

**Carriage Hills Metropolitan District
Weld County, Colorado**

**Financial Statements
December 31, 2025**



Haynie

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Carriage Hills Metropolitan District
Weld County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Carriage Hills Metropolitan 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 Carriage Hills Metropolitan District, as of December 31, 2025, and 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Carriage Hills 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 opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Carriage Hills 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.

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 Carriage Hills 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 Carriage Hills Metropolitan 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 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.

Supplementary Information

Our audit was made for the purpose of forming opinions on the financial statements. The accompanying supplemental information 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 account and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script, appearing to read "Haynie", written in black ink.

Littleton, Colorado
June 8, 2026

BASIC FINANCIAL STATEMENTS

Carriage Hills Metropolitan District
Governmental Funds Balance Sheet
and Statement of Net Position
12/31/2025

	General Fund	Special Revenue	Debt Service Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash and cash equivalents	\$ 98,537	\$ 191,851	\$ -	\$ 290,388	\$ -	\$ 290,388
Restricted cash and cash equivalents	-	-	464,946	464,946	-	464,946
Property taxes receivable	140,904	-	444,424	585,328	-	585,328
Other receivables, net	1,025	21,688	-	22,713	-	22,713
Due from County Treasurer	8	-	63	71	-	71
Prepaid expenses	11,405	-	-	11,405	-	11,405
Capital Assets, net	-	-	-	-	191,112	191,112
Total assets	<u>\$ 251,879</u>	<u>\$ 213,539</u>	<u>\$ 909,433</u>	<u>\$ 1,374,851</u>	<u>\$ 191,112</u>	<u>\$ 1,565,963</u>
Liabilities						
Accounts payable	\$ 10,987	\$ 2,225	\$ 507	\$ 13,719	\$ -	\$ 13,719
Accrued interest payable	-	-	-	-	688,929	688,929
Other accrued liabilities	8,801	5,916	-	14,717	-	14,717
Long-term liabilities						
Due within one year	-	-	-	-	75,000	75,000
Due after one year	-	-	-	-	7,602,488	7,602,488
Total liabilities	<u>19,788</u>	<u>8,141</u>	<u>507</u>	<u>28,436</u>	<u>8,366,417</u>	<u>8,394,853</u>
Deferred Inflows of Resources						
Deferred property tax revenue	140,904	-	444,424	585,328	-	585,328
Total deferred inflows of resources	<u>140,904</u>	<u>-</u>	<u>444,424</u>	<u>585,328</u>	<u>-</u>	<u>585,328</u>
Fund Balances						
Nonspendable	11,405	-	-	11,405	(11,405)	-
Restricted	2,156	2,845	464,502	469,503	(469,503)	-
Committed	-	202,553	-	202,553	(202,553)	-
Unassigned	77,626	-	-	77,626	(77,626)	-
Total Fund Balances	<u>91,187</u>	<u>205,398</u>	<u>464,502</u>	<u>761,087</u>	<u>(761,087)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 251,879</u>	<u>\$ 213,539</u>	<u>\$ 909,433</u>	<u>\$ 761,087</u>		
Net Position						
Net investment in capital assets					(208,888)	(208,888)
Restricted for:						
Tabor					5,001	5,001
Unrestricted					(7,210,331)	(7,210,331)
Total Net Position					<u>\$ (7,414,218)</u>	<u>\$ (7,414,218)</u>

The accompanying notes are an integral part of these financial statements.

Carriage Hills Metropolitan District
Governmental Funds Revenues, Expenditures
and Changes in Fund Balances/ Statement of Activities
For the Year Ended December 31, 2025

