

SWEETGRASS METROPOLITAN DISTRICT NO. 1
Weld County, Colorado

FINANCIAL STATEMENTS AND
OTHER INFORMATION

YEAR ENDED DECEMBER 31, 2025

**SWEETGRASS METROPOLITAN DISTRICT NO. 1
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2025**

INDEPENDENT AUDITORS' REPORT	I
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	1
STATEMENT OF ACTIVITIES	2
FUND FINANCIAL STATEMENTS	
BALANCE SHEET – GOVERNMENTAL FUNDS	3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUND	4
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES	5
GENERAL FUND – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	6
NOTES TO BASIC FINANCIAL STATEMENTS	7
OTHER INFORMATION	19
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED	20

Board of Directors
Sweetgrass Metropolitan District No. 1
Weld County, Colorado

Independent Auditor's Report

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Sweetgrass Metropolitan District No. 1 (the "District"), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Sweetgrass Metropolitan District No. 1 as of December 31, 2025, and the respective changes in financial position and the respective 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 (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

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 (GAAP), and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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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.

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Other Matters

Required Supplemental Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States 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 opinions on the basic financial statements are not affected by this missing information.

Other Information

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

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

The logo for Wipfli LLP, featuring the company name in a stylized, handwritten-style font.

Wipfli LLP
Denver, Colorado

July 7, 2026

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BASIC FINANCIAL STATEMENTS

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

	Governmental Activities
ASSETS	
Cash and Investments	\$ 116,410
Cash and Investments - Restricted	9,745
Prepaid Insurance	4,397
Refundable Deposit	13,416
Property Tax Receivable	<u>281,598</u>
Total Assets	<u>425,566</u>
LIABILITIES	
Accounts Payable	21,367
Noncurrent Liabilities:	
Due in More Than One Year	<u>8,671,209</u>
Total Liabilities	<u>8,692,576</u>
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	<u>281,598</u>
Total Deferred Inflows of Resources	<u>281,598</u>
NET POSITION	
Restricted for:	
Emergency Reserve	9,300
Unrestricted	<u>(8,557,908)</u>
Total Net Position	<u><u>\$ (8,548,608)</u></u>

See accompanying Notes to Financial Statements.

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

FUNCTIONS/PROGRAMS	Program Revenues			Net Revenues (Expenses) and Changes in Net Position
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:				
Governmental Activities:				
General Government	\$ 147,836	\$ -	\$ -	\$ (147,836)
Interest on Long-Term Debt and Related Costs	3,102,618	-	-	(3,102,618)
Total Governmental Activities	<u>\$ 3,250,454</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(3,250,454)</u>
GENERAL REVENUES				
Property Taxes				225,484
Specific Ownership Taxes				9,138
Interest Income				4,404
Transportation Impact Fees				58,356
Transfers From Sweetgrass Md No. 3				12,500
Total General Revenues				<u>309,882</u>
CHANGES IN NET POSITION				
Net Position - Beginning of Year				(2,940,572)
NET POSITION - END OF YEAR				<u>(5,608,036)</u>
				<u>\$ (8,548,608)</u>

See accompanying Notes to Basic Financial Statements.

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

	General	Debt Service	Total Governmental Fund
ASSETS			
Cash and Investments	\$ 116,410	\$ -	\$ 116,410
Cash and Investments - Restricted	9,745	-	9,745
Refundable Deposit	13,416	-	13,416
Prepaid Insurance	4,397	-	4,397
Property Tax Receivable	151,499	130,099	281,598
	<u>151,499</u>	<u>130,099</u>	<u>281,598</u>
Total Assets	<u>\$ 295,467</u>	<u>\$ 130,099</u>	<u>\$ 425,566</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 21,367	\$ -	\$ 21,367
Total Liabilities	<u>21,367</u>	<u>-</u>	<u>21,367</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Property Tax	151,499	130,099	281,598
Total Deferred Inflows of Resources	<u>151,499</u>	<u>130,099</u>	<u>281,598</u>
FUND BALANCES			
Nonspendable:			
Prepaid Expense	4,397	-	4,397
Restricted for:			
Emergency Reserves	9,300	-	9,300
Unassigned	108,904	-	108,904
Total Fund Balances	<u>122,601</u>	<u>-</u>	<u>122,601</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 295,467</u>	<u>\$ 130,099</u>	<u>\$ 425,566</u>

