MERIDIAN SERVICE METROPOLITAN DISTRICT
El Paso County, Colorado

FINANCIAL STATEMENTS

DECEMBER 31, 2025

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Haynie

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Meridian Service Metropolitan District

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Meridian Service Metropolitan District, (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, the business-type activities, and each major fund of Meridian Service Metropolitan District as of December 31, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof 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 Meridian Service Metropolitan 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 these 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 Meridian Service Metropolitan 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.

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

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

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information for the General Fund, Parks and Grounds Fund and Recreation Fund be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standard

Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Meridian Service Metropolitan District'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 supplementary information, as listed in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Haynie

Littleton, Colorado

August 31,2026

BASIC FINANCIAL STATEMENTS

MERIDIAN SERVICE METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2025

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	$ 10,715,772	$ 15,739,291	$ 26,455,063
Cash and investments - restricted	-	1,983,446	1,983,446
Accounts receivable	517,659	803,366	1,321,025
Due from Meridian Ranch 2018 Subdistrict	513,435	27,472	540,907
Lease receivable	94,926	-	94,926
Prepaid expenses	200,163	128,603	328,766
Security deposit	91,391	-	91,391
Capital assets not being depreciated	17,245,982	6,995,844	24,241,826
Capital assets, net			
Park and recreation facilities	12,182,132	-	12,182,132
Vehicles and equipment	272,965	243,726	516,691
Water and sewer facilities	-	45,932,495	45,932,495
Right-to-use office building	37,300	-	37,300
Total assets	41,871,725	71,854,243	113,725,968
LIABILITIES			
Accounts payable	1,645,034	636,491	2,281,525
Accrued liabilities	41,092	74,622	115,714
Deposits	-	11,000	11,000
Unearned revenue	7,788	13,164	20,952
Retainage payable	553,512	138,712	692,224
Noncurrent liabilities			
Due within one year	37,527	422,819	460,346
Due in more than one year	-	33,154,594	33,154,594
Total liabilities	2,284,953	34,451,402	36,736,355
DEFERRED INFLOWS OF RESOURCES			
Deferred lease inflows	86,569	-	86,569
Total deferred inflows of resources	86,569	-	86,569
NET POSITION			
Net investment in capital assets	29,147,340	41,740,719	70,888,059
Restricted			
Emergency reserve	19,000	-	19,000
Unrestricted	10,333,863	(4,337,878)	5,995,985
Total net position	$ 39,500,203	$ 37,402,841	$ 76,903,044

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

MERIDIAN SERVICE METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2025

		Program Revenues			Net (Expense) Revenue and Change in Net Position		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**
Governmental activities:							
General government	$ 5,889,930	$ 5,513,874	$ -	$ -	$ (376,056)	$ -	$ (376,056)
Interest on debt obligations	373	-	-	-	(373)	-	(373)
Total governmental activities	5,890,303	5,513,874	-	-	(376,429)	-	(376,429)
Business-type activities:							
Water	3,996,198	4,487,137	-	1,898,535	-	2,389,474	2,389,474
Sewer	3,451,115	3,451,106	-	1,498,500	-	1,498,491	1,498,491
Total business-type activities	7,447,313	7,938,243	-	3,397,035	-	3,887,965	3,887,965
Total	$ 13,337,616	$ 13,452,117	$ -	$ 3,397,035	(376,429)	3,887,965	3,511,536
General revenues:							
Interest					975,249	67,692	1,042,941
Contract revenue					-	964,636	964,636
Miscellaneous					21,122	47,899	69,021
EPC Condemnation Revenue					55,845	-	55,845
Gain (loss) on disposal of assets					-	5,745	5,745
Intergovernmental revenues					12,631,371	-	12,631,371
Total general revenues					13,683,587	1,085,972	14,769,559
Change in net position					13,307,158	4,973,937	18,281,095
Net position - beginning of year					26,193,045	32,428,904	58,621,949
Net position - end of year					$ 39,500,203	$ 37,402,841	$ 76,903,044

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

MERIDIAN SERVICE METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2025

		Special Revenue			Total
	General	Parks and Grounds	Recreation	Capital Projects	Governmental Funds
ASSETS					
Cash and investments	$ 337,018	$ 1,578,699	$ 1,729,444	$ 7,070,611	$ 10,715,772
Accounts receivable	-	187,031	329,054	1,574	517,659
Due from Meridian Ranch 2018 Subdistrict	-	15,632	-	497,803	513,435
Lease receivable	94,926	-	-	-	94,926
Prepaid expenditures	3,053	59,140	137,970	-	200,163
Deposits	2,091	-	-	89,300	91,391
Total assets	$ 437,088	$ 1,840,502	$ 2,196,468	$ 7,659,288	$ 12,133,346
LIABILITIES					
Accounts payable	$ 28,045	$ 52,900	$ 168,861	$ 1,391,954	$ 1,641,760
Retainage payable	-	-	-	553,512	553,512
Accrued liabilities	3,274	21,600	19,492	-	44,366
Unearned revenue	-	2,816	4,972	-	7,788
Total liabilities	31,319	77,316	193,325	1,945,466	2,247,426
DEFERRED INFLOWS OF RESOURCES					
Deferred lease inflows	86,569	-	-	-	86,569
Total deferred inflows of resources	86,569	-	-	-	86,569
FUND BALANCES					
Nonspendable:					
Prepaid expenditures	3,053	59,140	137,970	-	200,163
Deposits	2,091	-	-	89,300	91,391
Restricted:					
Emergency reserve - TABOR	19,000	-	-	-	19,000
Assigned:					
Parks and grounds	-	1,009,042	-	-	1,009,042
Recreation	-	-	1,195,594	-	1,195,594
Capital projects	-	-	-	5,624,522	5,624,522
Emergency reserve - not TABOR	-	355,004	459,579	-	814,583
Rate stabilization	-	90,000	210,000	-	300,000
Risk Management	-	250,000	-	-	250,000
Unassigned:					
General government	295,056	-	-	-	295,056
Total fund balances	319,200	1,763,186	2,003,143	5,713,822	9,799,351
Total liabilities, deferred inflows and fund balances	$ 437,088	$ 1,840,502	$ 2,196,468	$ 7,659,288	

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.	
Capital assets, net	29,738,379
Right-to-use lease liability	(37,527)
Net position of governmental activities	$ 39,500,203

