Two Rivers Metropolitan District
Gypsum, Colorado

Financial Statements
December 31, 2025

Two Rivers Metropolitan District
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Two Rivers Metropolitan District
Gypsum, Colorado

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the Two Rivers 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, business-type activities, and each major fund of Two Rivers Metropolitan District, as of December 31, 2025 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("U.S. 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 Two Rivers Metropolitan District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The Two Rivers Metropolitan 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.

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 auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis in Section B be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Required Supplementary Information (continued)

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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Two Rivers Metropolitan District's basic financial statements. The individual fund budgetary comparison information listed in the accompanying table of contents in Section F are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information in Section F are the responsibility of management and were derived from and relate 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 in Section F is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
Avon, Colorado
June 19, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

Two Rivers Metropolitan District

Management's Discussion and Analysis
December 31, 2025

As management of the Two Rivers Metropolitan District ("District") we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2025.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all the District's assets, liabilities, and deferred inflows and outflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e. uncollected taxes).

The government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include general government and interest on long-term debt. The business-type activities of the District are water and sewer operations and infrastructure and recreational activities.

The government-wide financial statements can be found on pages C1 and C2 of this report.

Fund financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds, and proprietary funds.

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Overview of the Financial Statements (continued)

The District adopts an annual appropriated budget for each fund as required by Colorado statutes. Budgetary comparison statements have been provided to demonstrate compliance with these budgets.

Proprietary funds: The District maintains two proprietary funds. The District uses the Water and Sewer Fund to account for its water and sewer activities and the Infrastructure/Recreation Fund to account for infrastructure and recreational activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages C6 through C8 of this report.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found in Section D of this report.

Government-wide Financial Analysis

Statement of Net Position

The perspective of the Statement of Net Position is of the District as a whole. Following is a summary of the District's net position for fiscal years 2025 and 2024.

	2025			2024		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Assets:						
Current and other assets	$ 1,516,448	$ 2,053,561	$ 3,570,009	$ 1,217,497	$ 2,455,341	$ 3,672,838
Capital assets	1,643,676	3,445,986	5,089,662	1,738,077	2,734,785	4,472,862
Total Assets	3,160,124	5,499,547	8,659,671	2,955,574	5,190,126	8,145,700
Liabilities:						
Long-term liabilities	794,414	1,274,987	2,069,401	800,169	1,282,990	2,083,159
Other liabilities	128,678	42,642	171,320	52,123	12,099	64,222
Total Liabilities	923,092	1,317,629	2,240,721	852,292	1,295,089	2,147,381
Deferred Inflows:						
Property Taxes	206,023	-	206,023	174,516	-	174,516
Deferred gain on debt refunding	2,046,395	1,414,293	3,460,688	2,119,481	1,494,804	3,614,285
Total Deferred Inflows	2,252,418	1,414,293	3,666,711	2,293,997	1,494,804	3,788,801
Net Position:						
Net investment in capital assets	(1,203,729)	748,703	(455,026)	(747,968)	227,426	(520,542)
Restricted for emergencies	7,637	-	7,637	29,819	-	29,819
Restricted for future maintenance	361,281	-	361,281	237,846	-	237,846
Unrestricted (deficit)	819,425	2,018,922	2,838,347	289,588	2,202,807	2,492,395
Total Net Assets (Deficit)	$ (15,386)	$ 2,767,625	$ 2,752,239	$ (190,715)	$ 2,430,233	$ 2,239,518

Statement of Activities

The perspective of the Statement of Activities is of the District as a whole. The Statement of Activities reflects the cost of program services and the charges for services and sales, grants and contributions offsetting the cost of the services. The following detail reflects the total cost of services supported by program revenues, general property taxes and sales taxes, as well as other general revenues, resulting in the overall change in net position for the fiscal years 2025 and 2024.