	<u>General</u>	<u>Special Revenues</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues						
Property Taxes	\$ 53,072	\$ -	\$ 397,716	\$ 450,788	\$ -	\$ 450,788
Specific Ownership Taxes	2,152	-	16,125	18,277	-	18,277
Interest Income	10,842	-	25,600	36,442	-	36,442
Other	<u>1,353</u>	<u>3,520</u>	<u>-</u>	<u>4,873</u>	<u>-</u>	<u>4,873</u>
Total Revenues	<u>67,419</u>	<u>3,520</u>	<u>439,441</u>	<u>510,380</u>	<u>-</u>	<u>510,380</u>
Expenditures						
Operating						
Administration	26,603	33,336	31,056	90,995	-	90,995
Legal	<u>45,264</u>	<u>-</u>	<u>-</u>	<u>45,264</u>	<u>-</u>	<u>45,264</u>
Landscaping and maintenance	-	47,741	-	47,741	-	47,741
Utilities	-	7,042	-	7,042	-	7,042
Depreciation	-	-	-	-	26,666	26,666
Engineering	-	6,698	-	6,698	-	6,698
Debt Service						
Paying Agent	-	-	6,000	6,000	-	6,000
Principal	-	-	60,000	60,000	(60,000)	-
Interest	<u>-</u>	<u>-</u>	<u>347,471</u>	<u>347,471</u>	<u>104,774</u>	<u>452,245</u>
Total Expenditures	<u>71,867</u>	<u>94,817</u>	<u>444,527</u>	<u>611,211</u>	<u>71,440</u>	<u>682,651</u>
Charges for services						
Operation and capital facilities	<u>-</u>	<u>100,918</u>	<u>-</u>	<u>100,918</u>	<u>-</u>	<u>100,918</u>
Total Charges for Services	<u>-</u>	<u>100,918</u>	<u>-</u>	<u>100,918</u>	<u>-</u>	<u>100,918</u>
Excess of revenues over (under) expenditures	(4,448)	9,621	(5,086)	87	(71,440)	(71,353)
Net change in fund balances	(4,448)	9,621	(5,086)	87	(71,440)	(71,353)
Fund balances:						
Beginning of the year	<u>95,635</u>	<u>195,777</u>	<u>469,588</u>	<u>761,000</u>	<u>(8,103,865)</u>	<u>(7,342,865)</u>
End of the year	<u>\$ 91,187</u>	<u>\$ 205,398</u>	<u>\$ 464,502</u>	<u>\$ 761,087</u>	<u>\$ (8,175,305)</u>	<u>\$ (7,414,218)</u>

The accompanying notes are an integral part of these financial statements.

Carriage Hills Metropolitan District
Statement of Revenues, Expenditures
and Changes in Fund Balance—Actual and Budget
Governmental Fund Type—General Fund
For the Year Ended December 31, 2025

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Property Taxes	\$ 53,113	\$ 53,113	\$ 53,072	\$ (41)
Specific Ownership Taxes	3,187	3,187	2,152	(1,035)
Interest Income	-	-	10,842	10,842
Other	<u>1,171</u>	<u>1,171</u>	<u>1,353</u>	<u>182</u>
Total Revenues	<u>57,471</u>	<u>57,471</u>	<u>67,419</u>	<u>9,948</u>
Expenditures				
Management & Accounting Services	24,072	24,270	23,620	650
Legal	18,000	33,975	45,264	(11,289)
Design Review Fees	-	-	400	(400)
Election Costs	3,000	78	78	-
Insurance	4,815	4,815	-	4,815
Engineers	5,000			
Treasurer's Fees	797	797	797	-
Office	107	-	30	(30)
SDA Dues	329	306	306	-
Contingency	737	5,000	-	5,000
ADA Compliance	<u>-</u>	<u>2,058</u>	<u>1,372</u>	<u>686</u>
Total Expenditures	<u>56,857</u>	<u>71,299</u>	<u>71,867</u>	<u>(568)</u>
Excess Revenue Over (Under)				
Expenditures	<u>614</u>	<u>(13,828)</u>	<u>(4,448)</u>	<u>9,380</u>
Net change in fund balances	614	(13,828)	(4,448)	9,380
Fund Balances—Beginning of year	<u>95,635</u>	<u>95,635</u>	<u>95,635</u>	<u>-</u>
Fund Balances—End of Year	<u>\$ 96,249</u>	<u>\$ 81,807</u>	<u>\$ 91,187</u>	<u>\$ 9,380</u>

The accompanying notes are an integral part of these financial statements.

Carriage Hills Metropolitan District

Notes to Financial Statements

December 31, 2025

1. Definition of Reporting Entity

Carriage Hills Metropolitan District (the District), was organized in April 2006, under the State of Colorado statutory authority, as a quasi-municipal corporation and is governed by a five-member Board of Directors pursuant to the provisions of the Colorado Special District Act (Title 31, Article I, Colorado Revised Statutes) for the overall purpose of the development of the Carriage Hills planned unit development.