Amounts reported for governmental activities in the statement of net position are different because:

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Accrued Interest	(392,412)
Bond Payable - 2024	(7,319,030)
Bond Payable - 2024B (Coupon)	(874,096)
Developer Advance Payable - Capital	(81,894)
Accrued Developer Advance Interest - Capital	(3,777)
Net Position of Governmental Activities	<u>\$ (8,548,608)</u>

See accompanying Notes to Basic Financial Statements.

**SWEETGRASS METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2025**

	General Fund and Total Governmental Fund
REVENUES	
Property Taxes	\$ 225,484
Specific Ownership Taxes	9,138
Interest Income	4,404
Transportation Impact Fees	58,356
Transfers from Sweetgrass MD No. 3	12,500
Total Revenues	<u>309,882</u>
EXPENDITURES	
Current:	
Accounting	28,637
Auditing	7,314
County Treasurer's Fee	3,383
Directors' Fees	40
District Management	3,300
Dues And Membership	989
Election	3,898
Insurance	5,092
Legal	30,435
Miscellaneous	122
Website	640
Debt Service:	
Bond Interest	79,570
Bond Issue Costs	5,100
Paying Agent Fees	1,000
Capital Projects:	
Capital Outlay	55,109
Transfers to other districts - Sweetgrass MD No. 3	2,695,000
Total Expenditures	<u>2,919,629</u>
EXCESS OF REVENUES UNDER EXPENDITURES	(2,609,747)
OTHER FINANCING SOURCES (USES)	
Bond Issuance Proceeds	2,695,000
Developer Advance	81,894
Total Other Financing Sources	<u>2,776,894</u>
NET CHANGE IN FUND BALANCE	167,147
Fund Balance - Beginning of Year	<u>(44,546)</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 122,601</u></u>

See accompanying Notes to Basic Financial Statements.

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

Net Change in Fund Balances - Total Governmental Funds	\$ 167,147
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Amounts reported for governmental activities in the statement of activities are different because:

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net position.

Bond Issuance	(2,695,000)
Developer Advance	(81,894)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued Interest Payable - Change in Liability	(327,048)
Accrued Interest Payable Developer Advance - Change in Liability	(3,777)

Changes in Net Position of Governmental Activities	<u><u>\$ (2,940,572)</u></u>
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SWEETGRASS METROPOLITAN DISTRICT NO. 1
GENERAL FUND – STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2025

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
REVENUES				
Property Taxes	\$ 225,483	\$ 225,484	\$ 225,484	\$ -
Specific Ownership Taxes	9,019	9,900	9,138	(762)
Interest Income	10,000	3,400	4,404	1,004
Transportation Impact Fees	-	-	58,356	58,356
Transfers from Sweetgrass MD No. 3	12,500	12,500	12,500	-
Total Revenues	257,002	251,284	309,882	58,598
EXPENDITURES				
Accounting	35,000	35,000	28,637	6,363
Auditing	6,800	7,314	7,314	-
County Treasurer's Fee	3,382	3,383	3,383	-
Directors' Fees	-	60	40	20
District Management	10,000	5,000	3,300	1,700
Dues And Membership	800	989	989	-
Election	3,000	3,898	3,898	-
Insurance	6,500	5,092	5,092	-
Legal	35,000	35,000	30,435	4,565
Miscellaneous	5,000	1,000	122	878
Paying Agent Fees	7,500	7,500	1,000	6,500
Website	1,000	1,000	640	360
Bond Interest	69,870	69,870	79,570	(9,700)
Bond Issue Costs	10,000	1,250	5,100	(3,850)
Capital Outlay	650,000	50,000	55,109	(5,109)
Contingency	14,018	13,644	-	13,644
Transfers to other districts - Sweetgrass MD No. 3	-	2,695,000	2,695,000	-
Total Expenditures	857,870	2,935,000	2,919,629	15,371
OTHER FINANCING SOURCES (USES)				
Developer Advance	-	85,000	81,894	(3,106)
Bond Issuance Proceeds	650,000	2,780,000	2,695,000	(85,000)
Total Other Financing Sources (Uses)	650,000	2,865,000	2,776,894	(88,106)
NET CHANGE IN FUND BALANCE	49,132	181,284	167,147	(14,137)
Fund Balance - Beginning of Year	150,121	(44,546)	(44,546)	-
FUND BALANCE - END OF YEAR	<u>\$ 199,253</u>	<u>\$ 136,738</u>	<u>\$ 122,601</u>	<u>\$ (14,137)</u>