	2025			2024		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program revenues:						
Charges for services	$ 12,689	$ 549,423	$ 562,112	$ 12,898	$ 523,510	$ 536,408
Grants and contributions	21,023	308,750	329,773	100,112	27,854	127,966
General revenues:						
Property taxes	174,085	-	174,085	184,626	-	184,626
Sales taxes	290,679	-	290,679	225,733	-	225,733
Other taxes	8,647	-	8,647	8,526	-	8,526
Other income	3,942	9,303	13,245	5,835	9,967	15,802
Interest	43,094	82,586	125,680	42,683	104,727	147,410
Transfers	-		-	-	-	-
Total Revenues	554,159	950,062	1,504,221	580,413	666,058	1,246,471
Expenses:						
General government	378,830	-	378,830	421,196	-	$ 421,196
Water and sewer operations	-	501,456	501,456	-	614,430	614,430
Infrastructure/ Rec operations	-	111,214	111,214		97,598	97,598
Total Expenses	378,830	612,670	991,500	421,196	712,028	1,133,224
Change in Net Assets	175,329	337,392	512,721	159,217	(45,970)	113,247
Net Assets (Deficit) - Beginning	(190,715)	2,430,233	2,239,518	(349,932)	2,476,203	2,126,271
Net Assets (Deficit) - Ending	$ (15,386)	$ 2,767,625	$ 2,752,239	$ (190,715)	$ 2,430,233	$ 2,239,518

The District's overall financial position, as measured by net position, increased from $2,239,518 at the end of 2024 to $2,752,239 at the end of 2025. This increase is primarily the result of operating surpluses that are being reserved for future infrastructure improvements.

Financial Analysis of the District's Funds

As mentioned previously, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A discussion of the District's funds follows.

Governmental funds: The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, the fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of $1,198,091, an increase of $195,476 from the prior year. This increase is primarily the result of collection of property and sales taxes in excess of current year's expenditures. Of the fund balance, $7,637 is restricted for emergencies under the Taxpayers' Bill of Rights (TABOR), $30,044 is non-spendable, as it represents amounts prepaid for future periods' operations, $361,620 is restricted for future road and street maintenance, and the balance of $798,790 is unassigned but is also held for future replacements and capital expenditures.

Proprietary funds: The District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted net assets for the proprietary funds was $2,019,262 at the end of 2025. These unrestricted net assets primarily resulted from water and sewer tap fees which were being accumulated in prior years to make improvements to and future replacements of the District's water and wastewater systems.

Budget Variances: The District did not amend the budget during 2025. In the governmental funds, the budget variances were generally favorable. In the proprietary fund, the infrastructure projects and corresponding grant funding were delayed, resulting in an overall favorable variance to the budget. Details can be seen on pages E1 and E2 for the governmental funds and pages F1 and F2 for the proprietary funds.

Capital assets: During 2025 the District invested $71,690 in capital assets in the governmental activities and $124,932 in the business-type activities. In addition, the District invested $753,470 in construction in progress related to ongoing infrastructure and capital improvement projects that had not yet been placed into service as of year-end. Depreciation expense of $166,091 was recognized in the governmental activities and $167,201 in the business-type activities. Additional information as well as a classification of the District's capital assets can be found in Note III C to the Financial Statements.

Long-term debt: The District's long-term liabilities primarily relate to debt issued in 2024 to finance or refinance certain public improvements within its boundaries. On March 20, 2024, a bank lending institution loaned the District $2,115,000. Of this amount, $1,300,000 was used to fully repay loan balances for a discounted amount of $5,700,882 owed to the District's original developer, $700,000 was allocated for improvements to the District's wastewater treatment plant, and $115,000 covered the cost of issuing the loan. The loan is to be repaid with interest over a 30-year period, with the final payment due on December 1, 2053. The initial interest rate is 5.53% and remains fixed through December 1, 2033, after which it will be adjusted based on market conditions. The District's only other long-term obligation is for accrued vacation payable for the District's employees. Additional information can be found in Note III E to the Financial Statements.

Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Two Rivers Metropolitan District, c/o Marchetti & Weaver, LLC, 28 Second Street, Suite 213, Edwards, CO 81632, phone (970) 926-6060 or by email to admin@mwcpaa.com.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Two Rivers Metropolitan District
Statement of Net Position
December 31, 2025