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

MERIDIAN SERVICE METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

		Special Revenue			
	General	Parks and Grounds	Recreation	Capital Projects	Total Governmental Funds
REVENUES					
Parks and grounds fees	$ -	$ 1,469,268	$ -	$ -	$ 1,469,268
Street lighting fees	-	281,581	-	-	281,581
Recreation center fees	-	-	2,809,205	-	2,809,205
Fee based programming	-	-	254,550	-	254,550
Fireworks display revenue	-	-	7,550	-	7,550
IGA revenue - Meridian Ranch MD	475,000	53,837	-	-	528,837
IGA revenues - Meridian Ranch 2018 Subdistrict	-	-	-	12,102,534	12,102,534
Contract revenue	-	-	650,000	-	650,000
Billing fees	-	-	20,598	-	20,598
Lease revenue	16,755	-	-	-	16,755
Other revenues	-	20,725	397	-	21,122
Interest - lease	3,356	-	-	-	3,356
Interest	-	6,453	-	915,707	922,160
Miscellaneous	3,052	607	14,153	-	17,812
Total revenues	498,163	1,832,471	3,756,453	13,018,241	19,105,328
EXPENDITURES					
General government	507,989	-	-	-	507,989
Parks and grounds	-	1,463,124	-	-	1,463,124
Recreation center	-	-	2,971,444	-	2,971,444
Capital expenditures	-	-	-	12,551,416	12,551,416
Total expenditures	507,989	1,463,124	2,971,444	12,551,416	17,493,973
Excess of revenues over (under) expenditures	(9,826)	369,347	785,009	466,825	1,611,355
OTHER FINANCING SOURCES (USES)					
EPC Condemnation Revenue	-	42,400	-	-	42,400
Lease Proceeds	-	-	-	49,733	49,733
Transfer from (to) other funds	100,000	(117,560)	198,190	(180,630)	-
Total other financing sources (uses)	100,000	(75,160)	198,190	(130,897)	92,133
Net change in fund balances	90,174	294,187	983,199	335,928	1,703,488
Fund balances - beginning of year	229,026	1,468,999	1,019,944	5,377,894	8,095,863
Fund balances - end of year	$ 319,200	$ 1,763,186	$ 2,003,143	5,713,822	$ 9,799,351

MERIDIAN SERVICE METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2025

A reconciliation reflecting the differences between the governmental funds net change in fund balances and change in net position reported for governmental activities in the statement of activities as follows:		
Net change in fund balances - total governmental funds	$	1,703,488
Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets are allocated over their estimated useful lives and reported as depreciation and amortization expense.		
Capital outlay		12,551,416
Depreciation and amortization expense		(934,356)
Current year lease proceeds and principal payments of long-term liabilities are shown as revenues and expenditures in the fund financials		
Lease proceeds		(49,733)
Lease payments		36,343
Change in net position - governmental activities	$	13,307,158

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

MERIDIAN SERVICE METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2025

	Water Fund	Sewer Fund	Total
ASSETS			
Current assets:			
Cash and investments	$ 8,615,745	$ 7,123,546	$ 15,739,291
Cash and investments - restricted	1,165,749	817,697	1,983,446
Accounts receivable - user fees	433,128	370,238	803,366
Accounts receivable - other	3,270	24,202	27,472
Prepaid expenses	92,272	36,331	128,603
Total current assets	10,310,164	8,372,014	18,682,178
Capital assets:			
Capital assets, not being depreciated	6,995,844	-	6,995,844
Capital assets, being depreciated	30,237,540	15,938,681	46,176,221
Total capital assets	37,233,384	15,938,681	53,172,065
Total assets	$ 47,543,548	$ 24,310,695	$ 71,854,243
LIABILITIES			
Current liabilities:			
Accounts payable	$ 157,209	$ 479,282	$ 636,491
Accrued liabilities	43,994	30,628	74,622
Retainage payable	138,712	-	138,712
Unearned revenue	7,587	5,577	13,164
Deposits	11,000	-	11,000
Loan payable, current portion	-	422,819	422,819
Total current liabilities	358,502	938,306	1,296,808
Noncurrent liabilities :			
Loan payable, net of current portion	-	2,919,600	2,919,600
Due to Cherokee Metropolitan District	-	18,942,360	18,942,360
Developer advance and accrued interest	11,292,634	-	11,292,634
Total noncurrent liabilities	11,292,634	21,861,960	33,154,594
Total liabilities	11,651,136	22,800,266	34,451,402
NET POSITION			
Net investment in capital assets	25,802,038	15,938,681	41,740,719
Unrestricted	10,090,374	(14,428,252)	(4,337,878)
Total net position	35,892,412	1,510,429	37,402,841
Total liabilities and net position	$ 47,543,548	$ 24,310,695	$ 71,854,243

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

MERIDIAN SERVICE METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Water	Sewer	Total
OPERATING REVENUES			
Service charges	$ 4,487,137	$ 3,451,106	$ 7,938,243
Contract revenue	364,636	600,000	964,636
Total operating revenues	4,851,773	4,051,106	8,902,879
OPERATING EXPENSES			
Cost of services			
Operations	930,626	1,945,414	2,876,040
Engineering	57,435	30,627	88,062
Payroll	786,366	507,453	1,293,819
Repairs and maintenance	136,329	252,299	388,628
Administrative and general expenses			
Accounting and management	79,335	45,476	124,811
Depreciation	1,700,413	887,403	2,587,816
Insurance	71,114	25,687	96,801
Legal	40,142	468	40,610
Miscellaneous	5,999	5,900	11,899
Office expense	35,770	22,719	58,489
Vandalism	370	-	370
Total operating expenses	3,843,899	3,723,446	7,567,345
Operating income (expense)	1,007,874	327,660	1,335,534
NONOPERATING REVENUES AND (EXPENSES)			
Facilities fees	1,898,535	1,498,500	3,397,035
Fees transferred from Meridian Ranch	-	1,000,000	1,000,000
Gain on disposal of assets	5,745	-	5,745
Miscellaneous revenue	25,604	22,295	47,899
Interest expense	(152,299)	(727,669)	(879,968)
Interest income	48,454	19,238	67,692
Net nonoperating revenues and (expenses)	1,826,039	1,812,364	3,638,403
CHANGE IN NET POSITION	2,833,913	2,140,024	4,973,937
NET POSITION (DEFICIT) - BEGINNING OF YEAR	33,058,499	(629,595)	32,428,904
NET POSITION (DEFICIT) - END OF YEAR	$ 35,892,412	$ 1,510,429	$ 37,402,841