See accompanying Notes to Basic Financial Statements.

SWEETGRASS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 1 DEFINITION OF REPORTING ENTITY

Sweetgrass Metropolitan District No. 1 (the District) is a quasi-municipal corporation located within the City limits of Dacono, Colorado (Dacono) created by election in November 2001. The District and Dacono have entered into an Intergovernmental Agreement as required by the Dacono Code, which implemented the District Service Plan and limited certain District statutory powers. The District is governed pursuant to provisions of the Colorado Special District Act to finance construction, operation and maintenance of the facilities located within the Sweetgrass Metropolitan Districts No. 1, No. 2, and No. 3.

The District was organized concurrently with Sweetgrass Metropolitan District No. 2 (District No. 2) and Sweetgrass Metropolitan District No. 3 (District No. 3). The District has the power to provide water, sanitation, storm drainage, streets, traffic and safety controls, and park and recreation improvements and other related improvements for the benefit of taxpayers and service users within the Districts' boundaries. The 2021 Amended and Restated Service Plan authorizes the District, District No. 2, and District No. 3 to own, operate and maintain park and recreation improvements and methane/natural gas monitoring systems and the Districts have the power to provide ongoing covenant enforcement and design review services."

The Service Plan has been replaced by the Amended and Restated Consolidated Service Plan, dated November 19, 2021 and approved by Dacono on November 22, 2021 (the Amended and Restated Service Plan). The Amended and Restated Service Plan authorizes the District with a new money principal debt limit of \$11,500,000, provided that "such limitation shall not be applicable to refunding debt issued to refund outstanding debt."

The District has no employees and all services are contracted.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity, including District No. 2, District No. 3, and Dacono.

SWEETGRASS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. Governmental activities are normally supported by taxes.

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

The District is responsible for the repayment of bonds issued for the purpose of constructing infrastructure improvements which will be conveyed to Dacono or the HOA. The funds generated through the issuance of the bonds have been transferred to District No. 1 for that purpose. Consequently, a deficit balance is reflected on the District's statement of net position.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes. Expenditures generally are recorded when a liability is incurred as under accrual accounting. However, debt service expenditures, including nonuse fees, are recorded only when payment is due.

SWEETGRASS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government.

The Debt Service Fund to account for the resources accumulated and payments made for principal and interest on long-term debt.

Budgets

In accordance with the State Budget Law, the District's Board of Directors (the Board) holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated. The adopted budgets for the General Fund and Debt Service fund have been consolidated and reflected as the General Fund Budget for financial reporting purposes.

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

Property Taxes

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

Property taxes are recorded initially as deferred inflows of resources in the year they are levied and measurable. The property tax revenue is recorded as revenue in the year they are available or collected.

Deferred Inflow/Outflow of Resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item[s], deferred property tax revenue is deferred and recognized as an inflow of resources in the period that the amount becomes available.

SWEETGRASS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity

Net Position

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

Fund Balance

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

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

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

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

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

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

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

SWEETGRASS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standard

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

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

NOTE 3 CASH AND INVESTMENTS

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

Statement of Net Position:

Cash and Investments	\$ 116,410
Cash and Investments - Restricted	9,745
Total Cash and Investments	<u>\$ 126,155</u>

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

Deposits with Financial Institutions	\$ 46,497
Investments	79,658
Total Cash and Investments	<u>\$ 126,155</u>

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

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

At December 31, 2025, the District's cash deposits had a bank balance and carrying balance of \$46,497.

