Tree Farm Metropolitan District

Financial Statements

December 31, 2025

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Tree Farm Metropolitan District
Basalt, Colorado

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the governmental activities and each major fund of Tree Farm Metropolitan District (the "District"), as of and for the year ended December 31, 2025, which collectively comprise the District's basic financial statements as listed in the Table of Contents, and the related notes to the financial statements.

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 Tree Farm Metropolitan District, as of December 31, 2025 and the respective changes in financial position thereof and for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The District's 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 one year after the date that the financial statements are issued.

INDEPENDENT AUDITOR'S REPORT
To the Board of Directors
Tree Farm Metropolitan District
Basalt, Colorado

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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional 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.

Required Supplementary Information

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

The budgetary comparison information in section E is not a required part of the basic financial statements but is supplementary information required by U.S. GAAP. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT
To the Board of Directors
Tree Farm Metropolitan District
Basalt, Colorado

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The individual fund budgetary comparisons schedules in Section F are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The items found in section F are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.



McMahan and Associates, L.L.C.
Avon, Colorado
May 21, 2026

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Tree Farm Metropolitan District
Statement of Net Position
December 31, 2025

Assets:	
Cash and investments - Unrestricted	88,742
Cash and investments - Restricted	1,079,431
Accounts receivable	70,148
Due from other governments	2,400
Property taxes receivable	779,843
Prepaid expenses	16,827
Capital assets, net	14,180,628
Total Assets	16,218,019
Liabilities:	
Accounts payable	8,174
Accrued interest	162,336
Non-current liabilities due in less than one year:	
Bonds payable	265,000
Lease payable	3,046
Non-current liabilities due in more than one year:	
Bonds payable	17,520,000
Lease payable	92,770
Developer advances payable	513,446
Total Liabilities	18,564,772
Deferred Inflows of Resources:	
Unavailable property tax revenue	779,843
Total Deferred Inflows of Resources	779,843
Net Position (Deficit):	
Net investment in capital assets	(2,885,710)
Restricted for debt service	1,163,154
Restricted for emergencies	3,672
Restricted for capital projects	40
Unrestricted	(1,407,752)
Total Net Position (Deficit)	(3,126,596)

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

Tree Farm Metropolitan District
Statement of Activities
For the Year Ended December 31, 2025

Functions/Programs:	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Net (Expense) Revenue
Governmental activities:					
General government	265,260	14,967	-	-	(250,293)
Interest	881,571	-	-	-	(881,571)
Total primary government	1,146,831	14,967	-	-	(1,131,864)
General revenues:					
Taxes:					
Property tax					522,672
Specific ownership tax					25,907
Public improvement fee					627,751
Other income					129,561
Investment income					55,822
Total General Revenues					1,361,713
Change in Net Position					229,849
Net Position (Deficit) - Beginning					(3,356,445)
Net Position (Deficit) - Ending					(3,126,596)

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

FUND FINANCIAL STATEMENTS

Tree Farm Metropolitan District
Balance Sheet
Governmental Funds
December 31, 2025

	General Fund	Operations Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Assets:					
Cash and investments - Unrestricted	64,966	-	-	23,776	88,742
Cash and investments - Restricted	-	-	40	1,079,391	1,079,431
Accounts receivable	-	12,028	-	58,120	70,148
Due from other governments	533	-	-	1,867	2,400
Property taxes receivable	173,302	-	-	606,541	779,843
Due from other funds	14,347	-	-	-	14,347
Prepaid expenditures	3,236	13,591	-	-	16,827
Total Assets	256,384	25,619	40	1,769,695	2,051,738
Liabilities:					
Accounts payable	8,174	-	-	-	8,174
Due to other funds	-	14,347	-	-	14,347
Total Liabilities	8,174	14,347	-	-	22,521
Deferred Inflows of Resources:					
Unavailable property tax revenue	173,302	-	-	606,541	779,843
Total Deferred Inflows of Resources	173,302	-	-	606,541	779,843
Fund Balances:					
Nonspendable	3,236	13,591	-	-	16,827
Restricted for debt service	-	-	-	1,163,154	1,163,154
Restricted for emergencies	3,672	-	-	-	3,672
Restricted for capital projects	-	-	40	-	40
Unassigned	68,000	(2,319)	-	-	65,681
Total Fund Balances	74,908	11,272	40	1,163,154	1,249,374
Total Liabilities, Deferred Inflows of Resources and Fund Balances	256,384	25,619	40	1,769,695	2,051,738