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and equivalents	1,196,253	1,999,432	3,195,685
Due from County Treasurer	799	-	799
Due from TRHOA	21,023	-	21,023
Accounts receivable	61,966	54,469	116,435
Property tax receivable	206,023	-	206,023
Prepaid expenses	30,044	-	30,044
Capital assets, net of accumulated depreciation	1,643,676	3,445,986	5,089,662
Total Assets	3,159,784	5,499,887	8,659,671
Liabilities:			
Accounts payable and accrued liabilities	111,994	28,726	140,720
Accrued interest	3,691	5,913	9,604
Accrued compensated absences	6,397	-	6,397
Loans payable:			
Due within one year	6,596	8,003	14,599
Due in more than one year	794,414	1,274,987	2,069,401
Total Liabilities	923,092	1,317,629	2,240,721
Deferred Inflows of Resources:			
Property tax revenue	206,023	-	206,023
Deferred gain on debt refunding	2,046,395	1,414,293	3,460,688
Total Deferred Inflows of Resources	2,252,418	1,414,293	3,666,711
Net Position:			
Net investment in capital assets	(1,203,729)	748,703	(455,026)
Restricted for emergencies	7,637	-	7,637
Restricted for future maintenance	361,620	-	361,620
Unrestricted	818,746	2,019,262	2,838,008
Total Net Position	(15,726)	2,767,965	2,752,239

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

Two Rivers Metropolitan District
Statement of Activities
For the Year Ended December 31, 2025

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**
Functions/Programs:							
Governmental Activities:							
General government	407,763	12,689	21,023	-	(374,051)	-	(374,051)
Interest on long-term debt	(28,596)	-	-	-	28,596	-	28,596
Total Governmental Activities	379,167	12,689	21,023	-	(345,455)	-	(345,455)
Business-type Activities:							
Water and sewer	501,456	439,693	-	308,750	-	246,987	246,987
Infrastructure / Recreation	110,874	109,730	-	-	-	(1,144)	(1,144)
Total Business-type Activities	612,330	549,423	-	308,750	-	245,843	245,843
Total	991,497	562,112	21,023	308,750	(345,455)	245,843	(99,612)
		General Revenues:					
		Property tax			174,085	-	174,085
		Specific ownership tax			8,647	-	8,647
		Sales tax			290,676	-	290,676
		Interest			43,094	82,586	125,680
		Other			3,942	9,303	13,245
		Total General Revenues			520,444	91,889	612,333
		Change in Net Position			174,989	337,732	512,721
		Net Position (Deficit) - Beginning			(190,715)	2,430,233	2,239,518
		Net Position - Ending			(15,726)	2,767,965	2,752,239

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

FUND FINANCIAL STATEMENTS

Two Rivers Metropolitan District
Balance Sheet
Governmental Funds
December 31, 2025

	General Fund	Sales Tax Fund	Total Governmental Funds
Assets:			
Cash and equivalents	894,136	302,117	1,196,253
Due from County Treasurer	799	-	799
Due from TRHOA	21,023	-	21,023
Accounts receivable	2,463	59,503	61,966
Property tax receivable	206,023	-	206,023
Prepaid expenses	30,044	-	30,044
Total Assets	1,154,488	361,620	1,516,108
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	111,994	-	111,994
Total Liabilities	111,994	-	111,994
Deferred Inflows of Resources:			
Property tax revenue	206,023	-	206,023
Total Deferred Inflows of Resources	206,023	-	206,023
Fund Balances:			
Non-spendable	30,044	-	30,044
Restricted for emergencies	7,637	-	7,637
Restricted for future maintenance	-	361,620	361,620
Unassigned	798,790	-	798,790
Total Fund Balances	836,471	361,620	1,198,091
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	1,154,488	361,620	

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			1,643,676
Long-term liabilities, are not due and payable in the current period and, therefore, are not reported in the funds.			
Accrued compensated absences		(6,397)	
Accrued interest		(3,691)	
Loans payable		(801,010)	
			(811,098)
Deferred amounts on refundings are reflected as current charges in the governmental fund financial statements. On the Statement of Activities and the statement of Net Position, these costs are capitalized and amortized over the life of the loan issuance.			
Deferred gain on debt refunding		(2,046,395)	
			(2,046,395)
Net Position of Governmental Activities			(15,726)

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

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

	General Fund	Sales Tax Fund	Total Governmental Funds
Revenues:			
Taxes	182,732	290,676	473,408
Rent	12,689	-	12,689
Interest	34,195	8,899	43,094
Other	3,942	-	3,942
Reimbursement from TRHOA	21,023	-	21,023
Total Revenues	254,581	299,575	554,156
Expenditures:			
Administration and operations	96,078	175,801	271,879
Debt service:			
Principal	3,844	-	3,844
Interest	44,507	-	44,507
Total Expenditures	182,879	175,801	358,680
Excess of Revenues Over Expenditures	71,702	123,774	195,476
Net Change in Fund Balances	71,702	123,774	195,476
Fund Balances - Beginning	764,769	237,846	1,002,615
Fund Balances - Ending	836,471	361,620	1,198,091

