
GOVERNMENTAL FUNDS**

December 31, 2025

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Assets			
Cash and investments	\$ 1,791,894	\$ 464	\$ 1,792,358
Due from other governments	30,295	-	30,295
Receivable - County Treasurer	3,338	-	3,338
Prepaid expense	6,641	-	6,641
Property taxes receivable	751,145	-	751,145
Total Assets	<u>2,583,313</u>	<u>464</u>	<u>2,583,777</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities			
Accounts payable	<u>3,464</u>	<u>-</u>	<u>3,464</u>
Total Liabilities	<u>3,464</u>	<u>-</u>	<u>3,464</u>
Deferred Inflows of Resources			
Property tax revenue	<u>751,145</u>	<u>-</u>	<u>751,145</u>
Total Deferred Inflows of Resources	<u>751,145</u>	<u>-</u>	<u>751,145</u>
Fund Balances			
Nonspendable	6,641	-	6,641
Restricted for:			
Emergencies	44,000	-	44,000
Assigned			
Contractual obligations	105,000	-	105,000
Capital projects	-	464	464
Unassigned	<u>1,673,063</u>	<u>-</u>	<u>1,673,063</u>
Total Fund Balances	<u>1,828,704</u>	<u>464</u>	<u>1,829,168</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,583,313</u>	<u>\$ 464</u>	

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

Long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds:
Capital assets

8,164,019

Net position of governmental activities

\$ 9,993,187

The accompanying Notes to Financial Statements are an integral part of these statements.

Promontory Metropolitan District No. 1
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2025

	General	Capital Projects	Total Governmental Funds
Revenues			
Property taxes	\$ 916,901	\$ -	\$ 916,901
State reimbursement	419,065	-	419,065
Specific ownership taxes	50,475	-	50,475
Intergovernmental revenue	30,295	-	30,295
Interest income	18,450	-	18,450
Total revenues	<u>1,435,186</u>	<u>-</u>	<u>1,435,186</u>
Expenditures			
General government			
Accounting	8,655	-	8,655
Administrative costs	6,495	-	6,495
Audit	13,000	-	13,000
Insurance and bonds	8,685	-	8,685
Landscape maintenance	10,213	-	10,213
Legal	37,968	-	37,968
Miscellaneous	-	18,000	18,000
Treasurer fees	20,040	-	20,040
Water	9,274	-	9,274
Total expenditures	<u>114,330</u>	<u>18,000</u>	<u>132,330</u>
Net change in fund balances	1,320,856	(18,000)	1,302,856
Fund balances - beginning	<u>507,848</u>	<u>18,464</u>	<u>526,312</u>
Fund balances - ending	<u>\$ 1,828,704</u>	<u>\$ 464</u>	<u>\$ 1,829,168</u>
Change in net position of governmental activities			<u>\$ 1,302,856</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

Promontory Metropolitan District No. 1
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended December 31, 2025

	Original Budget Amounts	Final Budget Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Property taxes	\$ 916,891	\$ 916,891	\$ 916,901	\$ 10
State reimbursement	-	419,065	419,065	-
Specific ownership taxes	24,877	24,877	50,475	25,598
Intergovernmental revenues	-	-	30,295	30,295
Interest income	-	-	18,450	18,450
Total revenues	<u>941,768</u>	<u>1,360,833</u>	<u>1,435,186</u>	<u>74,353</u>
EXPENDITURES				
General government				
Accounting	9,500	9,500	8,655	845
Administrative	7,600	7,600	6,495	1,105
Audit	13,000	13,000	13,000	-
Insurance and bonds	8,300	8,300	8,685	(385)
Legal	22,000	22,000	37,968	(15,968)
Operations and maintenance	18,500	18,500	19,487	(987)
Treasurer's fees	13,756	13,756	20,040	(6,284)
Total expenditures	<u>92,656</u>	<u>92,656</u>	<u>114,330</u>	<u>(21,674)</u>
Excess of revenues over (under) expenditures	<u>849,112</u>	<u>1,268,177</u>	<u>1,320,856</u>	<u>52,679</u>
Other financing sources (uses)				
Transfer to other funds	(700,000)	(1,220,426)	-	1,220,426
Total other financing sources (uses)	<u>(700,000)</u>	<u>(1,220,426)</u>	<u>-</u>	<u>1,220,426</u>
Net change in fund balance	149,112	47,751	1,320,856	1,273,105
Fund balance - beginning	<u>507,848</u>	<u>507,848</u>	<u>507,848</u>	<u>-</u>
Fund balance - ending	<u>\$ 656,960</u>	<u>\$ 555,599</u>	<u>\$ 1,828,704</u>	<u>\$ 1,273,105</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