SWEETGRASS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments

The District has not adopted a formal investment policy; however, it follows state statutes regarding investments. The District also follows investment policies in bond or note agreements when those agreements are more restrictive than state statutes.

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

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

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

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

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

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted-Average Under 60 Days	<u>\$ 79,658</u>
		<u>\$ 79,658</u>

SWEETGRASS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust currently offers two portfolios – CSAFE CASH FUND and CSAFE CORE.

CSAFE CASH FUND operations similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper, any security allowed under Section 24-75-601.1, C.R.S.

CSAFE CORE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$2.00 transactional share price. CSAFE CORE may invest in securities authorized by Section 24-75-601.1, C.R.S., including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, and highest rated commercial paper.

A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE CASH FUND is rated AAmmf and CSAFE CORE is rated AAAf/S1 by Fitch Ratings. CSAFE records its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

SWEETGRASS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 4 LONG-TERM OBLIGATIONS

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

	Balance at December 31, 2024	Additions	Reductions	Balance at December 31, 2025	Due Within One Year
Private Placements:					
Limited Tax General Obligation Drawdown Bonds, Series 2024	\$ 4,624,030	\$ 2,695,000	\$ -	\$ 7,319,030	\$ -
Supplemental "B" Interest Registered Coupon, Series 2024	874,096	-	-	874,096	-
Accrued Interest on:					
Limited Tax General Obligation Drawdown Bonds, Series 2024	54,438	417,544	79,570	392,412	-
Supplemental "B" Interest Registered Coupon, Series 2024	10,926	-	10,926	-	-
Other Debts:					
Developer Advance - Capital	-	81,894	-	81,894	-
Accrued Interest on:					
Developer Advance - Capital	-	3,777	-	3,777	-
Subtotal Other Debts	-	85,671	-	85,671	-
Total Long-Term Obligations	<u>\$ 5,563,490</u>	<u>\$ 3,198,215</u>	<u>\$ 90,496</u>	<u>\$ 8,671,209</u>	<u>\$ -</u>

On October 30, 2024, the District issued Taxable (Convertible to Tax-Exempt) Limited Tax General Obligation Drawdown Bonds, Series 2024 (The Series 2024 Bonds) and the Supplemental "B" Interest Registered Coupon (the Supplemental Coupon), collectively the Bonds. The Series 2024 Bonds were issued with a maximum aggregate amount of up to \$43,150,000, of which \$4,624,030 was drawn on October 30, 2024, and the remainder of which is to be issued from time to time upon satisfaction of the conditions of the Indenture, in payment of the Reimbursement Obligation under the Master Reimbursement Agreement. The Supplemental Coupon was issued in the amount of \$874,096.

The proceeds from the sale of the Series 2024 Bonds and the Supplemental Coupon were for the purpose of refunding the Series 2022 Bonds and the interest accrued on the Series 2022 Bonds.

The Series 2024 Bonds bear a taxable interest rate of 7.5% per annum and a tax-exempt interest rate of 7.00% which is payable annually on December 1, commencing December 1, 2024, to the extent of Pledged Revenue available. The Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal or interest. To the extent principal of any Bond is not paid when due, such principal shall remain outstanding until paid. Unpaid interest on the 2024 Bonds compounds annually on each December 1, commencing December 1, 2024. The Series 2024 Bonds mature on December 1, 2061.

The Bonds are secured by and payable solely from Pledged Revenue which includes (i) property taxes derived from the Required Mill Levy, net of the cost of collection; (ii) Specific Ownership Taxes attributable to the Required Mill Levy; (iii) Facilities Fees; (iv) Pledged PIF Revenues, and; (v) any other legally available moneys of the District credited to the 2024 Bond Fund.

Due to the uncertainty of the timing of the principal and interest payments on the Bonds, a schedule of the timing of these payments is not available.

SWEETGRASS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Debt Authorization

The District voters approved \$164,000,000 of revenue obligation debt in 2005 at an interest rate not to exceed 18% per annum. At December 31, 2025, the District had \$150,840,508 in authorized but unissued debt. The total debt the District may issue is further limited by the service plan in the amount of \$47,000,000 combined with any debt issued by District No. 3. In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area.