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

Two Rivers 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 of Governmental Funds		195,476
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:		
Depreciation of capital assets	(166,091)	
Capital outlay	71,690	
		(94,401)
The issuance of long-term debt (e.g., bonds, notes, and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also governmental funds reflect the effects of other items when debt is issued, whereas these amounts are deferred and amoritized in the statement of activities:		
Change in accrued compensated absences	(3,034)	
Principal payments	3,844	
Change in accrued interest	18	
Amortization of refunding gain	73,086	
		73,914
Change in Net Position of Governmental Activities		174,989

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

Two Rivers Metropolitan District
Statement of Net Position
Proprietary Funds
December 31, 2025

	Water & Sewer	Infrastructure & Recreation	Total
Assets:			
Current Assets:			
Cash and equivalents	1,826,400	173,032	1,999,432
Accounts receivable	54,469	-	54,469
Total Current Assets	1,880,869	173,032	2,053,901
Non-Current Assets:			
Construction in progress	1,280,430	-	1,280,430
Water rights	170,000	-	170,000
Capital assets, net of accumulated depreciation	1,995,556	-	1,995,556
Total Non-Current Assets	3,445,986	-	3,445,986
Total Assets	5,326,855	173,032	5,499,887
Liabilities:			
Current Liabilities:			
Accounts payable	28,726	-	28,726
Accrued interest	5,913	-	5,913
Loans payable	8,003	-	8,003
Total Current Liabilities	42,642	-	42,642
Long-term Liabilities:			
Loans payable	1,274,987	-	1,274,987
Total Long-Term Liabilities	1,274,987	-	1,274,987
Deferred Inflows of Resources:			
Deferred gain on debt refunding	1,414,293	-	1,414,293
Total Deferred Inflows of Resources	1,414,293	-	1,414,293
Total Liabilities and Deferred Inflows of Resources	2,731,922	-	2,731,922
Net Position:			
Net investment in capital assets	748,703	-	748,703
Unrestricted	1,846,230	173,032	2,019,262
Total Net Position	2,594,933	173,032	2,767,965

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

Two Rivers Metropolitan District
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2025

	Water & Sewer	Infrastructure & Recreation	Total
Operating Revenues:			
Charges for fees and services	439,693	109,730	549,423
Finance charges	6,525	-	6,525
Miscellaneous income	2,778	-	2,778
Total Operating Revenues	448,996	109,730	558,726
Operating Expenses:			
Plant operator	87,703	-	87,703
Permits and fees	19,877	-	19,877
Meter expenses	11,928	-	11,928
Engineering	3,623	-	3,623
Community center improvements	-	21,130	21,130
Repairs and maintenance	41,457	17,011	58,468
Utilities	39,035	14,576	53,611
Sludge hauling	65,145	-	65,145
Cleaning	-	5,514	5,514
Miscellaneous expense	-	7,906	7,906
Allocation of overhead	44,737	44,737	89,474
Depreciation	167,201	-	167,201
Total Operating Expenses	480,706	110,874	591,580
Operating Income (Loss):	(31,710)	(1,144)	(32,854)
Non-operating Revenues and (Expenses)			
Interest	76,896	5,690	82,586
Grants	308,750	-	308,750
Interest expense	(20,750)	-	(20,750)
Total Non-operating Revenues and (Expenses)	364,896	5,690	370,586
Change in Net Position	333,186	4,546	337,732
Total Net Position - Beginning	2,261,747	168,486	2,430,233
Total Net Position - Ending	2,594,933	173,032	2,767,965

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

Two Rivers Metropolitan District
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2025

