FREESTYLE METROPOLITAN DISTRICT NO. 1
El Paso County, Colorado

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2025

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YEAR ENDED DECEMBER 31, 2025

BiggsKofford

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Freestyle Metropolitan District No. 1
El Paso County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Freestyle Metropolitan District No. 1 ("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, the respective changes in financial position, and the 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 Auditor's Responsibilities for the Audit of the Financial Statements section of the report. We are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America 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 auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

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 which 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 District's basic financial statements. The supplementary information, as identified 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

BiggsKofford LLP

Colorado Springs, Colorado
September 14, 2026

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities
ASSETS	
Cash and Investments	$ 10,555
Cash and Investments - Restricted	100
Due from Freestyle MD No. 2	1
Due from Freestyle MD No. 3	1
Due from Freestyle MD No. 4	3
Property Tax Receivable	1
Prepaid Insurance	12,884
Capital Assets Not Being Depreciated	3,689,602
Total Assets	3,713,147
LIABILITIES	
Accounts Payable	14,939
Retainage Payable	132,911
Noncurrent Liabilities:	
Due in More Than One Year	568,560
Total Liabilities	716,410
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	1
Total Deferred Inflows of Resources	1
NET POSITION	
Restricted for:	
Emergency Reserve	100
Unrestricted	2,996,636
Total Net Position	$ 2,996,736

See accompanying Notes to Basic Financial Statements.

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

		Program Revenues			Net Revenues (Expenses) and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
FUNCTIONS/PROGRAMS					
Primary Government:					
Governmental Activities:					
General Government	$ 83,024	$ -	$ 684	$ 3,152,327	$ 3,069,987
Interest on Long-Term Debt and Related Costs	67,907	-	-	-	(67,907)
Total Governmental Activities	$ 150,931	$ -	$ 684	$ 3,152,327	3,002,080
	GENERAL REVENUES				
	Property Taxes				1
	Total General Revenues				1
	CHANGE IN NET POSITION				3,002,081
	Net Position - Beginning of Year				(5,345)
	NET POSITION - END OF YEAR				$ 2,996,736

See accompanying Notes to Basic Financial Statements.

FREESTYLE METROPOLITAN DISTRICT NO. 1
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2025

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash and Investments	$ 10,555	$ -	$ 10,555
Cash and Investments - Restricted	100	-	100
Due from Freestyle MD No. 2	1	-	1
Due from Freestyle MD No. 3	1	-	1
Due from Freestyle MD No. 4	3	-	3
Property Tax Receivable	1	-	1
Prepaid Insurance	12,884	-	12,884
Total Assets	$ 23,545	$ -	$ 23,545
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	$ 11,362	$ 3,577	$ 14,939
Retainage Payable	-	132,911	132,911
Total Liabilities	11,362	136,488	147,850
DEFERRED INFLOWS OF RESOURCES			
Deferred Property Tax	1	-	1
Total Deferred Inflows of Resources	1	-	1
FUND BALANCES			
Nonspendable:			
Prepaid Expense	12,884	-	12,884
Restricted for:			
Emergency Reserves	100	-	100
Unassigned	(802)	(136,488)	(137,290)
Total Fund Balances	12,182	(136,488)	(124,306)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 23,545	$ -	
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			3,689,602
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.			
Developer Advance Payable			(501,500)
Accrued Developer Advance Interest			(67,060)
Net Position of Governmental Activities			$ 2,996,736

See accompanying Notes to Basic Financial Statements.

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

	General	Capital Projects	Total Governmental Funds
REVENUES			
Property Taxes	$ 1	$ -	$ 1
Intergovernmental Revenues - MD No. 2	112	3,152,327	3,152,439
Intergovernmental Revenues - MD No. 3	85	-	85
Intergovernmental Revenues - MD No. 4	487	-	487
Total Revenues	685	3,152,327	3,153,012
EXPENDITURES			
Current:			
Accounting	30,457	2,874	33,331
Auditing	6,250	-	6,250
District Management	12,935	-	12,935
Dues And Membership	1,015	-	1,015
Election	4,508	-	4,508
Insurance	12,884	-	12,884
Legal	7,680	-	7,680
Website	4,421	-	4,421
Capital Projects:			
Capital Outlay	-	3,266,549	3,266,549
Engineering	-	18,773	18,773
Total Expenditures	80,150	3,288,196	3,368,346
EXCESS OF REVENUES UNDER EXPENDITURES	(79,465)	(135,869)	(215,334)
OTHER FINANCING SOURCES (USES)			
Developer Advance	82,000	369,758	451,758
Repay Developer Advance - Capital	-	(369,758)	(369,758)
Total Other Financing Sources (Uses)	82,000	-	82,000
NET CHANGE IN FUND BALANCES	2,535	(135,869)	(133,334)
Fund Balances - Beginning of Year	9,647	(619)	9,028
FUND BALANCES - END OF YEAR	$ 12,182	$ (136,488)	$ (124,306)

See accompanying Notes to Basic Financial Statements.