NOTE 5 NET POSITION

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

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

	Governmental Activities
Restricted Net Position:	
Emergencies	\$ 9,300
Total Restricted Net Position	<u>\$ 9,300</u>

The District had a deficit in unrestricted net position.

The deficit was a result of the District being responsible for the repayment of bonds issued for public improvements which were conveyed to other governmental entities and which costs were removed from the District's financial records.

NOTE 6 RELATED PARTIES

All members of the Board of Directors are employees of or are associated with Bellock Construction Company, Dacono Properties LLC and Dacono Development Company, Inc., the Developers within the District.

SWEETGRASS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 7 AGREEMENTS

District Facilities Construction and Service Agreement

The District entered into the District Coordinating Services Agreement as of October 2024, effective for the District, District No. 2, and District No. 3, the coordinating District, will own, operate, and maintain all public improvements within the boundaries of the Districts that are not otherwise dedicated or conveyed to the Town, the County or other public entity or owners' association.

The District is to construct the facilities benefiting the three Districts and transfer them to Dacono or the HOA. District No. 2 and District No. 3 will, to the extent that they are to benefit, pay the capital costs and the service costs of operation and maintenance of such facilities.

The Gallagher Amendment, first added to the Colorado Constitution in 1982, required a residential to nonresidential property tax ratio of 45% to 55% and required the state legislature to adjust the residential assessment rate to maintain the required ratio. District No. 2 and District No. 3 are required to fund, on an annual basis, the amount of actual service costs that each District would be capable of funding through property tax revenue plus other fee revenue as determined in the annual budget. If the Districts disagree as to the amount to be paid, then District No. 2 and District No. 3 must pay the District the amount set forth in the annual budget. During fiscal year 2020, the Gallagher Amendment was repealed. While the residential assessment rate is set in statute at 7.15%, the Colorado legislature approved a temporary reduction to 6.765% for the 2023 and 2024 tax years.

Public Infrastructure Acquisition and Reimbursement Agreement

On May 16, 2025, the District and District No. 3 entered into an agreement with the Developer. The Developer will incur costs related to the financing, construction and installation of public infrastructure within the Districts. Pursuant to the agreement, costs presented to the District are required to be certified. Upon certification and acceptance of the costs, the District shall reimburse the costs to the Developer. It is anticipated that the District will fund the reimbursement through debt proceeds. In 2025, \$2,695,286 in costs were accepted under this agreement and \$2,695,000 was reimbursed from bond proceeds issued by the District.

SWEETGRASS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 8 RISK MANAGEMENT

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

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

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

NOTE 9 TAX, SPENDING, AND DEBT LIMITATIONS

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

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

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

SWEETGRASS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 9 TAX, SPENDING, AND DEBT LIMITATIONS (CONTINUED)

On November 5, 2005, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all annual District revenue without regard to any limitations under TABOR.

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

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

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

The District's management believes it is in compliance with the provisions of Section 29-1-1702, C.R.S. However, this section of the C.R.S. is complex and subject to interpretation.

OTHER INFORMATION

SWEETGRASS METROPOLITAN DISTRICT NO. 1
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2025
(UNAUDITED)

Year Ended December 31,	Assessed Valuation	Percent Change	Total Mills Levied			Total Property Taxes		Percent Collected to Levied
			General Operations	Debt Service	Total	Levied	Collected	
2021	\$ 40	0.0%	55.663	-	55.663	\$ 2	\$ 2	100.00 %
2022	40	0.0%	55.663	-	55.663	2	2	100.00 %
2023	40	0.0%	57.220	-	57.220	2	2	100.00 %
2024	1,438,990	3597375.0%	64.879	-	64.879	93,286	93,287	100.00 %
2025	3,468,122	141.0%	43.251	21.765	65.016	225,483	225,484	100.00 %
Estimated for Year Ending December 31, 2026	\$ 4,467,818	28.8%	33.909	29.119	63.028	\$ 281,598		

Note:
Property taxes collected in any one year include collection of delinquent property taxes