	Water & Sewer	Infrastructure & Recreation	Total
Cash Flows from Operating Activities:			
Cash received from customers and others	508,579	109,730	618,309
Cash payments for goods and services	(339,248)	(110,874)	(450,122)
Operating contributions from TRHOA	-	27,854	27,854
Net Cash (Used) by Operating Activities	169,331	26,710	196,041
Cash Flows from Capital and Related Financing Activities:			
Grant proceeds	308,750	-	308,750
Principal payments on loan	(6,156)	-	(6,156)
Interest payments on loan	(71,291)	-	(71,291)
Cash paid for capital additions	(878,402)	-	(878,402)
Net Cash Provided by Capital and Related Financing Activities	(647,099)	-	(647,099)
Cash Flows From Investing Activities:			
Interest income received	76,896	5,690	82,586
Net Cash Provided by Investing Activities	76,896	5,690	82,586
Net Change in Cash	(400,872)	32,400	(368,472)
Cash and Investments - Beginning	2,227,272	140,632	2,367,904
Cash and Investments - Ending	1,826,400	173,032	1,999,432
Reconciliation of Operating (Loss) to Net Cash Provided by Operating Activities:			
Operating (loss)	(31,710)	(1,144)	(32,854)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:			
Depreciation	167,201	-	167,201
(Increase) decrease in accounts receivable	5,114	27,854	32,968
Increase (decrease) in accounts payable	28,726	-	28,726
Total Adjustments	201,041	27,854	228,895
Net Cash (Used) by Operating Activities	169,331	26,710	196,041

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

NOTES TO THE FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

The Two Rivers Metropolitan District (the “District”) is a quasi-municipal corporation and a political subdivision of the State of Colorado.

The service plan, (the “Service Plan”), submitted in accordance with the Colorado Special District Act, sets forth the formation of the District, comprising approximately 175 acres located in the Dotsero area of unincorporated Eagle County, Colorado. The District was formed to assist in the funding, integration and coordination of metropolitan district services and facilities for the proposed Two Rivers Village Development (the “Community”). The Service Plan was approved August 10, 1998 by Eagle County.

The Community is located in western Eagle County, approximately 6.5 miles west of the Town of Gypsum, near the community of Dotsero and just south of Interstate Highway 70, near the confluence of the Colorado and Eagle Rivers.

The District includes approximately 175 acres. At full build out, it is anticipated that the District will contain approximately (i) 261 residential lots which will be developed for manufactured home residential housing units; (ii) 60 residential condominium units; (iii) 20 residential apartment units; (iv) 5 single family homes; and (v) 5,000 square feet of non-residential space which will be used for retail and office purposes. It is estimated that the population of the District will be approximately 1,215 persons based on three persons per residential living unit.

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 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 government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

I. Summary of Significant Accounting Policies (continued)

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

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

C. 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*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

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 District, except those required to be accounted for in another fund.
>
> The *Sales Tax Fund* accounts for sales tax revenue and maintenance expenditures that the sales tax revenue is restricted for.

The District reports the following proprietary funds:

> The *Water and Sewer Fund* accounts for the activities of the water and sewer operations.
>
> The *Infrastructure & Recreation Fund* accounts for the activities of maintaining and improving infrastructure in the community.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions. Internally dedicated resources are reported as *general revenues* rather than program revenues. Likewise, general revenues include all taxes.

I. Summary of Significant Accounting Policies (continued)

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Water and Sewer Fund are charges for water and sewer fees. The principal operating revenues of the District's Infrastructure / Recreation Fund are charges for infrastructure fees. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Financial Statement Accounts

1. Cash, Cash Equivalents and Investments

Cash and cash 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 or fair value. The change in the fair value of investments is recognized as an increase or decrease to investment assets and investment income.

For the purposes of the Statement of Cash Flows, the District defines cash and cash equivalents as amounts in demand deposits as well as short-term, highly liquid investments with original maturities of twelve months or less.

The District is required to comply with State statutes which specify investment instruments meeting defined rating, maturity, custodial and concentration risk criteria in which local governments may invest, which include (with applicable minimum NRSRO credit rating restrictions):

- Obligations of the United States and certain U.S. agency securities
- General obligation and revenue bonds of U.S. local government entities (AA)
- Bankers' acceptance of certain banks (AA)
- Commercial paper and corporate bonds (A-1)
- Written repurchase agreements collateralized by certain authorized
- securities
- Certain money market funds (AAAm)
- Certificates of deposit – non-negotiable
- Local government investment pools (AAAm)

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to / from other funds" (i.e., the current portion of interfund loans) or "advances to / from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to / from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

The trade and property taxes receivable are shown net of uncollectibles. All receivables at December 31, 2025 are considered collectible and, therefore, an allowance for uncollectible taxes and trade receivables has not been recorded.

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

3. Property Taxes

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.