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

Net Change in Fund Balances - Total Governmental Funds	$ (133,334)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. In the statement of activities capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset. Therefore, this is the amount of capital outlay, depreciation and dedication of capital assets to other governments, in the current period.	
Capital Outlay	3,285,322
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net position.	
Developer Advance	(451,758)
Repay Developer Advance	341,365
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Accrued Interest Payable Developer Advance - Change in Liability	(39,514)
Changes in Net Position of Governmental Activities	$ 3,002,081

See accompanying Notes to Basic Financial Statements.

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

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	$ 1	$ 1	$ -
Intergovernmental Revenues - MD No. 2	111	112	1
Intergovernmental Revenues - MD No. 3	85	85	-
Intergovernmental Revenues - MD No. 4	443	487	44
Other Revenue	3,399	-	(3,399)
Total Revenues	4,039	685	(3,354)
EXPENDITURES			
Accounting	21,000	30,457	(9,457)
Auditing	-	6,250	(6,250)
Contingency	3,900	-	3,900
District Management	21,000	12,935	8,065
Dues And Membership	1,100	1,015	85
Election	1,500	4,508	(3,008)
Insurance	12,500	12,884	(384)
Intergovernmental Expenditures - MD No. 2	4,000	-	4,000
Legal	25,000	7,680	17,320
Miscellaneous	1,000	-	1,000
Website	-	4,421	(4,421)
Total Expenditures	91,000	80,150	10,850
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(86,961)	(79,465)	7,496
OTHER FINANCING SOURCES			
Developer Advance	78,000	82,000	4,000
Total Other Financing Sources	78,000	82,000	4,000
NET CHANGE IN FUND BALANCE	(8,961)	2,535	11,496
Fund Balance - Beginning of Year	9,261	9,647	386
FUND BALANCE - END OF YEAR	$ 300	$ 12,182	$ 11,882

See accompanying Notes to Basic Financial Statements.

NOTE 1 DEFINITION OF REPORTING ENTITY

Freestyle Metropolitan District No. 1 (the District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized by order and decree of the District Court for the City of Colorado Springs (the City), El Paso County, Colorado on November 30, 2021, and is governed pursuant to the provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The consolidated service plan, dated July 27, 2021, formed Freestyle Metropolitan District Nos. 1 – 4 (the Districts). The Districts currently operate under an Amended and Restated Service Plan dated November 8, 2022.

The District was organized to provide the planning, design, acquisition, construction, installation, relocation, redevelopment, and financing of public improvements allowed under Colorado law for the Districts. The District shall dedicate the public improvements to the City or other appropriate jurisdiction or owners association in a manner consistent with the Approved Development Plans. The District was organized in conjunction with Freestyle Metropolitan District No. 2 (District No. 2), Freestyle Metropolitan District No. 3 (District No. 3), and Freestyle Metropolitan District No. 4 (District No. 4) to serve the needs of the Freestyle development for the purpose of financing, construction and operation of improvements and infrastructure serving the four districts. The District is responsible for managing the construction, operation and maintenance of all improvements not transferred to the City of Colorado Springs. District No. 2, District No. 3, and District No. 4 are responsible for providing the funding and tax base needed to support the financing plan for capital improvements and to fund ongoing operations. The District's service area is located entirely within the City of Colorado Springs, El Paso County, Colorado.

The District follows 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 operational and administrative functions are contracted.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-Wide and Fund Financial Statements

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

The statement of net position reports all financial and capital resources of the District. The difference between the assets and deferred outflows of resources, and 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 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 collectable 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. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The District reports the following major governmental funds:

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

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

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 and other financing uses level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

Pooled Cash and Investments

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

Property Taxes

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the 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. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

The District does not depreciate its Construction in Progress capital assets.

Deferred Inflows 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, *deferred inflows of resources,* 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, the item, *deferred property tax revenue,* is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Equity

Net Position

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

Fund Balance

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

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

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

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

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

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

The Capital Projects Fund reported a deficit in the fund financial statements as of December 31, 2025. The deficit will be eliminated with the receipt of funds drawn from the Series 2024A(3) Bonds from District No. 2 in 2026.