The District's service area, which consists of approximately 100 acres of land, is located in the Town of Frederick, Colorado. Under the Service Plan, the District was formed to provide for the planning, design, financing, acquisition, construction, and installation of public improvements as defined in the Service Plan.

As required by US GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local government entities. The District has no component units as defined by the Governmental Accounting Standards Board ("GASB"), Statement No. 14, *The Reporting Entity*, and GASB No. 39, *Determining Whether Certain Organizations are Component Units*.

All operations and administrative functions are contracted.

2. Summary of Significant Accounting Policies

The accounting policies of Carriage Hills Metropolitan District (the "District") conform to the accounting principles generally accepted in the United States of America ("US GAAP") as applicable to governmental entities. The following is a summary of the more significant policies consistently applied in the preparation of the basic financial statements of the District.

The accompanying financial statements are presented in accordance with GASB Statement No. 34, *Special Purpose Governments*.

Government-wide Statements

The government-wide financial statements, the Statement of Net Position, and the Statement of Activities report information on all of the governmental activities of the District.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program or general revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Revenues and expenditures are recorded on the accrual basis of accounting.

Carriage Hills Metropolitan District
Notes to Financial Statements (continued)
December 31, 2025

2. Summary of Significant Accounting Policies (continued)

Governmental Fund Financial Statements

The governmental fund financial statements are prepared 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 if the revenues are collectible within the current period, or soon thereafter, to pay liabilities of the current period. For that purpose, the District considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period.

Governmental Funds

For 2025, the district has three Governmental funds:

- *General Fund* – The General Fund is the general operating fund of the District. It is used to account for all of the financial resources not accounted for and reported in another fund.
- *Special Revenue Fund* – the Special Revenue Fund is used to account for assessment and collection of a \$105 per quarter operational and facility fee, and subsequent payment of expenditures pertaining to the operation, and maintenance of the District’s common area.
- *Debt Service Fund* – The Debt Service Fund is used to account for all financial resources that are restricted, committed, or assigned to expenditures for principal, interest, and other debt-related costs.

Deposits

District management considers cash and cash equivalents to include cash on hand, demand deposits, and money market accounts. Investments, as applicable, of the District are reported at fair value.

District management may at times follow the practice of pooling cash, and investments of all funds to maximize investment earnings. Except when required by regulations or other agreements, all cash is deposited to, and disbursed from a minimum number of bank accounts. Cash in excess of immediate operating requirements may be pooled for deposit, and investment flexibility. As applicable, investment earnings are allocated periodically to participating funds based upon each fund’s average equity balance in total cash.

Carriage Hills Metropolitan District
Notes to Financial Statements (continued)
December 31, 2025

2. Summary of Significant Accounting Policies (continued)

Capital Assets

The district's capital assets, as applicable, are recorded at cost, if purchased or constructed. Donated capital assets are valued at the acquisition value at the time of donation. The District has a capitalization policy of \$5,000. The District's Board of Directors has the option to capitalize certain items costing less than \$5,000 in certain circumstances.

The cost of normal maintenance, and repairs, as incurred, that do not add value to, or materially extend the life of, the related capital asset, are charged to expense as incurred.

Depreciation is provided under the straight-line method, with an estimated service life of 15 years.

Fair Value of Financial Instruments

The District's financial instruments include, as applicable, cash and cash equivalents, various receivables, and accounts payable. The District estimates that the fair value of these financial instruments, as of December 31, 2025, does not differ materially from the aggregate carrying values used in the accompanying financial statements. The carrying amount of these financial instruments approximates the fair value due to the short maturity of these financial instruments.

Use of Estimates

The preparation of financial statements in conformity with US GAAP involves the use of management's estimates which affect the reported amounts of assets, and liabilities as of the date of the financial statements, and the reported amounts of revenue and expenditures during the reporting period. These estimates are based upon management's best judgment, after considering past events, and assumptions about future events. Actual results could differ from those estimates.

Property Tax

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

Carriage Hills Metropolitan District
Notes to Financial Statements (continued)
December 31, 2025

2. Summary of Significant Accounting Policies (continued)

Property Taxes (continued)

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

Under the Service Plan, the maximum Mill Levy for the District shall be 50 mills, subject to statutory adjustment.

3. Budget Information

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with State Budget Law, the District's Board of Directors holds a public hearing in the fall of each year to approve the budget and appropriate funds for the ensuing year. The appropriation is at the total fund expenditure 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 total appropriation can only be modified upon completion of a budget amendment approved following a public hearing on the same. The budget includes each fund on its basis of accounting unless otherwise indicated. The appropriation is at the total fund expenditures level and lapses at year-end.