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

MERIDIAN SERVICE METROPOLITAN DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 4,832,386	$ 4,041,415	$ 8,873,801
Payments to vendors	(2,253,461)	(2,958,090)	(5,211,551)
Net cash provided by operating activities	2,578,925	1,083,325	3,662,250
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Interest expense	-	(727,669)	(727,669)
Repayment of Cherokee liability	-	(67,260)	(67,260)
Repayments on loan	(300,000)	(360,401)	(660,401)
Net cash provided by (used in) non-capital financing activities	(300,000)	(1,155,330)	(1,455,330)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(1,620,111)	(81,258)	(1,701,369)
Interest income	48,454	19,238	67,692
Miscellaneous income	25,604	22,295	47,899
Facilities fees received	1,898,535	1,498,500	3,397,035
Facilities fees from MRMD - IGA	-	1,000,000	1,000,000
Unearned revenue	7,587	5,577	13,164
Net cash flows provided by (used in) capital and related financing activities	360,069	2,464,352	2,824,421
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,638,994	2,392,347	5,031,341
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	7,142,500	5,548,896	12,691,396
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 9,781,494	$ 7,941,243	$ 17,722,737
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION			
Cash and investments	8,615,745	7,123,546	15,739,291
Cash and investments - restricted	1,165,749	817,697	1,983,446
Net Cash and cash equivalents	9,781,494	7,941,243	17,722,737
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss) from operations	$ 1,007,874	$ 327,660	$ 1,335,534
Adjustments to reconcile net income from operations to net cash provided by operating activities:			
Depreciation	1,700,413	887,403	2,587,816
Effects of changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	(19,387)	(9,691)	(29,078)
(Increase) decrease in prepaid expenses	(8,542)	(40)	(8,582)
(Increase) decrease in deposits	50,701	4,790	55,491
Increase (decrease) in accounts payable	(173,222)	(142,394)	(315,616)
Increase (decrease) in retainage payable	1,039	-	1,039
Increase (decrease) in accrued liabilities	20,049	15,597	35,646
Net cash provided by operating activities	$ 2,578,925	$ 1,083,325	$ 3,662,250

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

NOTE 1 - DEFINITION OF REPORTING ENTITY

Meridian Service Metropolitan District (District), a quasi-municipal corporation and political subdivision of the state of Colorado, was organized on May 5, 1998, concurrently with Meridian Ranch Metropolitan District (Meridian Ranch), (collectively, the Districts) to provide water and wastewater service, street improvements, safety protection, parks and recreation facilities, drainage, landscape, mosquito control, transportation and television relay for public and private purposes by any available means. The District's service area is located within El Paso County. The District also has limited fire protection powers in a cooperative manner with Falcon Fire Protection District. The District is intended to be the operating district related to Meridian Ranch, the financing district (Note 9).

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.

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. For the most part, the effect of interfund activity has been removed from these statements. Both statements distinguish between governmental activities, which normally are supported by taxes and intergovernmental revenues and business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net position reports all financial and capital resources of the District. The difference between the assets plus deferred outflows of resources and liabilities plus 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. Other items not properly included among program revenues are reported instead as general revenues.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement focus, basis of accounting and financial statement position

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 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 period. The material source of revenue subject to accrual is investment income. 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:

General fund - The general fund is used to account for all financial resources of the District except those required to be accounted for in another fund.

Parks and grounds fund - The parks and grounds fund is a special revenue fund used to account for park and grounds fees and the street lighting fees.

Recreation fund - The recreation fund is a special revenue fund used to account for fee based programming and fees for the clubhouse and field house.

Capital projects fund - The capital projects fund accounts for financial resources to be used for the acquisition and construction of major capital equipment and facilities.

The District reports the following major proprietary funds:

Water fund - The water fund accounts for the water operations that are financed and operated with the intent that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

Sewer fund - The sewer fund accounts for the sewer operations that are financed and operated with the intent that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

Use of estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the District to use estimates and assumptions. Those estimates and assumptions affect the reported balances of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues, expenditures and expenses. Actual results could vary from the estimates.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with 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. For the year ended December 31,2025, supplementary appropriations approved by the District's board of directors modified the appropriations in the General Fund and Recreation Fund.

Pooled cash and investments

The District follows the practice of pooling cash and investments of 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. Investments are carried at estimated fair value.

Cash equivalents

For purposes of the statements of cash flows, the District considers cash deposits and highly liquid investments with original maturities of three months or fewer to be cash equivalents.

Accounts receivable

Accounts receivable include amounts due from customers for services provided and are reported, if necessary, net of an allowance for doubtful accounts.

Unearned revenues

The District reports unearned revenue in the government-wide statement of net position and in the fund financial statements. Unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the District before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liabilities for unearned revenue is removed from the statement of net position and revenue is recognized.

Leases

Lessor

The District entered into a lease agreement related to telecommunication equipment located on District property. The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental financial statements. At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Lessee

The District is a lessee for a noncancellable lease of office space. The District recognizes a lease liability reported with long-term debt and a right-to-use lease asset, reported with other capital assets, in the government-wide financial statements. At the commencement of a lease, the District measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. Lease assets are initially recorded at the initial measurement of the liability, plus lease payments made at or before commencement of the lease term. Subsequently, lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Key estimates and judgments for leases

A key estimate for leases is the discount rate used to discount the expected lease payments to present value. When this rate is not provided, the District uses its estimated incremental borrowing rate as the discount rate. The lease term includes the noncancellable period of the lease as well as the option renewals that are reasonably certain to be exercised.

Capital assets

Capital assets, which include property, equipment and infrastructure assets (e.g., roads, sidewalks and similar items), are reported in the applicable governmental activities column 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 a useful life greater than one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

Park and recreation facilities	40 years
Water facilities	30 years
Sewer facilities	30 years
Vehicles and equipment	5-15 years

Water rights

The cost of water rights includes acquisition cost, legal, and engineering costs related to the development and augmentation of those rights. Since the rights have a perpetual life, they are not amortized. All other costs, including costs incurred for the protection of those rights, are expensed.

Facility fees

A water tap fee and a sewer tap fee per single family equivalent unit are charged against properties within the District. Facility fees are due prior to issuance of a building permit.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net position and fund balance

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 balances

Fund balances for governmental funds are 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 is legally or contractually required to be maintained intact.

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

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

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

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

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

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	$	26,455,063
Cash and investments - restricted		1,983,446
Total cash and investments	$	28,438,509

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

Deposits with financial institutions	$	1,845,800
Investments		26,592,709
	$	28,438,509

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The 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 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.

As of December 31, 2025, the District's cash deposits had a bank balance of $1,746,248 and a book balance of $1,845,800.

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 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 disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless otherwise formally approved by the boards of directors. Such actions are generally associated with a debt service reserve requirement.

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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

- Obligations of the US and certain US government agency securities
- Certain international agency securities
- General obligation and revenue bonds of US local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certificates of deposit in Colorado PDPA approved banks or savings banks
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

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

Investment	Maturity	Fair Value
Colorado Local Liquid Asset Trust	Weighted average under 60 days	$26,592,709

Colotrust

During 2025, the District invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The state securities commission administers and enforces all state statutes governing Colotrust. The District invested in COLOTRUST PLUS+ (PLUS+) and COLOTRUST EDGE (EDGE), two of the three portfolios offered by 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. EDGE is an enhanced cash, variable net asset value (NAV) fund that offers next-day liquidity. Allowable investments in the PLUS+ portfolio include U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. EDGE is an enhanced cash, variable net asset value fund that offers next-day liquidity. Edge investments consist of money market instruments and medium-term notes designed for the short to intermediate reserve and surplus funds of Colorado governments.