Promontory Metropolitan District No. 1

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2025

Note 1 – Reporting Entity

Promontory Metropolitan District No. 1 (the District) was organized on November 14, 2019, as a quasi-municipal organization established under the State of Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes) concurrently with Promontory Metropolitan District Nos. 2-5 (collectively, the Districts). The District's service area is located in Adams County, Colorado. The District operates under the Service Plan for Promontory Metropolitan District Nos. 1-5, approved by Adams County (the County) on August 27, 2019. The Districts were established to provide financing for the design, acquisition, installation and construction of streets, parks and recreation facilities, water systems, sanitation/storm sewer systems, transportation, mosquito control, safety protection, fire protection, television and relay translation, and security. Pursuant to the District Coordinating Services Agreement (Note 8), the District is the Coordinating District and District Nos. 2-5 are the Financing Districts.

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

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

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

Note 2 – Summary of Significant Accounting Policies

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

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

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

Promontory Metropolitan District No. 1

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2025

sum of liabilities and deferred inflows of resources of the District is reported as net position.

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.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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

The District reports the following major governmental funds:

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

The capital projects fund is used to account for financial resources to be used for the acquisition, construction, operation and maintenance of capital facilities and other assets.

Promontory Metropolitan District No. 1
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

Budgets

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

The District amended its budget for 2025.

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 value of its financial instruments recorded in the accompanying balance sheet. The carrying value of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments / Pooled Cash

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 District are reported at net asset value or amortized cost, as applicable.

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental activities column of the government-wide financial statements. Capital assets are defined by the District as those assets with a cost of \$5,000 or greater. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Promontory Metropolitan District No. 1

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2025

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements for which the District retains title are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Interest incurred during the construction phase of capital assets is not included as part of the capitalized value of the assets constructed.

Deferred Inflow of Resources

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

Property Taxes

Property taxes are levied by the 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 of 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 assessed taxes during the ensuing calendar year. The taxes are payable by April of, if in equal installments at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and, generally, sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows of resources in the year they are levied and measurable. The deferred property tax revenue is recorded as revenue in the year it is available or collected. Property taxes have been historically levied by District No. 3 and transferred to the District to pay operating and debt service costs.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Promontory Metropolitan District No. 1

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2025

Equity

Net Position

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

Fund Balance

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

Non-spendable fund balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid expenses) or is legally or contractually required to be maintained intact.

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

Committed fund balance – The portion of fund balance constrained for specific purposes according to limitations imposed by the District's highest level of decision-making authority, the Board of Directors, prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Board of Directors.

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

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

Promontory Metropolitan District No. 1

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2025

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

Note 3 – Cash and Investments

Cash and investments are reflected on the December 31, 2025 statement of net position as follows:

Cash and investments	\$ 1,792,358
Total cash and investments	<u>\$ 1,792,358</u>

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

Deposits with financial institutions	\$ 1,356,213
Investments	436,145
Total cash and investments	<u>\$ 1,792,358</u>

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. As of December 31, 2025, the federal insurance limit was \$250,000. 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 deposits.

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

At December 31, 2025, the District's cash deposits had a bank and carrying balance of \$1,356,213.

Investments

The District has not adopted a formal investment policy, but follows state statutes regarding investments. Colorado revised statutes limit investment maturities to five years or less unless formally approved by the District.