4. Prepaid Items

Prepaid expenses are amounts paid in the current year for expenses related to the subsequent year.

5. Capital Assets

The initial capitalized assets of the governmental activities and business-type activities are recorded at historical cost. The reported values exclude normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the asset or extend its useful life beyond then original estimates.

Depreciation is provided on a straight-line basis over the estimated useful life of the assets ranging from 20 to 30 years.

6. Long-term Debt

In the government-wide financial statements, and proprietary fund types in the fund financials statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

7. Deferred Outflows and Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for “deferred inflows of resources.” Deferred inflows of resources represent property taxes levied in the current period to be collected in future periods. The District reports property taxes as deferred inflows of resources in the period the property taxes are levied. The District also reports the deferred gain on debt refunding.

8. Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it that are properly applicable to another fund, are recorded as “due from other funds” or “due to other funds” on the balance sheet when they are expected to be liquidated within a reasonable amount of time. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

9. Fund Equity

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 to be spent 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 a targeted reserve positions and management calculates targets and reports them annually to Board of Directors.

II. Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds, as required by Colorado Statutes.

In the fall of each year, the District's Board of Directors formally adopts a budget with appropriations for the ensuing year pursuant to the Colorado Local Budget Law. The budget for the governmental funds is adopted on a basis consistent with generally accepted accounting principles ("GAAP"). The budget for the proprietary funds is adopted on a Non-GAAP budgetary basis and are reconciled to GAAP basis on the budget to actual statements and as presented below:

	Water and Sewer Fund	Infrastructure & Recreation Fund	Total
Net Change in Available Resources	(378,015)	4,546	(373,469)
Reconciliation to GAAP Basis:			
Capital outlay	878,402	-	878,402
Depreciation	(167,201)	-	(167,201)
Change in Net Position - GAAP Basis	333,186	4,546	337,732

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.

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)

A. Budgetary Information (continued)

Taxes levied in one year are collected in the succeeding year. Thus, 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 that 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.

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 of the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

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 or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in future years.

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending (excluding bonded debt service). The District has reserved a portion of its December 31, 2025, year-end fund balances for emergencies in the amount of $7,637 which is the approximate required reserve at December 31,2025.

Under TABOR, future spending and revenue limits are determined based on the prior year's fiscal year spending adjusted for inflation in the prior calendar year plus annual local growth. Fiscal year spending is generally defined as expenditures and reserve increases with certain exceptions. Revenue, if any, in excess of the fiscal year spending limit must be refunded in the next fiscal year unless voters approve retention of such revenue.

The District's electorate approved that the District be authorized to collect, retain, and spend all revenues collected from the District's property tax rate of 20 mills, and from all other funds and sources, commencing January 1, 1999, and continuing thereafter, as a voter-approved revenue change, offset, and an exception to the limits which would otherwise apply under Article X, Section 20 of the Colorado Constitution and as a permanent waiver of the 5.5% limitation under Section 29-1-301, C.R.S.

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

III. Detailed Notes on All Funds

A. Deposits and Investments

The Colorado Public Deposit Protection Act (“PDPA”) requires that all units of local government deposit cash in eligible public depositories; eligibility is determined by State regulators. Amounts on deposit in coverage provided by the Federal Depository Insurance Corporation (“FDIC”) must be collateralized. The eligible collateral is determined by Colorado’s Public Deposit Protection Act (“PDPA”). The PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

The State Regulatory Commissions 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.

The District’s deposits are entirely covered by Federal Depository Insurance Corporation (“FDIC”) or by the collateral held under. The FDIC insures the first $250,000 of the District’s deposits at each financial institution. At December 31, 2025, the District’s carrying amount of demand deposits was at year end.

Investments

The District’s Investment Pool consists solely of investments in ColoTrust. The fair 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 had the following investments:

Investments Measured at Net Asset Value	Total
ColoTrust	2,866,367

*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. The District coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term to less than five years from the purchase date. As a result of the limited length of maturities the District has limited its interest rate risk.

Credit Risk. State law and District policy limit investments to those authorized by State statutes including U.S. Agencies and 2a7-like pools. 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.

For purposes of the cash flow statement, the District considers investments on demand (e.g. ColoTrust) and with a maturity date of three months or less to be cash equivalents.