A designated custodial bank serves as custodian for Colotrust investment portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for Colotrust 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. PLUS+ is rated AAAm by S&P Global Ratings and EDGE is rated AAAf/S1 by Fitch Ratings.

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.

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

The District's investments are not required to be categorized within the fair value hierarchy. These investments are measured at amortized cost or in certain circumstances the value is estimated using the NAV per share, or its equivalent of the investment. These investments include 2a7-like external investment pools and money market investments. The District held investments in Colotrust at year end for which the investment evaluation was determined as follows.

Colotrust determines the NAV of the shares of each portfolio as of the close of business on each day. The NAV per share of each portfolio is computed by dividing the total value of the securities and other assets of the portfolios, less any liabilities, by the total outstanding shares of the portfolios. Liabilities, which include all expenses and fees of Colotrust, are accrued daily. The NAV is calculated at fair value using various inputs to determine value in accordance with FASB guidance. It is the goal of PLUS+ to maintain a NAV of $1.00 per share, however changes in interest rates may affect the fair value of the securities held by Colotrust and there can be no assurance that the NAV will not vary from $1.00 per share. EDGE does not seek to maintain a stable NAV. EDGE initially established a $10.00 transactional share price. The principal value of an EDGE investment may fluctuate and could be greater or less than the share price at price of purchase, prior to redemption and at the time of redemption.

NOTE 4 - LEASE RECEIVABLE

The District receives payments under a long-term lease related to telecommunication equipment located on District property. The lease receivable is recorded in an amount equal to the present value of the expected future minimum lease payments received, discounted by an applicable interest rate of 3.25%. The lease expires on February 1, 2031. The lease is amortized as follows:

Year ending December 31,	Principal	Interest	Total
2026	$ 16,962	$ 2,837	$ 19,799
2027	17,761	2,271	20,032
2028	18,347	1,685	20,032
2029	18,952	1,080	20,032
2030	19,578	454	20,032
2031	3,326	14	3,340
	$ 94,926	$ 8,341	$ 103,267

NOTE 5 - CAPITAL ASSETS

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

	Balance at December 31, 2024	Increases	Decreases	Balance at December 31, 2025
Governmental activities:				
Capital assets being depreciated:				
Park and recreation facilities	$ 19,986,527	$ 166,273	$ -	$ 20,152,800
Vehicles and equipment	342,963	117,527	-	460,490
Right-to-use lease building	121,708	49,733	-	171,441
Total capital assets being depreciated	20,451,198	333,533	-	20,784,731
Less accumulated depreciation for:				
Park and recreation facilities	(7,134,106)	(836,562)	-	(7,970,668)
Vehicles and equipment	(124,464)	(63,061)	-	(187,525)
Right-to-use lease building	(99,408)	(34,733)	-	(134,141)
Total accumulated depreciation	(7,357,978)	(934,356)	-	(8,292,334)
Total capital assets being depreciated, net	13,093,220	(600,823)	-	12,492,397
Capital assets not being depreciated:				
Construction in progress	5,028,099	12,384,156	(166,273)	17,245,982
Total capital assets, not being depreciated	5,028,099	12,384,156	(166,273)	17,245,982
Governmental activities capital assets, net	$ 18,121,319	$ 11,783,333	$ (166,273)	$ 29,738,379

NOTE 5 - CAPITAL ASSETS (CONTINUED)

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

Business-type activities:	Balance at December 31, 2024	Increases	Decreases	Balance at December 31, 2025
Capital assets being depreciated:				
Water system facilities	$ 49,848,807	$ 1,026,582	$ -	$ 50,875,389
Sewer system facilities	25,720,131	34,556	-	25,754,687
Vehicles and equipment - Water	219,781	48,177	(31,544)	236,414
Vehicles and equipment - Sewer	369,281	46,702	-	415,983
Total capital assets being depreciated	76,158,000	1,156,017	(31,544)	77,282,473
Less accumulated depreciation for:				
Water system facilities	(19,066,480)	(1,672,880)	-	(20,739,360)
Sewer system facilities	(9,132,428)	(825,793)	-	(9,958,221)
Vehicles and equipment - Water	(135,159)	(27,533)	27,789	(134,903)
Vehicles and equipment - Sewer	(212,158)	(61,610)	-	(273,768)
Total accumulated depreciation	(28,546,225)	(2,587,816)	27,789	(31,106,252)
Total capital assets being depreciated, net	47,611,775	(1,431,799)	(3,755)	46,176,221
Capital assets not being depreciated:				
Water rights	257,085	-	-	257,085
Construction in progress - Water	6,183,907	554,852	-	6,738,759
Construction in progress - Sewer	-	-	-	-
Total capital assets not being depreciated	6,440,992	554,852	-	6,995,844
Business-type activities capital assets, net	$ 54,052,767	$ (876,947)	$ (3,755)	$ 53,172,065

NOTE 6 - LONG-TERM OBLIGATIONS

An analysis of changes in the District's long-term obligations for the year ended December 31, 2025 is as follows:

	Balance at December 31, 2024	Additions	Reductions	Balance at December 31, 2025	Due Within One Year
Governmental activities:					
Right-to-use lease liability	$ 24,137	$ 49,733	$ (36,343)	$ 37,527	$ 37,527
Total governmental activities	24,137	49,733	(36,343)	37,527	37,527
Business-type activities:					
Cherokee arbitration loan	$ 19,224,108	$ -	$ (60,508)	$ 19,163,600	$ 62,571
Cherokee arbitration loan - credit of issuance contra liability	(172,173)	-	6,752	(165,421)	(6,752)
Series 2021 loan	3,647,001	-	(360,401)	3,286,600	367,000
GTL development loan	300,000	-	(300,000)	-	-
Developer advances	3,054,341	-	-	3,054,341	-
Accrued interest - developer advances	8,085,994	152,299	-	8,238,293	-
Total business-type activities	34,139,271	152,299	(714,157)	33,577,413	422,819
	$ 34,163,408	$ 202,032	$ (750,500)	$ 33,614,940	$ 460,346

During the year ended December 31, 2025, the District exercised a renewal option under its office building lease that was not included in the original lease term because exercise of the option was not reasonably certain at commencement. Accordingly, the lease liability and related right-to-use lease asset were remeasured to reflect the revised lease term. As a result of the remeasurement, the lease liability increased from $24,137 to $37,527 and the right-to-use lease asset increased from $121,708 to $171,441. The remeasurement was based on a discount rate of 2.15%.

