STETSON RIDGE METROPOLITAN DISTRICT NO. 1
El Paso County, Colorado

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2025

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YEAR ENDED DECEMBER 31, 2025

BiggsKofford

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Stetson Ridge 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 Stetson Ridge 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.

BiggsKofford LLP

Colorado Springs, Colorado
July 21, 2026

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities
ASSETS	
Cash and Investments - Restricted	$ 36,750
Accounts Receivable	1,400
Due from Stetson Ridge MD No. 2	700,903
Due from Stetson Ridge MD No. 3	8,867
Prepaid Insurance	7,103
Prepaid Expenses	864
Total Assets	755,887
LIABILITIES	
Accounts Payable	153,930
Total Liabilities	153,930
NET POSITION	
Restricted for:	
Emergency Reserve	48,400
Unrestricted	553,557
Total Net Position	$ 601,957

See accompanying Notes to Basic Financial Statements.

STETSON RIDGE 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	$ 992,809	$ -	$ 147,750	$ -	$ (845,059)
Interest on Long-Term Debt and Related Costs	7,405	-	-	-	(7,405)
Total Governmental Activities	$ 1,000,214	$ -	$ 147,750	$ -	(852,464)
GENERAL REVENUES					
Other Revenue					445
Intergovernmental Revenues - MD No. 2					601,731
Intergovernmental Revenues - MD No. 3					171,240
Intergovernmental Revenues - MD No. 2 - Contractual					691,498
Total General Revenues					1,464,914
CHANGES IN NET POSITION					612,450
Net Position - Beginning of Year					(10,493)
NET POSITION - END OF YEAR					$ 601,957

See accompanying Notes to Basic Financial Statements.

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

	General	Total Governmental Funds
ASSETS		
Cash and Investments - Restricted	$ 36,750	$ 36,750
Accounts Receivable	1,400	1,400
Due from Stetson Ridge MD No. 2	700,903	700,903
Due from Stetson Ridge MD No. 3	8,867	8,867
Prepaid Insurance	7,103	7,103
Prepaid Expenses	864	864
Total Assets	$ 755,887	$ 755,887
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	$ 153,930	$ 153,930
Total Liabilities	153,930	153,930
FUND BALANCES		
Nonspendable:		
Prepaid Expense	7,967	7,967
Restricted for:		
Emergency Reserves	48,400	48,400
Unassigned	545,590	545,590
Total Fund Balances	601,957	601,957
Total Liabilities and Fund Balances	$ 755,887	$ 755,887

See accompanying Notes to Basic Financial Statements.

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

	General	Total Governmental Funds
REVENUES		
Easement Revenue	$ 49,154	$ 49,154
Land and Public Improvements Sale Revenue	98,596	98,596
Other Revenue	445	445
Intergovernmental Revenues - MD No. 2	601,731	601,731
Intergovernmental Revenues - MD No. 3	171,240	171,240
Intergovernmental Revenues - MD No. 2 - Contractual	691,498	691,498
Total Revenues	1,612,664	1,612,664
EXPENDITURES		
Current:		
Accounting	45,805	45,805
Auditing	17,820	17,820
District Management	39,090	39,090
Dues and Membership	1,758	1,758
Election	11,896	11,896
Fence and Sign Maintenance	1,330	1,330
Insurance	19,917	19,917
Landscaping - Contract Maintenance	278,589	278,589
Landscaping - Repairs and Maintenance	91,323	91,323
Legal	6,625	6,625
Miscellaneous	6,983	6,983
Board Development	1,073	1,073
Repairs and Maintenance	61,499	61,499
Snow Removal	7,477	7,477
Stormwater Fees	19,918	19,918
Utilities	298,765	298,765
Website	3,733	3,733
Total Expenditures	913,601	913,601
EXCESS OF REVENUES OVER EXPENDITURES	699,063	699,063
OTHER FINANCING SOURCES (USES)		
Developer Advance	578,530	578,530
Repay Developer Advance	(839,653)	(839,653)
Total Other Financing Sources (Uses)	(261,123)	(261,123)
NET CHANGE IN FUND BALANCES	437,940	437,940
Fund Balances - Beginning of Year	164,017	164,017
FUND BALANCES - END OF YEAR	$ 601,957	$ 601,957

See accompanying Notes to Basic Financial Statements.