Investments may only be made in those financial institutions which are insured by the Federal Deposit Insurance Corporation, the Federal Home Mortgage Association, the Federal Savings and Loan Insurance Corporation, congressionally authorized mortgage lenders and investments that are federally guaranteed. Financial institutions holding District funds must provide the District with a statement of collateral in the form of a listing of securities pledged, and a copy of the certificate from the Banking Authority that states that the institution is an eligible public depository. Colorado’s PDPA requirement noted above mitigates concentration of credit risk.

III. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

The District had investments 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.

B. Receivables

Receivables as of year-end for the government's individual funds, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Sales Tax Fund	Water and Sewer Fund	Infrastructure / Recreation Fund	Total
Property taxes	206,023	-	-	-	206,023
Due from Two Rivers HOA	21,023	-	-	-	21,023
Due from other governments	-	59,503	-	-	59,503
Due from County Treasurer	799	-	-	-	799
Trade and other receivables	2,463	-	54,469	-	56,932
Total	230,308	59,503	54,469	-	344,280
Less: allowance for uncollectible accounts	-	-	-	-	-
Net Total Receivables	230,308	59,503	54,469	-	344,280

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III. Detailed Notes on All Funds (continued)

C. Capital Assets

Capital asset activity for the year ended December 31, 2025 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities:				
Capital assets being depreciated:				
Roads, drainage and landscaping	4,126,737	33,240	-	4,159,977
Parks, recreation and open space	1,002,617	38,450	-	1,041,067
Total capital assets being depreciated	5,129,354	71,690	-	5,201,044
Less: Accumulated depreciation:				
Roads, drainage and landscaping	(2,542,372)	(138,112)	-	(2,680,484)
Parks, recreation and open space	(848,905)	(27,979)	-	(876,884)
Total accumulated depreciation	(3,391,277)	(166,091)	-	(3,557,368)
Total Governmental Activities, Net	1,738,077	(94,401)	-	1,643,676
Business-type Activities:				
Capital assets not being depreciated:				
Water rights	170,000	-	-	170,000
Construction in progress	526,960	753,470	-	1,280,430
Total capital assets not being depreciated	696,960	753,470	-	1,450,430
Capital assets being depreciated:				
Water system	1,748,580	72,346	-	1,820,926
Sewer system	3,101,270	52,586	-	3,153,856
Total capital assets being depreciated	4,849,850	124,932	-	4,974,782
Less: Accumulated depreciation:				
Water system	(1,062,035)	(59,951)	-	(1,121,986)
Sewer system	(1,749,990)	(107,250)	-	(1,857,240)
Total accumulated depreciation	(2,812,025)	(167,201)	-	(2,979,226)
Total Business-type Activities, Net	2,734,785	711,201	-	3,445,986

Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, ranging from 20 to 30 years. The depreciation expense was charged to the primary government as follows:

Governmental Activities:	
General government	166,091
Business-type Activities:	
Water and Sewer	167,201

III. Detailed Notes on All Funds (continued)

D. Interfund Balances, Transfers, and Allocation of Overhead

1. Allocation of Overhead

Overhead expenses incurred in the General Fund were allocated such that one-fifth is distributed to each of the Funds in 2025. Allocations of overhead expenses in December 31, 2025 are as follows:

Overhead Allocations:	**Amount**
Sales Tax Fund	44,737
Water and Sewer Fund	44,737
Infrastructure / Recreation Fund	44,737
Allocated from General Fund	134,211

E. Long-term Debt

1. Tap Fee Revenue Sharing Agreement

On January 18, 2010, the District entered into a Tap Fee Revenue Sharing Agreement (the “Agreement”) with Dotsero Realty Partners, LLLP whereby the District shall remit 75% of future tap fees unless the District uses such tap fees 1) to repay any developer advances; and 2) to establish a reserve escrow up to $416,000 for sewer improvements to the existing sewer plant and lift station, subject to adjustment as described in the Agreement. The value of the total available water capacity, at 75% of the current $5,000 water tap fee is $1,569,375. The value of the total available sewer capacity, at 75% of the current $5,000 sewer tap fee is $2,017,500. On January 20, 2011, the District approved the assignment of the Agreement from Dotsero Realty Partners, LLLP to the 2 Rivers Realty, L.P.