Adoption of New Accounting Standards

Certain Risk Disclosures

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

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

NOTE 3 CASH AND INVESTMENTS

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

Statement of Net Position:		
Cash and Investments	$	10,555
Cash and Investments - Restricted		100
Total Cash and Investments	$	10,655

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

Deposits with Financial Institutions	$	10,655
Total Cash and Investments	$	10,655

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

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

At December 31, 2025, the District had a bank balance of $10,655 and a carrying balance of $10,655.

Investments

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

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

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

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments

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

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

As of December 31, 2025, the District did not hold any investments.

NOTE 4 CAPITAL ASSETS

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

	Balance at December 31, 2024	Increases	Decreases	Balance at December 31, 2025
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Construction in Progress	$ 404,280	$ 3,285,322	$ -	$ 3,689,602
Total Capital Assets, Not Being Depreciated	$ 404,280	$ 3,285,322	$ -	$ 3,689,602

NOTE 5 LONG-TERM OBLIGATIONS

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

	Balance at December 31, 2024	Additions	Reductions	Balance at December 31, 2025	Due Within One Year
Long-Term Obligations					
Developer Advance - Operating	$ 213,362	$ 82,000	$ -	$ 295,362	$ -
Developer Advance - Capital	58,738	-	-	58,738	-
Developer Advance - Capital - FFAA	119,007	369,758	341,365	147,400	-
Accrued Interest on:					
Developer Advance - Operating	27,546	19,583	-	47,129	-
Developer Advance - Capital	-	12,888	-	12,888	-
Developer Advance - Capital - FFAA	-	35,436	28,393	7,043	-
Total Long-Term Obligations	$ 418,653	$ 519,665	$ 369,758	$ 568,560	$ -

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

Authorized Debt

Pursuant to the Amended and Restated Service Plan dated November 8, 2022, the Districts are permitted to issue bond indebtedness of up to $185,000,000 (Service Plan Debt Issuance Limit) in total principal amount combined in aggregate for all Districts. In no event is the District authorized to issue debt in excess of the Service Plan Debt Issuance Limit, with the exception that such limit is not applicable to refundings of the debt authorized to be issued under the Service Plan. Debt issued by the Districts is subject to the approval of the City Council concurrent with the time of issuance, unless previously authorized. The District may levy up to 50.000 mills for debt service, up to 20.000 mills for residential general operations and administrative expenses, and up to 10.000 mills for commercial general operations and administrative expenses, subject to the upward or downward adjustments addressing any constitutionally mandated change in assessment ratios, tax credit, cut or abatement occurring after, but not before August 9, 2022.

The District has voter authorization in excess of the Service Plan Debt Issuance Limit as at the time of the election, the actual costs of construction were not known. Without knowing the costs of construction, it is not possible to allocate the Service Plan Debt Issuance Limit by power (such as water, sewer or streets). Therefore, the Service Plan Debt Issuance Limit was voted in every power relative to debt for public improvements. With that understanding, on November 2, 2021, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed $5,950,000,000 at an interest rate not to exceed 12% per annum. At December 31, 2025, the District had authorized but unissued indebtedness of $5,950,000,000.

In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area.

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Developer Advances

Facilities Funding and Acquisition Agreement

On December 8, 2021, the Districts entered into a Facilities Funding and Acquisition Agreement (the Agreement) with the BL Development INC for infrastructure improvements made on behalf of the Districts. The District agrees to repay BL Development INC along with accrued interest at a rate of 8%. The term of the Agreement is through and including December 31, 2051. In the event the District is unable to reimburse the Developer within thirty years from the date of an advance, any amount outstanding will be deemed discharged and satisfied in full.

As of December 31, 2025, outstanding principal totaled $147,400 and accrued interest totaled $7,043.

Reimbursement Agreement

On December 8, 2021, the Districts entered into a Reimbursement Agreement (the Agreement) with the BL Development INC for operational advances made on behalf of the Districts. The District agrees to repay BL Development INC along with accrued interest at a rate of 8%. The agreement automatically renews for one-year periods unless either party provides written notice at least thirty days before December 31 of a given year. Certain advances were made under the reimbursement agreement for capital purposes in previous years with an outstanding principal balance of $58,738 and interest of $12,888 as of December 31, 2025.

As of December 31, 2025, outstanding principal totaled $354,100 and accrued interest totaled $60,017.

NOTE 6 NET POSITION

The District has net position consisting of two components – restricted and unrestricted.