STETSON RIDGE 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	$ 437,940
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.	
Depreciation Expense	(79,208)
Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds.	
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	(578,530)
Repay Developer Advance - Principal	829,570
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund financial statements.	
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	2,678
Changes in Net Position of Governmental Activities	$ 612,450

See accompanying Notes to Basic Financial Statements.

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

	Budget		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Easement Revenue	$ -	$ 147,750	$ 49,154	$ (98,596)
Land and Public Improvements Sale Revenue	-	-	98,596	98,596
Other Revenue	6,761	7,119	445	(6,674)
Intergovernmental Revenues - MD No. 2	605,090	605,090	601,731	(3,359)
Intergovernmental Revenues - MD No. 3	172,314	172,314	171,240	(1,074)
Intergovernmental Revenues - MD No. 2 - Contractual	691,855	691,855	691,498	(357)
Total Revenues	1,476,020	1,624,128	1,612,664	(11,464)
EXPENDITURES				
Accounting	45,000	50,000	45,805	4,195
Auditing	17,000	18,000	17,820	180
Contingency	41,658	15,333	-	15,333
District Management	34,200	40,000	39,090	910
Dues and Membership	3,000	3,000	1,758	1,242
Election	4,000	12,000	11,896	104
Fence and Sign Maintenance	-	-	1,330	(1,330)
Insurance	20,000	20,000	19,917	83
Landscaping - Contract Maintenance	278,589	378,589	278,589	100,000
Landscaping - Repairs and Maintenance	-	-	91,323	(91,323)
Legal	7,000	7,000	6,625	375
Miscellaneous	1,000	3,000	6,983	(3,983)
Board Development	3,000	3,000	1,073	1,927
Repairs and Maintenance	50,000	63,000	61,499	1,501
Snow Removal	15,000	15,000	7,477	7,523
Stormwater Fees	23,000	25,800	19,918	5,882
Trash Collection	2,500	-	-	-
Utilities	390,300	390,300	298,765	91,535
Website	1,500	3,000	3,733	(733)
Total Expenditures	936,747	1,047,022	913,601	133,421
EXCESS OF REVENUES OVER EXPENDITURES	539,273	577,106	699,063	121,957
OTHER FINANCING SOURCES (USES)				
Developer Advance	400,000	691,855	578,530	(113,325)
Repay Developer Advance	(691,853)	(952,978)	(839,653)	113,325
Total Other Financing Sources (Uses)	(291,853)	(261,123)	(261,123)	-
NET CHANGE IN FUND BALANCE	247,420	315,983	437,940	121,957
Fund Balance - Beginning of Year	123,980	164,017	164,017	-
FUND BALANCE - END OF YEAR	$ 371,400	$ 480,000	$ 601,957	$ 121,957

See accompanying Notes to Basic Financial Statements.

NOTE 1 DEFINITION OF REPORTING ENTITY

Stetson Ridge Metropolitan District No. 1 (the District), a quasi-municipal corporation and a political subdivision of the state of Colorado created pursuant to the Colorado Special District Act, was formed in 2000 to manage the construction of all facilities and improvements, and for the operation and maintenance of all improvements not dedicated to the City of Colorado Springs, to include providing infrastructure of water, wastewater, streets, landscaping, and other improvements for residents and businesses within the Stetson Ridge subdivision located in the City of Colorado Springs.

The District was formed in conjunction with Stetson Ridge Metropolitan District No. 2 (District No. 2) and Stetson Ridge Metropolitan District No. 3 (District No. 3) (collectively, "the Districts") to serve the needs of the Stetson Ridge development for the purpose of financing, construction, and operation of improvements and infrastructure serving the three 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 and District No. 3 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 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 property taxes and intergovernmental revenues.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

The statement of net position reports on all financial and capital resources of the District. The difference between the sum of assets and deferred outflows and the sum of liabilities and deferred inflows is reported as net position.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

The District reports the following major governmental fund:

> 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

The District amended its annual budget for the year ended December 31, 2025.

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 and investments.