The District's 2025 expenditures in the General Fund exceeded budgeted appropriations by \$568, which may be a violation of State statutes.

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Carriage Hills Metropolitan District
Notes to Financial Statements (continued)
December 31, 2025

4. Cash and Investments

Cash and Investments

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

As of December 31, 2025, all of the district's deposits were either insured by the FDIC or held in eligible depositories.

Statement of net position:

Cash and cash equivalents - unrestricted	\$ 290,388
Restricted cash and cash equivalents	<u>464,946</u>
	<u>\$ 755,334</u>

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

Deposits with financial institutions	\$ 507,471
Investment in local government investment pool	<u>247,863</u>
	<u>\$ 755,334</u>

At December 31, 2025, the District had \$247,863 invested in the Colorado Local Government Liquid Trust ("ColoTrust"), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund, and each share is equal in value to \$1.00. The trust offers shares in three portfolios, COLORTUST PRIME, COLOTRUST EDGE, and COLOTRUST PLUS+. All three portfolios may invest in U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest-rated commercial paper, and repurchase agreements collateralized by certain obligations of the U.S. government agencies. The District's investments are in the COLOTRUST PLUS+ portfolio. COLOTRUST is rated AAAm by Standard & Poor's. There are no unfunded commitments, the redemption period frequency is daily and there is no redemption notice period.

Restricted Cash and Cash Equivalents

The District's restricted cash and cash equivalents pertain to the amount of cash and cash equivalents restricted for payment of debt service.

Carriage Hills Metropolitan District
Notes to Financial Statements (continued)
December 31, 2025

5. Long-Term Debt

Limited Tax General Obligation Bonds, Series 2018A

In May 2018, the District issued Limited Tax General Obligation Bonds, Series 2018A (“Series 2018A Bonds”) in the amount of \$4,960,000 for the following purposes; (a) to pay the costs to acquire the Public Improvements and other improvements, including reimbursing the Developers under various developer reimbursement agreements, further discussed in Note 6, (b) to fund a debt service reserve fund, (c) to pay capitalized interest, and (d) to pay the costs of issuance of the Series 2018A Bonds.

The District shall not issue, incur, or otherwise enter into any Additional Obligations having a lien upon the Pledged Revenue, as defined in the Indenture of Trust; or any part thereof that is superior to the lien of the Series 2018A bonds.

The Series 2018A Bonds shall bear interest at the rate of 5.5% per annum, calculated on the basis of a 360-day year of twelve 30-day months, payable to the extent of the Pledged Revenue, as defined in the Indenture of Trust, semi-annually on each June 1 and December 1. For the year ended December 31, 2025, interest was paid in the amount of \$269,775. As of December 31, 2025, there was unpaid accrued interest payable of \$22,208.

The Series 2018A Bond required principal payments commencing on December 1, 2024 with final maturity on December 1, 2047. In December 31, 2025 the District paid \$60,000 toward the principal of the Series 2018A Bond.

Under the terms of the Indenture of Trust, the District is to transfer the Pledged Revenue as defined in the Indenture of Trust, to the Trustee as soon as may be practicable after receipt thereof.

On each November 1, the Trustee shall determine the amount credited to the Bond Fund and, to the extent the amount therein is in excess of the amount required to pay interest on the Series 2018A bonds, the Trustee shall give notice of any redemption.

Optional Redemption

The Series 2018A Bonds shall be subject to optional redemption to the extent Pledged Revenue is available beginning after December 1, 2024. The Optional redemption price shall be equal to the principal, accrued interest, and a redemption premium. The redemption premium shall be as follows:

Date of Redemption	Redemption Premium
December 2023 to November 30, 2024	3.00%
December 2024 to November 30, 2025	2.00%
December 2025 to November 30, 2026	1.00%
December 2026 and thereafter	0.00%

Carriage Hills Metropolitan District
Notes to Financial Statements (continued)
December 31, 2025

5. Long-Term Debt (continued)

Annual Audit

Under the terms of the Indenture of Trust, the District shall provide an audit of the District's annual financial statements no later than September 30 of the calendar year after the calendar year-end.