Promontory Metropolitan District No. 1

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2025

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

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

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust offers shares in three portfolios, COLOTRUST PRIME (PRIME), COLOTRUST PLUS+ (PLUS), and COLOTRUST EDGE (EDGE). The District's investment at December 31, 2025 is in PLUS. The Trust operates similarly to a money market fund and each share of PRIME and PLUS is equal in value to \$1.00, and EDGE shares are approximately equal to \$10.00. Each portfolio may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. PLUS and Edge may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. PRIME and PLUS are rated AAAM by Standard & Poor's, and EDGE is rated AAAF/S1 by Fitch Ratings. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

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

Investment	Maturity	2025
Colorado Liquid Assets Trust (Colotrust)	Weighted average under 60 days	<u>\$ 436,145</u>

Promontory Metropolitan District No. 1

NOTES TO FINANCIAL STATEMENTS
(continued)

December 31, 2025

Note 4 – Capital Assets

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

	Balance December 31, 2024	Additions	Deletions	Balance December 31, 2025
<u>Governmental-Type Activities</u>				
Capital assets, not being depreciated				
Construction in progress	\$ 8,164,019	\$ -	\$ -	\$ 8,164,019
Total capital assets, not being depreciated	<u>\$ 8,164,019</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,164,019</u>

Note 5 – Long-Term Obligations

Developer Advances

Public Improvements Acquisition and Reimbursement Agreement

On December 3, 2019, the District entered into the Public Improvements Acquisition and Reimbursement Agreement (IARA) with the Developer, whereby the District agrees to reimburse ELG Investors, LLC (the Developer) for “District Eligible Costs” (Costs) for public improvements constructed on behalf of the District. Reimbursement is subject to the receipt by the District of an Application for Acceptance of District Eligible Costs from the Developer, an Engineer’s Cost Certification that verifies all improvements are fit for their intended purpose and were constructed in accordance with their design, and an Accountant’s Cost Certification. No later than 45 days following receipt of said documents, the District shall accept the Costs by adopting an Acceptance Resolution. Amounts owed to the Developer under the IARA bear interest at 6% from the effective date of the Acceptance Resolution. As of December 31, 2025, no amounts are owed under the IARA.

Funding and Reimbursement Agreement

On December 3, 2019, the District entered into the Funding and Reimbursement Agreement (Operations and Maintenance) (“FRA”) with the Developer, whereby the District agrees to reimburse the Developer for general operating, administrative and maintenance costs incurred by the District. The Developer has agreed to loan the District a maximum of \$50,000 per annum for two years, up to \$100,000 through December 31, 2021 (the “Loan Obligation Termination Date”). Thereafter, the Developer may agree to renew its obligations under the FRA by providing written notice thereof to the District, in which case the Loan Obligation Termination Date shall be amended to the date provided in such notice, which date shall not be earlier than December 31 of the succeeding year. Interest accrues on the advances at 6.5% per annum simple interest, from the date any such advance is made, to the earlier of the date the Reimbursement Obligation is issued to evidence such advance, or the date of repayment of such amount. The term for repayment terminates on December 31, 2049. The FRA shall not constitute a debt or indebtedness by the District within the meaning of any constitutional or statutory provision, nor shall it constitute a multiple-fiscal year financial obligation. Repayment

Promontory Metropolitan District No. 1

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2025

of advances and the agreement to issue a Reimbursement Obligation shall be at all times subject to annual appropriation by the District, in its absolute discretion.

The Parties agree and acknowledge that the Developer has incurred Costs on behalf of the District prior to the execution of this Agreement in anticipation that the same would be reimbursed as provided herein (the "Prior Costs"). Reimbursement for Prior Costs shall be made in accordance with, and subject to the terms and conditions of this Agreement governing the reimbursement for Costs, except that any Prior Costs reimbursed in accordance with this Agreement shall not be included in the calculation of the Maximum Loan Amount under Section 1 of this Agreement.

As of December 31, 2025, no amounts are owed under the FRA.

Debt Authorization

On November 5, 2019, the District's electorate authorized total indebtedness of \$1,104,000,000 for the purpose of providing certain improvements and facilities, and entering into one or more intergovernmental agreements with one or more public entities for the purpose of financing the costs of public improvements, facilities, systems, programs or projects which the District may lawfully provide for the purpose of providing for the operation and maintenance of the District and its facilities and properties, which agreement may constitute a multiple fiscal year obligation of the District to the extent authorized by law. At the same election, the District's electorate authorized an additional \$1,035,000,000 for the purpose of refunding outstanding indebtedness.

The District's service plan limits the District's issuance of debt to \$69,000,000. In the future, the District may issue a portion or all of the remaining authorized debt.

As of December 31, 2025, the District had \$69,000,000 in authorized but unissued debt.