Capital Assets

Capital assets are reported in the governmental activities' column in the government-wide financial statements. Capital assets are defined by the District as assets with initial individual cost of more than $5,000 and estimated useful lives in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs for repairs and maintenance are expensed as incurred. At the time of retirement or disposition of depreciable assets, the related cost and accumulated depreciation are removed from the accounts, and the resulting gain or loss is reflected in revenues or expenses.

Depreciation expense has been computed on the landscaping, parks, and perimeter fencing using the straight-line method over estimated economic useful lives of 20 years and on parks and recreation over estimated economic useful lives of 25 years.

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 of capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity

Net Position

For government-wide presentation purposes, when both restricted and unrestricted resources are available for use, it is the government'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.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 - Restricted	$ 36,750
Total Cash and Investments	$ 36,750

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

Deposits with Financial Institutions	$ 36,750
Total Cash and Investments	$ 36,750

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.

As of December 31, 2025, the District's cash deposits had a bank balance and carrying balance of $36,750.

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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.

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 had no 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, Being Depreciated:				
Landscaping and Perimeter Fencing	$ 2,340,578	$ -	$ 50,010	$ 2,290,568
Less Accumulated Depreciation for:				
Landscaping and Perimeter Fencing	2,261,370	79,208	50,010	2,290,568
Governmental Activities Capital Assets, Net	$ 79,208	$ (79,208)	$ -	$ -

Depreciation expense was charged to the functions/programs of the primary government as follows:

Governmental Activities:	
General Government	$ 79,208
Total Depreciation Expense - Governmental Activities	$ 79,208

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	$ 251,040	$ 578,530	$ 829,570	$ -	$ -
Accrued Interest on:					
Developer Advance - Operating	2,678	7,405	10,083	-	-
Total Long-Term Obligations	$ 253,718	$ 585,935	$ 839,653	$ -	$ -

Developer Advance

Reimbursement Agreement

On May 7, 2020, Stetson Ridge Metropolitan District No. 2 and Stetson Ridge Metropolitan District No. 3 ("the Taxing Districts") and the District entered into a reimbursement agreement with Elite Properties of America, Inc. (the Developer). The proceeds from developer advances have been used primarily to fund the expenditures for operating and administrative expenses and to establish infrastructure. The note accrues interest at a rate of 6.00% per annum. As of December 31, 2025, there was no outstanding principal and accrued interest for operating or infrastructure purposes.

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Developer Advance (Continued)

Reimbursement Agreement (Continued)

The contractual revenue and expenditures paid by Stetson Ridge Metropolitan District No. 2 to the District are related to reimbursing the Developer (see Intergovernmental District Contractual Funding Agreement under Note 8).

Authorized Debt

Pursuant to the Consolidated Service Plan, the District and District No. 2 are authorized to issue Debt up to $2,000,000 or 50% of the Districts' assessed valuation at the time of issuance, pursuant to Section 32-1-1101(6), C.R.S., (Consolidated Service Plan Debt Issuance Limit) in total principal amount combined for both districts. In no event is the District authorized to issue debt in excess of the Consolidated 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 Consolidated Service Plan. The maximum debt service mill levy is 20 mills or 20 percent of the total combined mill levy of all governmental entities overlapping property within the Districts at the time of issuance of any debt, subject to adjustment.

The District has voter authorization in excess of the Consolidated 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 Consolidated Service Plan Debt Issuance Limit by power (such as water, sewer or streets). Therefore, the Consolidated Service Plan Debt Issuance Limit was voted in every power relative to debt for public improvements. With that understanding, on November 7, 2000, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed $32,500,000 at an interest rate not to exceed 18% per annum, however such debt is to be issued no later than five years from authorization. As such, at December 31, 2025, the District has no authorized but unissued debt and to issue any additional debt the District would have to submit such ballot questions to the District's electorate for approval.

NOTE 6 NET POSITION

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

Restricted net position includes 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	$ 48,400
Total Restricted Net Position	$ 48,400

NOTE 7 RELATED PARTIES

The Developers of the property which constitutes the District is Pulpit Rock Investments, LLC, Lindsay J. Case, R.W. Case II, and Elite Properties of America, Inc. Some members of the Board of Directors are officers, employees, or associated with the developer of the property within District No. 2, the District, and District No. 3, and may have conflicts of interest in dealing with the District.