Subordinate Limited Tax General Obligation Bonds, Series 2018B

In May 2018, the District issued the Subordinate Limited Tax General Obligation Bonds, Series 2018B ("Series 2018B Bonds") in an amount not to exceed \$2,655,000 for purpose of paying the costs to acquire the Public Improvements and other improvements, including reimbursing the Developers under various developer reimbursement agreements, further discussed in Note 6.

The Series 2018B bonds shall bear interest at the rate of 7.5% per annum, calculated on the basis of a 365-day year, payable to the extent of Subordinate Pledged Revenue, as defined in the Indenture of Trust, annually on December 15. For the year ended December 31, 2025, interest was paid in the amount of \$77,696. As of December 31, 2025, there was unpaid accrued interest payable of \$666,721.

The Series 2018B bonds mature on December 15, 2047.

Optional Redemption

The Series 2018B Bonds shall be subject to optional redemption to the extent Subordinate Pledged Revenue is available beginning after December 15, 2027. The optional redemption price shall be equal to the principal and accrued interest without a redemption premium.

On December 4, 2025, the Board authorized, and on December 12, 2025 the District issued, the Judgment Lien Limited Tax Note, Series 2025 (the "Judgment Lien Note") in the principal amount of \$400,000, pursuant to the Indenture of Trust (Judgment Lien) dated December 1, 2025. The Note bears no interest, matures December 15, 2035, and is subject to mandatory annual redemption within 30 days of the District's receipt of Judgment Lien Pledged Revenue. The Note is payable solely from a dedicated 10.000 mill levy (or lesser amount if sufficient) and other legally available moneys designated by the Board. The Note was delivered directly to Babcock Land Corporation in satisfaction of the District's obligations under the Settlement Agreement; no proceeds were delivered to the District. The Judgment Lien Note is junior in lien priority to the Series 2018A Bonds and Series 2018B Bonds. The District's O&M Pledge of \$50,000/year (increased 1% annually) from the Series 2018B mill levy has priority over payments on the Judgment Lien Note.

Carriage Hills Metropolitan District
Notes to Financial Statements (continued)
December 31, 2025

5. Long-Term Debt (continued)

Changes in the District's Long-Term Debt

The changes in the District's long-term debt for the year ended December 31, 2025 are as follows:

	Balance at December 31, 2024	Additions	Reductions	Balance at December 31, 2025	Due Within One Year
General Obligation Bonds					
Series 2018A Bonds	\$ 4,905,000	\$ -	\$ 60,000	\$ 4,845,000	\$ 75,000
Series 2018B Bonds	2,432,488	-	-	2,432,488	-
	<u>\$ 7,337,488</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,277,488</u>	<u>\$ -</u>
Direct Borrowings					
Judgment Lien Limited Tax Note, Series 2025	\$ 400,000	\$ -	\$ -	\$ 400,000	\$ -
	<u>\$ 400,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 400,000</u>	<u>\$ -</u>

Future Maturities

The future minimum principal payments for the Series 2018A Bonds, and the anticipated maturity amount of the Series 2018B Bonds as of December 2025, are as follows:

	Series 2018A Bonds
Year Ending	
2026	\$ 75,000
2027	80,000
2028	90,000
2029	100,000
2030	115,000
2031-2035	740,000
2036-2040	1,140,000
2041-2045	1,660,000
2046-2047	845,000
Total	<u>\$ 4,845,000</u>

Principal payments related to the Judgment Lien Limited Tax Note, Series 2025 are not included in the maturity schedule because the timing of principal and interest payments is subject to mandatory annual redemption based on receipt of Judgment Lien Pledged Revenue. The Note has a stated final maturity of December 15, 2035; however, amounts may be retired earlier as pledged revenues become available.

Because of the uncertainty of the timing of the principal and interest payment of the Series 2018B Bonds, no schedule of principal and interest payments is presented.

Carriage Hills Metropolitan District
Notes to Financial Statements (continued)
December 31, 2025

5. Long-Term Debt (continued)

Authorized, but Unissued Debt

As of December 31, 2025, the amount of voter authorized, but unissued debt for the Carriage Hills Metropolitan District was \$23,550,000. However, the District's Service plan currently limits the total debt issuance to \$9,000,000, as increased from \$7,800,000, by the First Amendment to the Service Plan dated December 3, 2025. As such, the District has \$1,395,000 authorized, but unissued debt.