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

Tree Farm Metropolitan District
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2025

Governmental Funds Total Fund Balance		1,249,374
Capital assets used in governmental activities are not considered current financial resources and, therefore, are not reported in the funds. Details of these amounts are as follows:		
Capital assets	14,139,361	
Leased assets	105,964	
Accumulated depreciation	(47,036)	
Accumulated amortization	(17,661)	
		14,180,628
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. This is the amount of District long-term liabilities. Details of these amounts are as follows:		
Bonds payable	(17,785,000)	
Developer advances payable	(513,446)	
Lease payable	(95,816)	
Accrued interest payable	(162,336)	
		(18,556,598)
Net Position of Governmental Activities		(3,126,596)

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

Tree Farm Metropolitan District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2025

	General Fund	Operations Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Revenues:					
Property taxes	116,147	-	-	406,525	522,672
Specific ownership taxes	5,757	-	-	20,150	25,907
Interest	492	-	-	55,330	55,822
Solar income	-	14,967	-	-	14,967
Other revenue	-	129,561	-	-	129,561
Public improvement fee	-	-	-	627,751	627,751
Total Revenues	122,396	144,528	-	1,109,756	1,376,680
Expenditures:					
General government:					
Elections	1,626	-	-	-	1,626
Insurance	4,535	1,821	-	-	6,356
Legal	8,167	8,168	-	-	16,335
Office overhead	931	-	-	-	931
Management	-	25,000	-	-	25,000
Accounting	21,284	11,084	-	-	32,368
Treasurer fees	3,490	-	-	12,216	15,706
Bank fees	-	-	-	3,163	3,163
PIF fees	-	-	-	2,176	2,176
Operations	-	139,744	-	-	139,744
Debt service:					
Bond principal	-	-	-	240,000	240,000
Lease principal	-	2,899	-	-	2,899
Bond interest	-	-	-	844,200	844,200
Lease interest	-	2,330	-	-	2,330
Bond issuance costs / paying agent fees	-	-	-	4,000	4,000
Total Expenditures	40,033	191,046	-	1,105,755	1,336,834
Excess (Deficiency) of Revenues over Expenditures	82,363	(46,518)	-	4,001	39,846
Other Financing Sources (Uses):					
Transfers in	-	52,907	-	-	52,907
Transfers (out)	(52,907)	-	-	-	(52,907)
Total Other Financing Sources (Uses)	(52,907)	52,907	-	-	-
Net Change in Fund Balances	29,456	6,389	-	4,001	39,846
Fund Balances - Beginning	45,452	4,883	40	1,159,153	1,209,528
Fund Balances - Ending	74,908	11,272	40	1,163,154	1,249,374

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

Tree Farm Metropolitan District
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2025

Net change in fund balances for total governmental funds		39,846
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of the assets is allocated over their estimated useful lives as depreciation expense and amortization expense. This is the net difference between depreciation, amortization and capital additions during the year. Details of these differences are as follows:		
Depreciation expense	(13,439)	
Amortization expense	(4,416)	
		(17,855)
The repayment of the principal of long-term debt consumes current financial resources of governmental funds. This transaction, however, has no effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Principal repayments - Bonds payable	240,000	
Principal repayments - Lease payable	2,899	
		242,899
The change in accrued interest reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds.		(35,041)
Change in Net Position of Governmental Activities		229,849

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

NOTES TO THE FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

Tree Farm Metropolitan District (the "District") was organized on October 4, 2018 as a quasi-municipal corporation and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Eagle County, Colorado. The District was established to provide non potable irrigation water, storm sewer services, street improvements, traffic safety protection, television services, mosquito control, covenant enforcement, design review services, and security services. Fire protection services are provided by Basalt and Rural Fire District. Water and sanitation services are provided by Mid Valley Metropolitan District. The District has no employees and all operations and administrative functions are contracted.

The District's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established by GAAP used by the District are discussed below.

A. Reporting Entity

The reporting entity consists of (a) the primary government; i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits, to, or to impose specific financial burdens on, the District. Consideration is also given to other organizations which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria discussed above, the District is not financially accountable for any other entity, nor is the District a component unit of any other government.