During the year ended December 31, 2025, the District made a net cash reimbursement to Elite Properties of America, Inc. of $261,123 for advances and accrued interest the developer made previously to the district for public infrastructure and operations under the Reimbursement Agreement (see Developer Advances under Note 5).

NOTE 8 AGREEMENTS

District Facilities Construction and Service Intergovernmental Agreement

The District Facilities Construction and Service Agreement (the "Master Agreement") was made and entered into and dated as of December 11, 2006, by and between the District and the Taxing Districts. The purpose of the Master Agreement is to set forth the rights and obligations of the Operating District and the Taxing 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 Taxing Districts. The public improvements to be designed and constructed by the Operating District will benefit all property owners and residents within the Districts. The Taxing Districts will transfer general obligation bond proceeds to the Operating District.

Reimbursement Agreement

On November 8, 2007, Stetson Ridge Metropolitan District No. 2, Stetson Ridge Metropolitan District No. 3, and the District entered into a reimbursement agreement with Pulpit Rock Investments, LLC, Lindsay J. Case, and R.W. Case II to have conferred a benefit upon the Districts by agreeing to advance certain funds to the Districts for the purposes of constructing certain public improvements and facilities described in the approved Service Plan, which the Districts were authorized to construct pursuant to said Service Plan and the District will reimburse the developers, at the rate of 6% per annum from the day of the advance, for the funds so advanced pursuant to the further provision of the this agreement. As of December 31, 2025, the District had no outstanding principal or accrued interest under this agreement.

NOTE 8 AGREEMENTS (CONTINUED)

Intergovernmental District Contractual Funding Agreement

The Districts entered into an Intergovernmental District Contractual Funding Agreement (the "Agreement") as of July 11, 2022. The Districts agree to impose a contractual mill levy for each year to repay Elite Properties of America, Inc. for outstanding advances related to the Reimbursement Agreement dated May 7, 2020 (see Developer Advances under Note 5). The Districts agree that the District will notify them of the amount of the contractual mill levy required to be certified by each district prior to the completion of their annual budgets. The Agreement shall remain in effect until such time as mutually terminated by the Districts or all outstanding reimbursements for public infrastructure and annual operations are paid in full to Elite Properties of America, Inc. as determined by the District, which shall provide notice of such event to the Districts. As of December 31, 2025, the District did not have any outstanding reimbursements owed to Elite Properties of America, Inc.

Memorandum of Agreements

Two Memorandum of Agreements (the "Easement Agreements") were made and entered into and dated as of January 27, 2025 by and between the District and the City of Colorado Springs (the City). The Easement Agreements are for temporary construction easements related to parcels within the boundaries of the District. Payments of $9,250 and $9,100 were received on February 26, 2025 per the Easement Agreements.

Real Estate Purchase and Sale Agreement

Real Estate Purchase and Sale Agreement (the "Sale Agreement") was made and entered into and dated as of May 15, 2025, by and between the District and the City. The District agreed to sell, and the City agreed to purchase property and to purchase easements related to the Dublin Boulevard Improvement Project between Peterson Road and Marshfield Road. Payment of $129,400 was received on September 30, 2025, by the District from the City for the purchase of property and for the purchase of easements detailed in the Sale Agreement.

NOTE 9 RISK MANAGEMENT

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

The District is a member of the Colorado Special Districts Property and Liability Pool (the Pool). The Pool is an organization created by an 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 the past three fiscal years.

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

NOTE 10 TAX, SPENDING, AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue, and debt limitations which apply to the state of Colorado and all local governments 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. The District's voters approved a ballot issue allowing the District to retain all revenues.

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

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

The District recorded $36,750 of cash and investments as restricted related to TABOR. Combined with the amount of $11,650 cash and investments held by Stetson Ridge Metropolitan District No. 2 and recorded as restricted from Stetson Ridge Metropolitan District No. 2, there is a total of $48,400 restricted for TABOR reported by Stetson Ridge Metropolitan District No. 1 for the year ended December 31, 2025.

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.

Annual operating revenue is limited to a 5.25% increase, such increase is determined based on a prior assessment period and adjusted for allowable exclusions and exemptions from qualified property tax revenues.