Dependence upon Timely Payment of Property Taxes

Delinquency in the payment of property taxes by the owners of taxable property in the District may impair the repayment of the Series 2018A Bonds and Series 2018B Bonds in a timely manner. Generally, property tax does not constitute a personal obligation on the property owner, but rather constitutes a lien against the taxed property until paid. The County Treasurer can enforce the payment of delinquent property taxes through the power of foreclosure and subsequent sale in the manner provided by applicable law. The ability of the District to enforce and collect the necessary property taxes is dependent upon the taxed property to have sufficient market value to support the property taxes that are imposed against it.

6. Commitments

Advance and Reimbursement Agreement – Carriage Hills Development, Inc.

In June 2006, the District entered into an Advanced Reimbursement Agreement (“ARA”) with Carriage Hills Development, Inc. (“Carriage Hills”) under which Carriage Hills agreed to advance funds for the construction, maintenance, and operating costs, as defined in the ARA, consistent with the public objects and purpose of the District.

The District shall reimburse Carriage Hills for any advances together with interest at the rate of 7% per annum. There were no advanced reimbursements outstanding to Carriage Hills under the ARA as of December 31, 2025.

Infrastructure Acquisition Agreement – Babcock Land Corp

In May 2013, the District entered into an Infrastructure Acquisition Agreement with Babcock Land Corp. (“Babcock”) under which the District agreed to acquire various improvements from Babcock at a reasonable cost. The Purchase Price for all or any of the completed improvements or improvements for which work is in process, shall be equal to the District Costs. The District Costs shall be the amount so certified in the Cost Certification as defined in the Infrastructure Acquisition Agreement.

Carriage Hills Metropolitan District
Notes to Financial Statements (continued)
December 31, 2025

6. Commitments

Infrastructure Acquisition and Reimbursement Agreement – Babcock Land Corp

In May 2014, the District entered into an Infrastructure Acquisition and Reimbursement Agreement (“IARA”) with Babcock pursuant to which the District agreed to reimburse Babcock up to \$400,000 for “District Eligible Costs”, if certain agreed upon conditions exist and solely from that source of revenue identified in Paragraph 6 of the IARA.

Repayment obligations incurred under the IARA shall not bear interest, and the amount due and owing shall be due to the extent funds are available. In 2018, the district acquired improvements in the amount of \$400,000; however, the conditions precedent to establishing the repayment had not been met prior to the execution of the Final Settlement Agreement in September 2025.

In July 2019, Babcock filed a Complaint and Demand for a Jury Trial, against the District, Carriage Hills and members of the District’s Board of Directors, individually; alleging breach of the District’s obligation to Babcock under the IARA. The District filed a motion to dismiss the Complaint and Demand for a Jury Trial which was granted in 2021. Subsequently, Babcock filed an appeal to the dismissal with the Colorado Court of Appeals. In April 2023, the Colorado Court of Appeals affirmed the dismissal. In 2024, the District and Babcock entered into negotiations related to a possible settlement.

In September 2025, the parties executed a Final Settlement Agreement providing for the issuance of a judgment lien note prior to December 16, 2025. In accordance with the agreement, the District levied 10.000 mills for collection in 2026 to service the debt and will continue to levy 10.000 mills annually, on or before December 16, until the obligation is fully satisfied; however, in the final year of repayment, the levy may be reduced to an amount sufficient to retire the ing balance in full.

7. Capital Assets

Changes in the District’s capital assets for the year ended December 31, 2025 are as follows:

	Balance at December 31, 2024	Additions	Deletions	Balance at December 31, 2025
Landscaping	\$ 400,000	\$ -	\$ -	\$ 400,000
Accumulated Depreciation	(182,222)	(26,666)	-	(208,888)
Net Capital Assets	\$ 217,778	\$ (26,666)	\$ -	\$ 191,112
	Less related outstanding capital debt			(400,000)
	Net investment in capital assets			<u>\$ (208,888)</u>

Carriage Hills Metropolitan District
Notes to Financial Statements (continued)
December 31, 2025

8. Fund Balance/Net Position

Fund Balance

The District utilizes the fund balance presentation as required under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balances, as applicable are categorized as non-spendable, restricted, committed, assigned, or unassigned.