B. Government-wide and Fund Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as governmental type.

1. Government-wide Financial Statements

In the government-wide Statement of Net Position, all balances are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The government-wide focus is on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

I. Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements (continued)

2. Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The fund focus is on current available resources and budget compliance.

The District reports the following governmental funds:

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

The *Operations Special Revenue Fund* accounts for the resources accumulated from excess public improvement fees and solar production for operation costs.

The *Capital Projects Fund* accounts for the resources accumulated and restricted for acquisition and construction of major capital facilities and related projects.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements. Financial statement presentation refers to classification of revenues by source and expenses by function.

1. Long-term Economic Focus and Accrual Basis

Governmental activities in the government-wide financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

2. Current Financial Focus and Modified Accrual Basis

The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter (60 days) to be used to pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

I. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

3. Financial Statement Presentation

Amounts reported as program revenues include capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and interest income.

D. Financial Statement Accounts

1. Cash and Cash Equivalents

Cash and equivalents are defined as deposits that can be withdrawn at any time without notice or penalty and investments with maturities of three months or less.

Investments are stated at net asset value. The change in fair value or net asset value of investments is recognized as an increase or decrease to investment assets and investment income. The District's investment policy is detailed in note III.A.

2. Receivables

Receivables are reported net of an allowance for uncollectible accounts. No allowance is recorded at December 31, 2025, as all accounts are considered to be collectible.

3. Property Taxes and Public Improvement Fee

Property taxes are assessed in one year as a lien on the property, but not collected by governmental units until the subsequent year. In accordance with GAAP, the assessed but uncollected property taxes have been recorded as a receivable and as deferred inflow of resources.

Beginning in February 2024, Public Improvement Fees are collected on 4% of lodging revenue and 3% of retail revenue within the district to be used for debt service payments.

4. Long-term Obligations

In the government-wide financial statements, long-term debt is reported as a liability, including developer advances payable and leases payable.

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

5. Capital Assets

Capital assets, which include land, water rights, buildings, equipment, vehicles, and infrastructure assets, are reported in the governmental activity columns in the government-wide financial statements. The District defines capital assets as assets with an initial cost of $5,000 or more and an estimated useful life in excess of five years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Infrastructure, buildings, and equipment are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Roads and landscaping	20-40
Parking lot improvements	15-40
Equipment and vehicles	5-10
Lease Assets	20-25

6. Leases

The District follows provisions of GASB 87, Leases with regards to leased assets and leased liabilities. This standard requires recognition of certain leased assets and liabilities for leases previously classified as operating leases and deferred inflows or outflows of resources recognized based on the payment provision of the contract. It established a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognized a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources.

7. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Unavailable property tax revenue is deferred and recognized as an inflow of resources in the period that the amounts become available and earned.

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

8. Fund Balance

The District classifies governmental fund balances as follows:

Non-spendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority which is the Board of Directors.

Assigned – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Board of Directors or its management designee.

Unassigned - includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The District uses restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the District first uses committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The District does not have a formal minimum fund balance policy. However, the District's budget includes a calculation of targeted reserve positions and management reports the targeted amounts annually to Board of Directors.

E. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the District's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimate

II. Stewardship, Compliance, and Accountability

A. Budgetary Information

In the fall of each year, the District's Board of Directors formally adopts a budget with appropriations by fund for the ensuing year pursuant to the Local Government Budget Law of Colorado. The budgets for the funds are adopted on a basis consistent with generally accepted accounting principles ("GAAP").

As required by Colorado Statutes, the District followed this timetable in approving and enacting a budget for the ensuing year.

(1) For the 2025 budget, prior to August 25, 2024, the County Assessor sent to the District a certified assessed valuation of all taxable property within the District's boundaries. The County Assessor may change the assessed valuation on or before December 10, 2024, only once by a single notification to the District.

(2) On or before October 15, 2024, the Budget Director submitted to the District's Board of Directors a recommended budget that detailed the necessary property taxes needed along with other available revenues to meet the District's operating requirements.

(3) Prior to December 15, 2024, the District computed and certified to the County Commissioners a rate of levy that derived the necessary property taxes as computed in the proposed budget.

(4) After a required publication of "Notice of Proposed Budget" and a public hearing, the District adopted the proposed budget and an appropriating resolution, which legally appropriated expenditures for the upcoming year.