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

The District's long-term obligations related to the right-to-use liability are as follows:

Year Ending December 31,	Principal	Interest	Total
2026	37,527	373	37,900
	$ 37,527	$ 373	$ 37,900

Cherokee Arbitration Loan

Pursuant to an arbitration judgment payable related to the Chico Basin Wastewater Treatment Facility and Black Squirrel Basin Recharge Facility Intergovernmental Agreement (Arbitration Award) with Cherokee Metropolitan District (Cherokee), the District must pay 45.8% of all documented costs for Cherokee to complete certain upgrades and repairs to bring the wastewater treatment facility into compliance with its discharge permit. The District's portion of these upgrades are expected to total approximately $19,694,000.

On June 24, 2022, the District entered into an intergovernmental agreement with Cherokee under which the District agreed to fund its portion of the costs due to Cherokee under the Arbitration Award in payments equal to 45.8% of the payments due under Cherokee's Water and Wastewater Enterprise Revenue Bonds Series 2020 (Cherokee Bond). The District overpaid costs related to the issuance of the Cherokee Bond in the amount of $195,905. The District is recovering this credit through reduced payments spread evenly over the term of the agreement. This agreement implies an interest rate of 3.3575%, annually. Semi-annual mandatory principal and interest payments are due on June 30 and December 31 and the agreement matures on June 1, 2050.

The District's portion of future payments under this agreement are expected to be as follows:

Year Ending December 31,	Principal	Interest	Total
2026	62,571	647,420	709,991
2027	64,705	645,287	709,992
2028	66,911	643,081	709,992
2029	69,191	640,800	709,991
2030	71,552	638,440	709,992
2031-2035	1,914,013	3,102,875	5,016,888
2036-2040	4,736,574	2,472,574	7,209,148
2041-2045	5,584,099	1,601,188	7,185,287
2046-2050	6,593,984	572,754	7,166,738
	$ 19,163,600	$ 10,964,419	$ 30,128,019

Series 2021 Loan Agreement and Promissory Note

On December 10, 2021, the District entered into the Series 2021 Loan Agreement and Promissory Note (Loan) with a bank in the amount of $4,676,000 for the purposes of: (a) paying or reimbursing Cherokee the costs of improvements to their wastewater system that the District has the right to 45.8% capacity of, including reimbursing amounts previously paid to Cherokee pursuant to the wastewater arbitration judgment; (b) funding an additional payment due to Cherokee for same; (c) funding a debt service reserve fund; and (d) paying costs incurred in connection with the Loan. The Loan bears interest at 2.15% per annum, payable semi-annually on June 1 and December 1, beginning in 2022. Annual mandatory principal payments are due on December 1 and the Loan matures on December 1, 2033. Management believes the District was in compliance with the debt service coverage as of December 31, 2025.

NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)

The District's long-term obligations related to the Loan are as follows:

Year Ending December 31,	Principal	Interest	Total
2026	367,000	71,761	438,761
2027	375,000	63,761	438,761
2028	383,000	55,739	438,739
2029	391,000	47,238	438,238
2030	400,000	38,714	438,714
2031-2033	1,370,600	63,164	1,433,764
	$ 3,286,600	$ 340,377	$ 3,626,977

Events of default

Events of default occur if: (a) the District fails to apply the pledged revenue as required by the loan agreement or custodial agreement; (b) the District fails to observe or perform any of the covenants, agreements, or conditions; (c) any representation or warranty made by the District proves to be untrue or incomplete; (d) the occurrence and continuance of an event of default or an event of nonperformance under the custodial agreement or any of the other financing documents after the expiration of any grace period; (e) default in the payment of principal or interest when due on any financial obligation of the District; (f) the pledge revenue or any other security interest created fails to be fully enforceable with the priority required thereunder; (g) any judgment or court order for the payment of money exceeding any applicable insurance coverage by more than $50,000 in aggregate is rendered against the District and the District fails to vacate, bond, stay, contest, pay or satisfy such judgment or court order for 30 days; (h) a change occurs in the financial or operating conditions of the District that, in the lender's reasonable judgment, will have a materially adverse impact on the ability of the District to generate pledge revenue; (i) the District commences bankruptcy, insolvency or liquidation; (j) the loan agreement ceases to be valid; (k) the District's auditor delivers a qualified opinion with respect to the District's status as a going concern; (l) any funds or investments on deposit in any of the accounts established under the Loan shall become subject to any writ, judgment, warrant, attachment, execution or similar process.

Remedies on occurrence of events of default for the loan

Upon the occurrence and continuance of an event of default, the lender has the following rights and remedies: (a) exercise any and all remedies available under the custodial agreement; (b) exercise the lender's right of set-off to the extent necessary to satisfy any past-due obligation of the District on the loan; (c) take any other action or remedy available under the other financing documents or any other document, or at law or in equity, including without limitation injunctive relief and/or specific performance if the District has failed to impose sewer surcharge fees sufficient to pay operating expenses and pay the debt service due and owing on the loan and the District's share of the wastewater arbitration judgment.

<u>GTL Development Loan</u>

On July 13, 2022 the District entered into a sale and financing agreement with GTL Development, Inc. (Developer) to purchase, for $900,000, the Developers 50% interest in the Tamlin Water System, including 50% capacity of the system, a 12" underground water distribution pipeline and water booster pump station along Tamlin Road in El Paso County to deliver water from Cherokee water tank to Woodmen Hills Metropolitan District (WHMD and the Tamlin Water System). The Tamlin Water System is to be operated by WHMD and the District is responsible for a proportionate share of the maintenance based on the direct annual proportion of usage. Interest free payments to the Developer were due in three equal payments of $300,000 on February 1 each year in 2023, 2024 and 2025.

NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)

Developer advances

On March 20, 2001, the District entered into a reimbursement agreement with GTL Development, Inc. (Developer) to reimburse the Developer for advances made on behalf of the District for operations, maintenance and capital infrastructure costs, along with accrued interest from the date of receipt at the rate of 5% per annum. On March 4, 2020, this agreement was revised, and the Developer agreed to forego the compounding of interest from March 18, 2018 through January 1, 2026. As of December 31,2025 the District owes $3,054,341 in principal and $8,238,293 in interest.

Authorized indebtedness

On November 7, 2000, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed $170,000,000 at an interest rate not to exceed 16% per annum.