Note 6 – Net Position

The District reports net position consisting of three components – net investments in capital assets, restricted and unrestricted.

The District had \$8,164,019 invested in capital assets, net of any related debt, at December 31, 2025.

Restricted assets include net position that is restricted for use either externally imposed by creditors, grantors, contributors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. At December 31, 2025 the District has \$44,000 restricted for emergency reserves (Note 10).

The District has unrestricted net position of \$1,785,168 as of December 31, 2025.

Promontory Metropolitan District No. 1
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

Note 7 – Related Parties

All of the Board of Directors of the District are employees, owners or otherwise associated with the Developer and/or its affiliates and may have conflicts of interest with respect to certain transactions which come before the Board. Management believes that all potential conflicts of interest have been disclosed to the Board.

Note 8 – Agreements

District Coordinating Services Agreement

On December 3, 2019, the District (the “Operating District”) entered into the District Coordinating Services Agreement with Promontory Metropolitan District No. 3 (the “Taxing District”). The Operating District and the Taxing District were organized to provide essential public improvements and services. The purpose of the agreement is to set forth the rights and obligations of the Taxing District to fully fund the Operating District to provide services (as defined in the agreement) on behalf of the Districts. In the agreement, the Operating District is to perform specific services for the Taxing District and serve as custodian and repository for the Taxing District’s records. The Taxing District shall pay service costs (as defined in the agreement) of the Operating District by the imposition of taxes against the taxable property located within their boundaries.

Reimbursement Agreement – Off-Site Water Improvements

On July 22, 2021, the District entered into the Reimbursement Agreement (Off-Site Water Improvements) with Todd Creek Village Metropolitan District (TCVMD) and the Developer. The agreement establishes the terms and conditions for providing reimbursement, and obligates the District to reimburse the costs for constructing the Off-Site Water Improvements that were financed by TCVMD on behalf of the Developer. The reimbursement amount shall be separately accounted for by the District, and held until the Off-Site Improvements are fully completed and operational as demonstrated by TCVMD. As of December 31, 2025 no funds have been expended; however, the District has assigned \$105,000 of fund balance in compliance with the agreement.

Note 9 – Risk Management

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

The District is a member of the Colorado Special District Property and Liability Pool (the Pool) as of December 31, 2025. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials’ liability, boiler and machinery, and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

Promontory Metropolitan District No. 1

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2025

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

Note 10 – Tax, Spending and Debt Limitations

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 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.

On November 5, 2019, a majority of the District's electors authorized the District to collect, spend or retain all currently levied taxes and other revenue of the District for 2019 and any year thereafter, without regard to any limitations under TABOR.

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

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

Note 11 - Subsequent Event

Pursuant to a resolution of the Board of Directors, and subject to a purchase agreement, the District expended \$1,359,233 for the acquisition of land for open space from a related party. The purchase is the initial acquisition of a planned larger acquisition of the Heritage Todd Creek golf course for inclusion in the District.

SUPPLEMENTAL INFORMATION

Promontory Metropolitan District No. 1
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
CAPITAL PROJECTS FUND

For the Year Ended December 31, 2025

	Original Budget Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES				
Capital outlay	700,000	1,200,000	-	1,200,000
Miscellaneous	<u>-</u>	<u>-</u>	<u>18,000</u>	<u>(18,000)</u>
Total expenditures	<u>700,000</u>	<u>1,200,000</u>	<u>18,000</u>	<u>1,182,000</u>
Excess of revenues (under) expenditures	<u>(700,000)</u>	<u>(1,200,000)</u>	<u>(18,000)</u>	<u>1,182,000</u>
Other financing sources (uses)				
Transfers in/(out)	700,000	1,220,426	-	(1,220,426)
Total other financing sources (uses)	<u>700,000</u>	<u>1,220,426</u>	<u>-</u>	<u>(1,220,426)</u>
Net change in fund balance	<u>-</u>	<u>20,426</u>	<u>(18,000)</u>	<u>(38,426)</u>
Fund balance - beginning	<u>18,464</u>	<u>18,464</u>	<u>18,464</u>	<u>-</u>
Fund balance - ending	<u><u>\$ 18,464</u></u>	<u><u>\$ 38,890</u></u>	<u><u>\$ 464</u></u>	<u><u>\$ (38,426)</u></u>