(5) After adoption of the budget resolution, the District may make the following changes: (a) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; (b) supplemental appropriations to the extent of revenues in excess of the estimate in the budget; (c) emergency appropriations; and (d) reduction of appropriations for which originally estimated revenues are insufficient.

Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2024 were collected in 2025 and taxes certified in 2025 will be collected in 2026. Taxes are due on January 1st in the year of collection; however, they may be paid in either one installment (no later than April 30th) or two equal installments (not later than February 28th and June 15th) without interest or penalty. Taxes which are not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 15th.

The level of control in the budget at which expenditures exceed appropriations is at the fund level. All appropriations lapse at year end.

II. Stewardship, Compliance, and Accountability (continued)

B. TABOR Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government. Any revenues earned in excess of the fiscal year spending limit must be refunded in the next fiscal year, unless voters approve retention of such excess revenue.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR also requires local governments to establish an emergency reserve to be used for declared emergencies only. The reserve is calculated at 3% of fiscal year spending. Fiscal year spending excludes bonded debt service and enterprise spending. The District has reserved $3,672, which is the approximate required reserve, at December 31, 2025.

On November 6, 2018, the voters authorized the District to collect, retain, and spend all revenue and other funds collected in 2018 and any year thereafter without regard to any limitations under TABOR. The District's management believes it is in compliance with the financial provisions of TABOR.

III. Detailed Notes on all Funds

A. Deposits and Investments

The District's deposits are entirely covered by federal depository insurance ("FDIC") or by collateral held under Colorado's Public Deposit Protection Act ("PDPA"). The FDIC insures the first $250,000 of the District's deposits at each financial institution. Deposit balances over $250,000 are collateralized as required by PDPA. The carrying amount of the District's demand deposits was $1,168,173 at year end.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments, and entities such as the District, may invest which include:

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

III. Detailed Notes on all Funds (continued)

A. Deposits and Investments (continued)

Interest Rate Risk. As a means of limiting its exposure to interest rate risk, the District diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer and type of issuer. The District coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term to less than five years (less in some cases) from the purchase date. As a result of the limited length of maturities the District has limited its interest rate risk.

Credit Risk. District investment policy limits investments to those authorized by State statutes. The District's general investment policy is to apply the prudent-person rule: investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

Concentration of Credit Risk. The District diversifies its investments by security type and institution. Financial institutions holding District funds must provide the District a copy of the certificate from the Banking Authority that states that the institution is an eligible public depository.

At year end, the District had the following deposits and investments with the following maturities:

	Standard & Poor's Rating	Carrying Amounts	Term to Maturity	
			Less than one year	More than one year
Deposits:				
Checking and savings	Not rated	58,047	58,047	-
Investments:				
Investment pool	AAAm	1,110,126	1,110,126	-
		1,168,173	1,168,173	-

At December 31, 2025, the District had the following recurring fair value measurements.

Investments Measured at Net Asset Value	Total
Colotrust	1,110,126
	1,110,126

III. Detailed Notes on all Funds (continued)

A. Deposits and Investments (continued)

Fair Value of Investments. The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

Investments classified in Level 1 are valued using prices quoted in active markets for those securities. Investments classified in Level 2 are valued using the following approaches:

- U.S. Treasuries, U.S. Agencies, and Commercial Paper: quoted prices for identical securities in markets that are not active;
- Repurchase Agreements, Negotiable Certificates of Deposit, and Collateralized Debt Obligations: matrix pricing based on the securities' relationship to benchmark quoted prices;
- Money Market, Bond, and Equity Mutual Funds: published fair value per share (unit) for each fund.

The Investment Pool represents investments in COLOTRUST. The net asset value of the pool is determined by the pool's share price. The District has no regulatory oversight for the pool. At December 31, 2025, the District's investments in COLOTRUST were 100% of the District's investment portfolio.

The District had invested $1,110,126 in the Colorado Local Government Liquid Asset Trust (the "Trust"). The Trust is 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, measured at net asset value, and each share is equal in value to $1.00. Investments consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank.