As of December 31, 2025, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Authorized	Issued	Remaining
Street improvements	$ 29,435,000	$ -	$ 29,435,000
Water	35,765,000	-	35,765,000
Sanitation	7,320,000	-	7,320,000
Safety protection	1,740,000	-	1,740,000
Park and recreation	7,620,000	-	7,620,000
Mosquito control	1,305,000	-	1,305,000
Television relay and translation	1,055,000	-	1,055,000
Public transportation	260,000	-	260,000
Operations	500,000	-	500,000
Refunding	85,000,000	-	85,000,000
	$170,000,000	$ -	$170,000,000

NOTE 7 – COMMITMENTS

Defined contribution money purchase plan - IRC 401(a) and deferred compensation plan

The District adopted an employees' qualified money purchase plan and trust ("Plan") in accordance with Internal Revenue Code Section 401(a). The Plan is administered by Mission Square Retirement Corporation. The Plan is a defined contribution plan with the District contributing an amount equal to 6.2% of each participant's compensation for the year. Each full-time employee aged 16 or older is eligible to participate. Each participant is required to match the District's contribution. The District adopted an employees' 457(b) deferred compensation plan in which the District contributes on behalf of each participant 100% of the voluntary participant contribution made by the participant for the plan year not to exceed 3% of participant earnings. The District is not liable for further pension benefits in excess of the contributions made to the Plan nor liable for losses from depreciation in the value of any investments acquired under the Plan. The employer and the employees' contributions are fully vested at the date of contribution. Contributions are tax deferred until withdrawn. The District contributed $209,166 to the Plan during the year ended December 31, 2025.

NOTE 8 - NET POSITION

The District has a net position consisting of three components: net investment in capital assets, restricted and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of long-term obligations that are attributable to the acquisition, construction, or improvement of those assets.

As of December 31, 2025, the District had net investment in capital assets as follows:

	Governmental Activities	Business-type Activities	Total
Net investment in capital assets:			
Capital assets, net	$ 29,738,379	$ 53,172,065	$ 82,910,444
Retainage payable	(553,512)	(138,712)	(692,224)
Long-term obligations	(37,527)	(11,292,634)	(11,330,161)
Net investment in capital assets	$ 29,147,340	$ 41,740,719	$ 70,888,059

Restricted net position includes balances with external restrictions 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	Business-type Activities	Total
Restricted net position:			
Emergency reserve (Note 12)	$ 19,000	$ -	$ 19,000
Restricted net position	$ 19,000	$ -	$ 19,000

Unrestricted net position of $5,995,985 consists of net assets that do not meet the definition of net investment in capital assets or restricted net assets.

The Sewer Fund's unrestricted net deficit as of December 31, 2025 totaled $14,428,252. This deficit amount is primarily a result of the District's obligation to repay Cherokee for the cost of improvements to the Cherokee wastewater treatment plant that does not have a corresponding asset. Repayment of the outstanding obligation plus accrued interest is to be made each year until the obligation is fully satisfied using revenues from the Sewer Fund including service charges and other available Sewer Fund revenues.

NOTE 9 - INTERGOVERNMENTAL AGREEMENTS

The District entered into an intergovernmental agreement with Meridian Ranch on July 17, 2001, as amended on March 26, 2013, to set forth rights and obligations of the Districts pursuant to their respective service plans. The District agreed that the facilities described in the service plans are needed by the District and that such facilities will benefit the residents and property owners in both Districts in terms of cost, quality and level of service.

Each of the Districts agreed that the District will own (subject to potential transfer to other governmental entities or authorities) operate, maintain and construct facilities benefiting both Districts and that Meridian Ranch will contribute to the costs of construction, operation, and maintenance of such facilities.

Meridian Ranch agreed to issue limited tax general obligation bonds, or if bonds were not issued, Meridian Ranch agreed to pledge its ad valorem tax revenue at the times and in the amounts required to meet its obligations subject to a 50.000 mill cap (2001 equivalency). As bonds were issued, Meridian Ranch transferred the net proceeds of the bonds to the District. Any and all bond proceeds received by the District were applied to the payment of public

NOTE 9 - INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

infrastructure costs or were utilized to pay all or a portion of Meridian Ranch's outstanding bonds. To assist in the repayment of Meridian Ranch's outstanding debt obligations, the District is required to transfer revenue collected from facility fees and/or user fees to Meridian Ranch. The water taps from Latigo Trails are not included in fees transferred to Meridian Ranch.

The District, Meridian Ranch and the Meridian Ranch Metropolitan District 2018 Subdistrict (Subdistrict) entered into an intergovernmental agreement dated May 8, 2019 to provide the District with the responsibility for the construction, operation and maintenance of public improvements within the Subdistrict. The Subdistrict issued bonds in 2022 to provide funds for such improvements. Upon completion of construction, the District will be solely responsible for the operation, maintenance, insurance and repair of the improvements. As an additional consideration for the financing provided by the Subdistrict for the improvements, the District will provide administrative services as provided for in the agreement at no cost to the Subdistrict.

The District entered into an intergovernmental agreement with Cherokee under which the District is to pay for its portion of the wastewater treatment costs incurred by Cherokee. The total amount paid to Cherokee in 2025 was $1,614,636, which is included in sewer fund operations.

The District entered into an intergovernmental agreement with Woodmen Hills Metropolitan District (WHMD) on September 21, 2009, to set forth the rights and obligations of the District and WHMD for the operation of a sewer lift station that directs sewage to the Black Squirrel Wastewater Treatment Facility. The District owns and is responsible for the operation, maintenance and repair of the lift station and invoices WHMD monthly for its share of the costs of operations, maintenance and repairs. During the year ended December 31, 2025, the District collected $187,803 under this agreement.

On September 11, 2014, as amended in 2020 and 2021, the District entered into an intergovernmental agreement with Sterling Ranch Metropolitan District No. 1 (Sterling Ranch) under which the District agreed to treat and deliver Sterling Ranch wastewater to the Cherokee plant from the District's sewer lift station and Sterling Ranch agreed to pay the District a connection fee prior to service, a monthly wastewater services fee, clean water fee and ongoing sewer tap fees through 2025. On May 31, 2022, Sterling Ranch assigned all of the rights, terms, conditions, obligations, title and interest in, to and under the agreement to Falcon Area Water and Wastewater Authority and the District accepted such assignment. During the year ended December 31, 2025, the District collected $119,013 under this agreement.

NOTE 10- RELATED PARTIES

Some of the members of the board of directors are affiliated with or are employees of developers of land within the District. These members may have conflicts of interest with respect to certain transactions which come before the board of directors. In addition, one of the District's board members is also a board member of Meridian Ranch and Subdistrict.

NOTE 11- 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 contractors; or acts of God.

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

NOTE 11- RISK MANAGEMENT (CONTINUED)

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

NOTE 12 - 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 within the state of Colorado.

Spending and revenue limits are determined based on the prior 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. Revenues in excess of the fiscal year spending limit must be refunded unless the voters approve retention of such revenues.

On November 7, 2000, a majority of the District's electors authorized the District to collect and spend or retain in a reserve any and all revenue annually from any revenue source other than ad valorem taxes.