Non-spendable – represents amounts that cannot be spent because they are either in non-spendable form or legally required to remain intact;

Restricted – represents amounts with external constraints placed on the use of these resources or imposed by enabling legislation;

Committed – represents amounts that may only be used for specific purposes imposed by a formal action of the District’s highest level of decision-making authority, the District’s Board of Directors. Committed resources cannot be used for any other purpose, unless the District’s Board of Directors remove or change the specific use by the same type of action used to commit those amounts, either by resolution or by ordinance;

Assigned – represents amounts that the District intends to use for specific purposes, as expressed by the District’s Board of Directors or a District official delegated the authority to assign such amounts.

Unassigned – represents the residual classification for the general fund or deficit balances in other funds, as applicable.

Amounts are considered to have been spent when an expenditure is incurred for purposes for which both restricted, and unrestricted (committed, assigned, or unassigned) amounts are available. Unrestricted amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balances classifications could be used.

As of December 31, 2025, the District’s Fund balances consisted of the following:

		Special	Debt Service	
Fund Balances	General Fund	Revenue Fund	Fund	Total
Nonspendable	\$ 11,405	\$ -	\$ -	\$ 11,405
Restricted	2,156	2,845	464,502	469,503
Committed	-	202,553	-	202,553
Unassigned	77,626	-	-	77,626
Total Fund				
Balances (deficit)	\$ 91,187	\$ 205,398	\$ 464,502	\$ 761,087

Carriage Hills Metropolitan District
Notes to Financial Statements (continued)
December 31, 2025

8. Fund Balance/Net Position (continued)

Net Position

The district's net position represents the difference between the District's assets, liabilities, and deferred inflow of resources. The District may report three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets;

Restricted net position – net position is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets;

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net positions are available, the District will use the most restrictive net position first.

9. Related Parties

Cost Sharing Agreement – Marketplace Metropolitan District

Carriage Hills is also the Developer of Marketplace Metropolitan District ("Marketplace"). In 2012, the District and Marketplace entered into the Cost Sharing Agreement (the "Agreement").

Under the Agreement, the District acknowledged that it benefits directly from public improvements provided by and operating costs borne by Marketplace. The District agreed to provide limited reimbursement to Marketplace for costs borne by Marketplace associated with the operation of the public improvements. The potential reimbursement is the amount generated by the District's property tax mill levy which exceeds the District's budgeted operating expenses. The Reimbursement amount is at the discretion of the District's Board of Directors.

Since the inception of the Agreement, the District has transferred funds and Marketplace, based upon availability of funds, has repaid the District from time to time.

In 2022, the Board of Directors of Marketplace questioned the District's accounting for the transfers to Marketplace as advances and contends that the transfers should have been reflected as a contribution to Marketplace with no repayment necessary. The Board of Directors' of the respective districts together with legal counsel have reviewed the Agreement and as of December 31, 2025, remain in discussion over the agreement.

Carriage Hills Metropolitan District
Notes to Financial Statements (continued)
December 31, 2025

9. Related Parties (continued)

As of December 31, 2025, the district held a balance due from Marketplace of \$85,199. Due to the uncertainty surrounding the collectability of this amount, a full allowance for doubtful accounts has been recorded, resulting in a net reported balance of \$0. This receivable is included in the "Other Receivables" line item in the financial statements. Management continues to evaluate the status of the dispute and will reassess the allowance as more information becomes available.

10. Risk Management

The District is exposed to various risks of loss related to torts, errors or omissions, and natural disasters, as well as theft of, damage to, or destruction of, property.

The District is a member of the Colorado Special Districts Property and Liability Pool ("Pool") as of December 31, 2025. The Pool is an organization created by intergovernmental agreements to provide property, liability, public officials' liability, boiler, and workers' compensation coverage to its members. The District pays annual premiums to the Pool for 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 that the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

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Carriage Hills Metropolitan District
Notes to Financial Statements (continued)
December 31, 2025

11. Tax, Spending, and Debt Limitations

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR) contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based upon the prior year's fiscal year spending, adjusted for allowable increases based upon inflation and local growth. Fiscal year spending is generally defined as expenditures plus reserve increase, with certain exceptions. Revenue in excess of the fiscal year spending limit must be refunded, unless the voters approve retention of such revenue.

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

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

12. Management's Evaluation of Subsequent Events

The preparation of the District's financial statements and accompanying footnotes in conformity with United States Generally Accepted Accounting Principles requires District management to evaluate transactions and events subsequent to the balance sheet date involving the District. Management has evaluated subsequent transactions and events of the District through June 8, 2026, which is the date that the financial statements and accompanying notes were available for issuance.