At December 31, 2025, the District had the following restricted cash:

Bond Reserve Funds	1,079,391
Unspent Bond Proceeds	40
	1,079,431

III. Detailed Notes on all Funds (continued)

B. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Non-depreciable assets:				
Land and easements	2,289,417	-	-	2,289,417
Construction in progress	11,446,775	-	-	11,446,775
Depreciable assets:				
Solar array	403,169	-	-	403,169
Amortizable assets:				
Land lease	105,964	-	-	105,964
Total capital assets	14,245,325	-	-	14,245,325
Less accumulated depreciation for:				
Solar array	(33,597)	(13,439)	-	(47,036)
Total accumulated depreciation	(33,597)	(13,439)	-	(47,036)
Less accumulated amortization for:				
Land lease	(13,245)	(4,416)	-	(17,661)
Total accumulated amortization	(13,245)	(4,416)	-	(17,661)
Net Capital Assets	14,198,483	(17,855)	-	14,180,628

C. Long-term Debt

1. General Obligation Limited Tax Bonds, Series 2021

$18,230,000 in General Obligation Limited Tax Bonds, Series 2021, were issued on November 4, 2021, with interest of 4.5% to 4.75% payable semiannually on June 1 and December 1 of each year. The bonds maturing on or after December 1, 2021, are subject to redemption prior to maturity at the option of the District, in whole or in part, in any order determined by the District and by lot within maturity, at any time on and after December 1, 2026, at a redemption price equal to 100% of the principal amount to be redeemed, without premium, plus interest accrued at the date of redemption.

The bonds were issued for the purpose of paying project costs related to street improvements, traffic safety, parks and recreation, sanitation and public transportation.

The District debt service mill levy rate is 35.000 mills, or such lesser amount as may be allowed, for general obligation debt service through 2050. The maximum mill levy is 35.000 mills.

III. Detailed Notes on all Funds (continued)

C. Long-term Debt (continued)

1. General Obligation Limited Tax Bonds, Series 2021

In addition to the property tax revenue available for debt service costs, the District will impose a Public Improvement Fee ("PIF"). All sales transactions are subject to a 3% PIF (the "Sales PIF") and all lodging transactions are subject to an additional 4% PIF (the "Lodging PIF") as well as a supplemental 1% PIF (the "Lodging Supplemental PIF").

For the first fifteen years after the hotel and lodge are constructed, the Supplemental Lodging PIF is the property of the developer. After the fifteen year period, the Supplemental Lodging PIF becomes the property of the District for repayment of the bonds.

PIF revenues are subject to a cap of 50% of the debt service costs during the year, however, excess PIF can be used to fill the surplus fund to the maximum balance of $1,000,000. The excess PIF is then allocated to the operations fund for operations, maintenance, repair and replacement of public improvements. At December 31, 2025 the surplus fund balance was $0.

2. Developer Advances

The Developer has advanced operating and capital funds to the District to be repaid when the District has available resources. The advances carry a 7% interest rate, per annum. There is no fixed amortization schedule for the developer redemption; therefore, it is not included in the following amortization schedule.

Annual debt service requirements to maturity for the general obligation bonds are as follows:

	Principal	Interest	Total
2026	265,000	833,400	1,098,400
2027	285,000	821,475	1,106,475
2028	310,000	808,650	1,118,650
2029	335,000	794,700	1,129,700
2030	365,000	779,625	1,144,625
2031 - 2035	2,230,000	3,627,913	5,857,913
2036 - 2040	3,275,000	3,028,200	6,303,200
2041 - 2045	4,575,000	2,135,400	6,710,400
2046 - 2050	6,145,000	910,338	7,055,338
Total	17,785,000	13,739,700	31,524,700

III. Detailed Notes on all Funds (continued)

C. Long-term Debt (continued)

3. Lease Liability

The District executed a land lease on February 15, 2022. The lease term expires on February 14, 2041 and has an optional extension for an additional 4 year period. Payments under the lease include interest at 2.36%. Total lease expenses under this agreement were $5,229.

	Principal	Interest	Total
2026	3,046	2,261	5,307
2027	3,197	2,189	5,386
2028	3,353	2,113	5,466
2029	3,514	2,035	5,549
2030	3,681	1,952	5,633
2031 - 2035	21,082	8,374	29,456
2036 - 2040	26,074	5,657	31,731
2041 - 2045	31,869	2,315	34,184
Total	95,816	26,896	122,712

The District had the following changes in long-term debt for the year ended December 31, 2025:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
G.O. Bonds, Series 2021	18,025,000	-	(240,000)	17,785,000	265,000
Developer Advances:					
General	87,493	-	-	87,493	-
Operations	161,000	-	-	161,000	-
Capital	264,953	-	-	264,953	-
Lease payable	98,715	-	(2,899)	95,816	3,046
	18,637,161	-	(242,899)	18,394,262	268,046

The District is compliant in the ongoing disclosure requirements to the secondary bond market in accordance with the Securities and Exchange Commissions' rule 15c2-12.