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 the District 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 likely require judicial interpretation.

REQUIRED SUPPLEMENTARY INFORMATION

MERIDIAN SERVICE METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2025

	Budget Amounts Original & Final	Actual Amounts	Variance Favorable (Unfavorable)
REVENUES			
IGA revenue - Meridian Ranch MD	$ 475,000	$ 475,000	$ -
Lease revenue	16,800	16,755	(45)
Other revenues	-	-	-
Interest - lease	3,360	3,356	(4)
Miscellaneous	-	3,052	3,052
Total revenues	495,160	498,163	3,003
EXPENDITURES			
General and administrative			
Accounting	10,000	198	9,802
Audit	45,000	50,120	(5,120)
Director fees	12,000	8,300	3,700
Dues, memberships and subscriptions	-	1,581	(1,581)
Election	6,000	1,133	4,867
Engineering and consulting	2,200	2,312	(112)
Furniture	100,000	-	100,000
Insurance	7,800	10,550	(2,750)
Legal	180,500	144,349	36,151
Meals and travel	16,000	10,757	5,243
Miscellaneous	2,250	265	1,985
Payroll and related services	95,600	90,876	4,724
Personnel	42,000	43,269	(1,269)
Staffing Agency Fees	11,000	11,000	-
2018 Subdistrict IGA expense	30,600	30,600	-
Emergency reserve 3%	20,200	-	20,200
Operations and maintenance			
Administrative	38,300	22,337	15,963
Repairs and maintenance	5,100	5,346	(246)
Office rental and utilities	68,500	74,996	(6,496)
Total expenditures	693,050	507,989	185,061
EXCESS OF EXPENDITURES OVER (UNDER) REVENUES	(197,890)	(9,826)	188,064
OTHER FINANCING SOURCES (USES)			
Transfer from Capital Projects Fund	-	100,000	100,000
Total other financing sources (uses)	-	100,000	100,000
NET CHANGE IN FUND BALANCE	$ (197,890)	90,174	$ 288,064
FUND BALANCE - BEGINNING OF YEAR		229,026	
FUND BALANCE - END OF YEAR		$ 319,200	

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

MERIDIAN SERVICE METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
PARKS AND GROUNDS FUND
FOR THE YEAR ENDED DECEMBER 31, 2025

	Budget Amounts Original and Final	Actual Amounts	Variance Favorable (Unfavorable)
REVENUES			
Parks and grounds fees	$ 1,439,420	$ 1,469,268	$ 29,848
Street lighting fees	279,562	281,581	2,019
IGA revenue - Meridian Ranch (CTF)	66,625	53,837	(12,788)
Other revenues	24,088	20,725	(3,363)
Interest	-	6,453	6,453
Miscellaneous	-	607	607
Total revenues	1,809,695	1,832,471	22,776
EXPENDITURES			
General and administrative			
Accounting	1,000	-	1,000
Customer billing	40,000	35,058	4,942
Engineering and consulting	7,500	12,115	(4,615)
Legal	3,000	2,808	192
Office expense	15,500	13,292	2,208
Payroll	451,000	458,316	(7,316)
Training, licenses and certification	2,000	900	1,100
Meals and travel	14,500	653	13,847
Miscellaneous	2,000	-	2,000
Operations and maintenance			
EPC condemnation expenses	-	55,819	(55,819)
Landscape repair and maintenance	803,000	421,204	381,796
Hardscape repair and maintenance	45,000	-	45,000
Fencing repairs, monuments & flags	12,000	14,517	(2,517)
Park maintenance	47,500	30,121	17,379
Pond maintenance	15,000	-	15,000
Planting replacements and seeding	-	129,620	(129,620)
Snow removal	8,000	3,765	4,235
Utilities	226,822	218,276	8,546
Insurance	42,000	39,305	2,695
Vandalism cost of repairs	2,000	198	1,802
Vehicle repair and maintenance	10,000	27,157	(17,157)
Total expenditures	1,747,822	1,463,124	284,698
Excess of revenues over expenditures	61,873	369,347	307,474
OTHER FINANCING SOURCES (USES)			
EPC Condemnation Revenue	78,730	42,400	(36,330)
Transfer to Capital Projects Fund	(112,000)	(117,560)	(5,560)
Total other financing uses	(33,270)	(75,160)	(41,890)
NET CHANGE IN FUND BALANCE	$ 28,603	294,187	$ 265,584
FUND BALANCE - BEGINNING OF YEAR		1,468,999	
FUND BALANCE - END OF YEAR		$ 1,763,186	

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

MERIDIAN SERVICE METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
RECREATION FUND
FOR THE YEAR ENDED DECEMBER 31, 2025

	Budget Amounts Original & Final	Actual Amounts	Variance Favorable (Unfavorable)
REVENUES			
Recreation center fees	$ 2,808,424	$ 2,809,205	$ 781
Contract revenue	-	650,000	650,000
Fee based programming	207,000	254,550	47,550
Fireworks display revenue	8,500	7,550	(950)
Other revenues	22,800	397	(22,403)
Billing fees	20,500	20,598	98
Miscellaneous	-	14,153	14,153
Total revenues	3,067,224	3,756,453	689,229
EXPENDITURES			
General and administrative			
Accounting	1,000	-	1,000
Customer billing	61,100	57,295	3,805
Engineering and consulting	10,400	11,326	(926)
Legal	1,000	10,596	(9,596)
Office expense	68,300	53,295	15,005
Payroll	2,030,000	1,965,733	64,267
Training, licenses and certificates	3,000	3,354	(354)
Meals and travel	8,000	1,799	6,201
Credit card fees	15,000	9,985	5,015
Miscellaneous	3,000	-	3,000
Events			
District events	46,000	16,809	29,191
Fireworks display	-	30,593	(30,593)
Operations and maintenance			
Programming supplies	182,360	108,424	73,936
Repairs and maintenance	217,000	489,634	(272,634)
Security	57,000	-	57,000
Utilities	283,100	163,660	119,440
Equipment and furniture	274,950	-	274,950
Mileage reimbursement & travel	-	311	(311)
Insurance & flood repairs and maintenance	58,800	48,630	10,170
Vandalism cost of repairs	5,000	-	5,000
Vehicle repair and maintenance	3,000	-	3,000
Total expenditures	3,328,010	2,971,444	356,566
Excess of revenues over expenditures	(260,786)	785,009	1,045,795
OTHER FINANCING SOURCES			
Transfer from Capital Projects Fund	198,190	198,190	-
Total other financing uses	198,190	198,190	-
NET CHANGE IN FUND BALANCE	$ (62,596)	983,199	$ 1,045,795
FUND BALANCE - BEGINNING OF YEAR		1,019,944	
FUND BALANCE - END OF YEAR		$ 2,003,143	