Carriage Hills Metropolitan District
Notes to Financial Statements (continued)
December 31, 2025

13. Reconciliation of Government-Wide and Governmental Fund Financial Statements

The Governmental Funds Balance Sheet/Statement of Net Position, and Statement of Governmental Funds Revenues, Expenditures and Changes in Fund Balance/Statement of Activities includes an adjustments column, which reconciles the differences between government-wide, and governmental fund financial statements, as follows:

Governmental Funds Balance Sheet/Statement of Net Position

Long-term Debt, including accrued interest payable, is not due and payable in the current period and therefore is not reported in the governmental funds,

Long-term debt, including current portion	\$ (7,677,488)
Accrued interest payable	(688,929)

Capital assets, net of accumulated depreciation, reflected in the Statement of Net Position are not financial resources in the governmental funds and are accordingly not reported in the governmental funds.

191,112

Statement of Governmental Funds Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities.

Depreciation of capital assets is reflected in the Statement of Activities;

\$ (26,666)

Principal payments on debt are expenditures in the governmental funds; however, the principal payment is a reduction in the long-term debt as reflected in the Statement of Net Position.

60,000

Interest expense is recorded in the statement of Activities when incurred. Interest is only recorded, as paid, in the Debt Service Fund

104,774

Supplementary Information

Carriage Hills Metropolitan District
Schedule of Revenues, Expenditures
and Changes in Fund Balance—Actual and Budget
Governmental Fund Type—Special Revenue Fund
For the Year Ended December 31, 2025

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
District operating fees	\$ 94,500	\$ 100,918	\$ 6,418
Late fees	-	3,510	3,510
NSF fees	-	10	10
Total Revenues	<u>94,500</u>	<u>104,438</u>	<u>9,938</u>
Expenditures			
Management & Accounting Services	31,200	31,366	(166)
Legal	1,313	-	1,313
Engineers	3,924	6,698	(2,774)
Office	1,104	1,970	(866)
Utilities	8,645	7,042	1,603
Landscaping	<u>64,330</u>	<u>47,741</u>	<u>16,589</u>
Total Expenditures	<u>110,516</u>	<u>94,817</u>	<u>15,699</u>
Excess Revenue Over (Under)			
Expenditures	<u>(16,016)</u>	<u>9,621</u>	<u>25,637</u>
Other financing sources (uses)			
Transfer from other funds	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	(16,016)	9,621	25,637
Fund Balances—Beginning of year	<u>195,777</u>	<u>195,777</u>	<u>-</u>
Fund Balances—End of Year	<u><u>\$ 179,761</u></u>	<u><u>\$ 205,398</u></u>	<u><u>\$ 25,637</u></u>

Carriage Hills Metropolitan District
Schedule of Revenues, Expenditures
and Changes in Fund Balance—Actual and Budget
Governmental Fund Type—Debt Service Fund
For the Year Ended December 31, 2025

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property tax	\$ 373,569	\$ 373,281	\$ (288)
Property tax - contractual	24,454	24,435	(19)
Specific ownership tax	22,414	15,134	(7,280)
Specific ownership tax - contractual	1,467	991	(476)
Interest income	29,785	25,188	(4,597)
Tax related interest	<u>337</u>	<u>412</u>	<u>75</u>
Total Revenues	<u>452,026</u>	<u>439,441</u>	<u>(12,585)</u>
Expenditures			
Treasurer fees	5,604	5,605	(1)
Treasurer fees - contractual	367	367	-
Paying agent fees	6,000	6,000	-
Tax payment - contractual	25,554	25,084	470
Principal	60,000	60,000	-
Interest - 2018 Bonds	<u>354,501</u>	<u>347,471</u>	<u>7,030</u>
Total Expenditures	<u>452,026</u>	<u>444,527</u>	<u>7,499</u>
Excess Revenue Over (Under)			
Expenditures	<u>-</u>	<u>(5,086)</u>	<u>(5,086)</u>
Net change in fund balances	-	(5,086)	(5,086)
Fund Balances—Beginning of year	<u>469,588</u>	<u>469,588</u>	<u>-</u>
Fund Balances—End of Year	<u><u>\$ 469,588</u></u>	<u><u>\$ 464,502</u></u>	<u><u>\$ (5,086)</u></u>