D. Interfund Transactions

The District General Fund transferred $52,907 to the Operations Special Revenue Fund to help cover operational costs during the year that exceeded revenues and developer advances.

IV. Other Information

A. Risk Management

The District is exposed to various risks of loss related to workers' compensation, general liability, and worker unemployment. The District has acquired commercial coverage for these risks. Any settled claims are not expected to exceed the commercial insurance coverage. The District is also exposed to the risks of loss related to torts, theft of, damage to, and destruction of assets, and errors or omissions.

B. Related Parties and Economic Dependency

The Developer's representatives make up the majority of the members of the Board of Directors. The Developer operating and capital advances through December 31, 2025 aggregated $10,229,687. The District has repaid the Developer $9,716,291 and has an outstanding balance of $513,446 owed to the developer, plus accrued interest of $92,886.

A member of the Board of Directors is the owner of the District's management company, Geronimo Ventures, LLC. The services provided to the District resulted in the following expenditures during the fiscal year ending December 31, 2025.

Snow plowing	3,220
Landscape and irrigation	34,017
Total	37,237

V. Operations Agreement

On January 1, 2020 the District entered into an agreement with Geronimo Ventures LLC (the "Manager") for Management Services. Under this agreement, the manager appoints and oversees the use of consultants and contractors for district operations, administration, maintenance and construction. The agreement will remain in place unless it is terminated by either party. The agreement provides for quarterly compensation as mutually agreed to by both parties.

The District entered into another management agreement with the Manager to provide landscape management and operational services for the District. The agreement commenced on October 1, 2025, and continues until terminated by either party. The agreement provides for a fixed monthly management fee as well as additional reimbursable and hourly service charges. The monthly management fee includes routine inspection of District property and grounds, monitoring of vegetation health, regular irrigation system inspection, and coordination of billing services. Additional services are billed separately on an hourly basis or as incurred and include, but are not limited to, mowing and lawn care, mechanical snow removal and hauling, service dog station maintenance, and materials billed at cost plus markup. Management fees under this agreement totaled $25,000 and reimbursable costs totaled $37,237.

VI. Authorized Debt

At December 31, 2025, the District has authorized but unissued debt for the following purposes:

Purpose	Original Authorization	Remaining Authorization
Water	30,000,000	30,000,000
Street	30,000,000	21,547,556
Traffic safety	30,000,000	29,018,340
Park and recreation	30,000,000	22,412,252
Sanitation	30,000,000	28,896,568
Mosquito control	30,000,000	30,000,000
Public transportation	30,000,000	29,895,284
Fire prevention	30,000,000	30,000,000
Television relay	30,000,000	30,000,000
Security	30,000,000	30,000,000
Refunding	60,000,000	60,000,000
Reimbursement agreements	30,000,000	30,000,000
	390,000,000	371,770,000

REQUIRED SUPPLEMENTARY INFORMATION

Tree Farm Metropolitan District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Governmental Funds - General Fund
For the Year Ended December 31, 2025
(With Comparative Actual Amounts For the Year Ended 2024)

	2025			2024
	Original and Final Budget	Actual	Final Budget Variance Positive (Negative)	Actual
Revenues:				
Property taxes	116,147	116,147	-	87,876
Specific ownership taxes	5,807	5,757	(50)	4,138
Interest	-	492	492	255
Total Revenues	121,954	122,396	442	92,269
Expenditures:				
General government:				
Elections	4,000	1,626	2,374	249
Insurance	4,300	4,535	(235)	3,948
Legal	12,000	8,167	3,833	8,760
Office overhead	3,700	931	2,769	995
Accounting	27,200	21,284	5,916	21,753
Contingency	20,000	-	20,000	-
Treasurer Fees	3,484	3,490	(6)	2,573
Total Expenditures	74,684	40,033	34,651	38,278
Excess (Deficiency) of Revenues over Expenditures	47,270	82,363	35,093	53,991
Other Financing Sources (Uses):				
Transfers (out)	(44,903)	(52,907)	(8,004)	(21,100)
Total Other Financing Sources (Uses)	(44,903)	(52,907)	(8,004)	(21,100)
Net Change in Fund Balance	2,367	29,456	27,089	32,891
Fund Balance - Beginning	21,210	45,452	24,242	12,561
Fund Balance - Ending	23,577	74,908	51,331	45,452