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

	Governmental Activities
Restricted Net Position:	
Emergencies	$ 100
Total Restricted Net Position	$ 100

NOTE 7 RELATED PARTIES

The Developers of the property which constitutes the District are BL Development INC and BLR Construction, LLC (collectively, the Developers). The members of the Board of Directors are officers of, employees of, or associated with the Developers and may have conflicts of interest in dealing with the District.

NOTE 8 ECONOMIC DEPENDENCY

The District has not yet established a revenue base sufficient to pay operational expenditures. Until an independent revenue base is established, continuation of operations in the District will be dependent upon funding by the Developer.

NOTE 9 AGREEMENTS AND COMMITMENTS

Intergovernmental District Facilities Construction and Service Agreement

On December 8, 2021, the District (the Operating District) entered into an Intergovernmental District Facilities Construction and Service Agreement (IGA) with Freestyle Metropolitan District Nos. 2 – 4 (Financing Districts). The purpose of the IGA is to set forth the rights and obligations of the Operating District and the Financing Districts to fund the public improvements and continued operation and maintenance of public improvements, in addition to the rights and obligations of the Operating District to operate and maintain the public improvements on behalf of the Financing Districts. The public improvements to be designed and constructed by the Operating District will benefit all property owners and residents within the Districts. The IGA shall remain in effect until December 8, 2061, unless terminated earlier.

Construction Project Delivery Agreement

On December 12, 2024, the District entered into a Construction Project Delivery Agreement with BLR Construction, LLC. All work under this agreement will be authorized by one or more task orders issued by the District. The work to be performed consists of the management, labor and/or services and materials, equipment, transportation, power, and/or facilities necessary to complete the applicable project-related activities. Based on the scope of work set forth in the task orders and their amendments, the costs incurred shall not exceed $11,090,212 in total and the District has paid $2,763,881 as of December 31, 2025. Subsequent to year-end, the task orders were amended to increase the aggregate not-to-exceed amount to $11,485,390 in total and the District has paid $5,867,123 through the date of the independent auditor's report.

NOTE 10 RISK MANAGEMENT

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

NOTE 10 RISK MANAGEMENT (CONTINUED)

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

The District pays annual premiums to the Pool for liability, 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 11 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.

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.

On November 2, 2021, a majority of the District's electors passed an election question to increase the property taxes $10,000,000 annually to pay the District's operations, maintenance, and other expenses. Additionally, the District's electors authorized the District to collect, retain, and spend all revenues without regard to any limitations under TABOR.

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

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

On May 6, 2025, the qualified electors of the District approved an election question to waive the 5.25% property tax limit established under Section 29-1-1702, C.R.S. for 2026 and all future budget years.

SUPPLEMENTARY INFORMATION

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

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental Revenues - MD No. 2	$ 38,881,277	$ 3,152,327	$ (35,728,950)
Total Revenues	38,881,277	3,152,327	(35,728,950)
EXPENDITURES			
Accounting	30,000	2,874	27,126
Engineering	50,000	18,773	31,227
Legal	50,000	-	50,000
Capital Outlay	38,801,373	3,266,549	35,534,824
Total Expenditures	38,931,373	3,288,196	35,643,177
EXCESS OF REVENUES UNDER EXPENDITURES	(50,096)	(135,869)	(85,773)
OTHER FINANCING SOURCES (USES)			
Developer Advance	-	369,758	369,758
Repay Developer Advance - Capital	-	(369,758)	(369,758)
Total Other Financing Sources (Uses)	-	-	-
NET CHANGE IN FUND BALANCE	(50,096)	(135,869)	(85,773)
Fund Balance - Beginning of Year	50,096	(619)	(50,715)
FUND BALANCE - END OF YEAR	$ -	$ (136,488)	$ (136,488)

OTHER INFORMATION

FREESTYLE METROPOLITAN DISTRICT NO. 1
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2025

Year Ending December 31,	Assessed Valuation	Percent Change	Total Mills Levied: General Operations	Total Mills Levied: Total	Total Property Taxes: Levied	Total Property Taxes: Collected	Percent Collected to Levied
2022/2023	$ -	-	20.000	20.000	$ -	$ -	-
2023/2024	60	-	20.783	20.783	1	1	100.00 %
2024/2025	60	0.0%	20.783	20.783	1	1	100.00 %
Estimated for Year Ending December 31, 2026	$ 60	0.0%	21.460	21.460	$ 1		

Note:
Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the Treasurer does not permit identification of specific year of levy.

Source: El Paso County Assessor and Treasurer.