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

SUPPLEMENTARY INFORMATION

MERIDIAN SERVICE METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED DECEMBER 31, 2025

	Budget Amounts Original and Final	Actual Amounts	Variance Favorable (Unfavorable)
REVENUES			
IGA revenue from MRMD 2018 Subdistrict	$ 12,000,000	$ 12,102,534	$ 102,534
Interest	375,000	915,707	540,707
Total revenues	12,375,000	13,018,241	643,241
EXPENDITURES			
Parks and grounds	212,000	117,527	94,473
Recreation	12,843,690	12,328,825	514,865
Other projects	2,755,500	105,064	2,650,436
Total expenditures	15,811,190	12,551,416	3,259,774
Excess of expenditures over revenues	(3,436,190)	466,825	3,903,015
OTHER FINANCING SOURCES			
Lease Proceeds	-	49,733	49,733
Transfer to General Fund	-	(100,000)	(100,000)
Transfer from Parks and Grounds Fund	612,000	117,560	(494,440)
Transfer to Recreation Fund	601,810	(198,190)	(800,000)
Total other financing sources	1,213,810	(130,897)	(1,344,707)
NET CHANGE IN FUND BALANCE	(2,222,380)	335,928	$ 2,558,308
FUND BALANCE - BEGINNING OF YEAR		5,377,894	
FUND BALANCE - END OF YEAR		$ 5,713,822	

MERIDIAN SERVICE METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUNDS AVAILABLE
BUDGET AND ACTUAL (BUDGETARY BASIS)
WATER FUND
FOR THE YEAR ENDED DECEMBER 31, 2025

	Budget Amounts Original & Final	Actual	Variance Favorable (Unfavorable)
REVENUES			
Water fees	$ 4,350,242	$ 4,459,103	$ 108,861
Contract revenues	-	364,636	364,636
Reimbursed expenditures - IGA	16,150	28,034	11,884
Other revenues	24,600	25,604	1,004
Interest	25,000	48,454	23,454
Total revenues	4,415,992	4,925,831	509,839
EXPENDITURES			
General and administrative			
Accounting and management	85,536	79,335	6,201
Engineering/consulting	50,000	57,435	(7,435)
Legal	18,000	40,142	(22,142)
Meals and travel	1,100	648	452
Miscellaneous	2,200	-	2,200
Office expense	29,500	20,888	8,612
Office rent and utilities	16,175	14,882	1,293
Payroll	831,000	786,366	44,634
Training, licenses and certification	8,500	5,351	3,149
Vandalism	-	370	(370)
Operations and maintenance			
Insurance	63,420	71,114	(7,694)
Repairs and maintenance	190,600	136,329	54,271
Utilities	701,487	688,717	12,770
Water operations	271,200	241,909	29,291
Capital			
Capital outlay	2,322,500	1,629,611	692,889
Total expenditures	4,591,218	3,773,097	818,121
Excess of revenues over (under) expenditures	(175,226)	1,152,734	1,327,960
OTHER FINANCING SOURCES (USES)			
Facility fees	1,391,500	1,898,535	507,035
Proceeds from sale of assets	-	9,500	9,500
Developer reimbursements	-	(300,000)	(300,000)
Total other financing sources (uses)	1,391,500	1,608,035	216,535
NET CHANGE IN FUNDS AVAILABLE	$ 1,216,274	2,760,769	$ 1,544,495
FUNDS AVAILABLE - BEGINNING OF YEAR		7,190,893	
FUNDS AVAILABLE - END OF YEAR		$ 9,951,662	

Funds available are defined as follows:

Current assets	$ 10,310,164
Less current liabilities	(358,502)
Funds available	$ 9,951,662

Reconciling difference between budgetary basis and generally accepted accounting principles (GAAP):

Net change in funds available	$ 2,760,769
Capital outlay	1,629,611
Depreciation	(1,700,413)
Developer reimbursement	300,000
Net book value of assets disposed	(3,755)
Interest expense	(152,299)
Change in net position (GAAP Basis)	$ 2,833,913

MERIDIAN SERVICE METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUNDS AVAILABLE
BUDGET AND ACTUAL (BUDGETARY BASIS)
SEWER FUND
FOR THE YEAR ENDED DECEMBER 31, 2025

	Budget Amounts Original & Final	Actual	Variance Favorable (Unfavorable)
REVENUES			
Sewer fees	$ 2,716,869	$ 3,376,194	$ 659,325
Reimbursed expenditures - IGA	96,550	74,912	(21,638)
Contract revenue	-	600,000	600,000
Other revenues	24,088	22,295	(1,793)
Interest	-	19,238	19,238
Total revenues	2,837,507	4,092,639	1,255,132
EXPENDITURES			
General and administrative			
Accounting and management	52,535	45,476	7,059
Engineering and consulting	15,000	30,627	(15,627)
Legal	12,000	468	11,532
Office expense	19,000	14,706	4,294
Payroll	534,000	507,453	26,547
Office rent and utilities	9,097	8,013	1,084
Training, licenses and certifications	2,500	3,044	(544)
Meals and travel	1,000	356	644
Miscellaneous	2,000	2,500	(500)
Operations and maintenance			
Sewer operations	2,887,420	1,680,047	1,207,373
Lift station operations	20,100	112,965	(92,865)
Lift station operations - shared	83,100	78,546	4,554
Repairs and maintenance	223,000	252,299	(29,299)
Utilities	26,093	73,856	(47,763)
Insurance	26,808	25,687	1,121
Capital			
Capital outlay	95,000	81,258	13,742
Interest	-	727,669	(727,669)
Total expenditures	4,008,653	3,644,970	363,683
Excess of revenues over (under) expenditures	(1,171,146)	447,669	1,618,815
OTHER FINANCING SOURCES (USES)			
Facility fees	1,100,000	1,498,500	398,500
Repayment on loans	(404,248)	(414,157)	(9,909)
Fees transferred from Meridian Ranch	1,000,000	1,000,000	-
Total other financing sources (uses)	1,695,752	2,084,343	388,591
NET CHANGE IN FUNDS AVAILABLE	$ 524,606	2,532,012	$ 2,007,406
FUNDS AVAILABLE - BEGINNING OF YEAR		5,324,515	
FUNDS AVAILABLE - END OF YEAR		$ 7,856,527	

Funds available are defined as follows:

Current assets	$ 8,372,014
Less current liabilities	(515,487)
Funds available	$ 7,856,527

Reconciling difference between budgetary basis and generally accepted accounting principles (GAAP):

Net change in funds available	$ 2,532,012
Capital outlay	81,258
Depreciation and amortization	(887,403)
Repayment on loans	414,157
Change in net position (GAAP Basis)	$ 2,140,024