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

Tree Farm Metropolitan District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Governmental Funds - Operations Special Revenue Fund
For the Year Ended December 31, 2025
(With Comparative Actual Amounts For the Year Ended 2024)

	2025			2024
	Original and Final Budget	Actual	Final Budget Variance Positive (Negative)	Actual
Revenues:				
Solar income	29,400	14,967	(14,433)	30,386
Other revenue	154,500	129,561	(24,939)	129,500
Total Revenues	183,900	144,528	(39,372)	159,886
Expenditures:				
General government:				
Insurance	2,700	1,821	879	2,430
Legal	12,000	8,168	3,832	8,760
Management	28,600	25,000	3,600	25,000
Accounting	17,000	11,084	5,916	12,053
Contingency	25,000	-	25,000	-
Operations	227,500	139,744	87,756	184,732
Debt service:				
Lease principal	5,228	2,899	2,329	2,756
Lease interest	-	2,330	(2,330)	2,395
Total Expenditures	318,028	191,046	126,982	238,126
Excess (Deficiency) of Revenues over Expenditures	(134,128)	(46,518)	87,610	(78,240)
Other Financing Sources (Uses):				
Developer advances	97,000	-	(97,000)	62,000
Transfers in	44,903	52,907	8,004	21,100
Total Other Financing Sources (Uses)	141,903	52,907	(88,996)	83,100
Net Change in Fund Balance	7,775	6,389	(1,386)	4,860
Fund Balance - Beginning	37,422	4,883	(32,539)	23
Fund Balance - Ending	45,197	11,272	(33,925)	4,883

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

SUPPLEMENTARY INFORMATION

Tree Farm Metropolitan District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Governmental Funds - Capital Projects Fund
For the Year Ended December 31, 2025
(With Comparative Actual Amounts For the Year Ended 2024)

	2025			2024
	Original and Final Budget	Actual	Final Budget Variance Positive (Negative)	Actual
Revenues:				
Property taxes	-	-	-	-
Total Revenues	-	-	-	-
Expenditures:				
General government:				
Accounting	2,000	-	2,000	-
Legal	2,000	-	2,000	-
Contingency	10,000	-	10,000	-
Capital outlay	413,000	-	413,000	71,277
Total Expenditures	427,000	-	427,000	71,277
Excess (Deficiency) of Revenues over Expenditures	(427,000)	-	427,000	(71,277)
Other Financing Sources (Uses):				
Developer advances	427,000	-	(427,000)	71,277
Total Other Financing (Uses)	427,000	-	(427,000)	71,277
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning	40	40	-	40
Fund Balance - Ending	40	40	-	40

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

Tree Farm Metropolitan District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Governmental Funds - Debt Service Fund
For the Year Ended December 31, 2025
(With Comparative Actual Amounts For the Year Ended 2024)

	2025			2024
	Original and Final Budget	Actual	Final Budget Variance Positive (Negative)	Actual
Revenues:				
Property taxes	406,525	406,525	-	297,214
Specific ownership taxes	20,327	20,150	(177)	14,489
Interest	53,000	55,330	2,330	76,523
Public improvement fee	484,065	627,751	143,686	386,277
Total Revenues	963,917	1,109,756	145,839	774,503
Expenditures:				
General government:				
Treasurer fees	12,196	12,216	(20)	9,006
Bank fees	2,650	3,163	(513)	3,631
PIF fees	20,000	2,176	17,824	3,719
Contingency	10,000	-	10,000	-
Debt service:				
Bond principal	240,000	240,000	-	205,000
Bond interest	844,200	844,200	-	853,425
Bond issuance costs / paying agent fees	4,000	4,000	-	4,000
Total Expenditures	1,133,046	1,105,755	27,291	1,078,781
Net Change in Fund Balance	(169,129)	4,001	173,130	(304,278)
Fund Balance - Beginning	1,129,156	1,159,153	29,997	1,463,431
Fund Balance - Ending	960,027	1,163,154	203,127	1,159,153

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