2. Limited Tax General Obligation Loan, Series 2024

The Series 2024 Loan (the “Loan”) is a general obligation loan of the District, payable from ad valorem property taxes without limitation on property located within the District. The interest rate on the Loan is 5.53%, per annum, which is subject to 10-year reset period rate adjustments on December 1, 2033 and December 1, 2043. Interest is payable June 1 and December 1 and principal is payable December 1 of each year. The loans were to be used to (1) repay the developer $1,300,000 of the outstanding loan balances, (2) construct $700,000 of improvements to the District wastewater treatment plant, and (3) cover the cost of issuance totaling $115,000. The loan will be repaid over 30 years with the final payment December 1, 2053. The initial interest rate is 5.53% through December 1, 2033 and will be adjusted to market conditions after that date.

III. Detailed Notes on All Funds (continued)

E. Long-term Debt (continued)

3. Annual Debt Service Requirements

Debt service requirements to maturity at December 31, 2025 for bonds associated with the District's governmental activities are as follows:

	Governmental Activities		Business-Type Activities	
Year	Principal	Interest	Principal	Interest
2026	4,997	44,296	8,003	70,949
2027	4,997	44,020	8,003	70,507
2028	6,534	43,743	10,466	70,064
2029	6,534	43,382	10,466	69,485
2030	8,072	43,021	12,928	68,907
2031 - 2035	68,801	192,047	110,199	307,605
2036 - 2040	126,455	147,088	202,545	235,592
2041 - 2045	172,579	114,674	276,421	183,676
2046 - 2050	230,233	70,915	368,767	113,585
2051 - 2053	171,810	15,757	275,190	25,238
Total	**801,010**	**758,942**	**1,282,990**	**1,215,608**

4. Schedule of Long-term Liabilities

	Balance at 12/31/24	Additions	Deletions	Balance at 12/31/25	Due Within One Year
Governmental Activities:					
Loans payable	804,854	-	(3,844)	801,010	4,997
Accrued compensated absences*	3,363	3,034	-	6,397	1,599
Total Governmental Activities	808,217	3,034	(3,844)	807,407	6,596

* change in accrued compensated absences is reported net

	Balance at 12/31/24	Additions	Deletions	Balance at 12/31/25	Due Within One Year
Business-type Activities:					
Loans payable	1,289,146	-	(6,156)	1,282,990	8,003
Total Business-type Activities	1,289,146	-	(6,156)	1,282,990	8,003

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 and omissions.

B. Related Parties

The Developer's representatives make up the majority of the members of the Board of Directors.

C. Cost Sharing Agreement with Two Rivers Homeowners Association

Effective January 1, 2020, the District and Two Rivers Homeowners Owners Association ("TRHOA") entered a Cost Sharing Agreement. Under the agreement, the District will contract for services or hire an employee or employees to provide certain services and functions to the Two Rivers community as listed on Exhibit A of the agreement and that the cost of such services and functions shall be borne equally by the District and TRHOA. The agreement will renew annually until terminated by either party as set forth in the agreement.

TRHOA will reimburse TRMD for 50% of the cost of the services listed on Exhibit A of the agreement after applying a credit for the Excess Revenues as defined in the agreement, such credit to be applied over a multiple year period until a credit equal to the full amount of the Excess Revenues has been applied. The cost of the services will be invoiced periodically by TRMD but no less frequently than annually. Invoices submitted to TRHOA are due within 30 days of receipt.

Effective January 1, 2025, the District and TRHOA entered into a new Cost Sharing Agreement which supersedes the prior agreement. Under the new agreement, 20% of the salaries and wages and related payroll expenses for designated employees providing services to the Two Rivers community are allocated to TRHOA. The District invoices TRHOA periodically for its share of these costs, and payments are due within 30 days of receipt. The total cost reimbursement from TRHOA to TRMD in 2025 was $21,023.

D. Infrastructure and Recreation Usage Fee

The District's Board of Directors approved a resolution on April 14, 2020 to impose a monthly Infrastructure and Recreation Usage Fee of $39 per lot, effective July 1, 2023.

The fee will be used to pay for road repairs, maintenance expenses, snow plowing, landscaping, and the design, construction, operation and maintenance of public park and recreation facilities and programs.

E. Subsequent Events

Management has evaluated subsequent events through the date these financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

Two Rivers Metropolitan District
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended December 31, 2025
(With Comparative Totals For the Year Ended 2024)

	2025			2024
	Original & Final Budget	**Actual**	**Final Budget Variance Positive (Negative)**	**Actual**
Revenues:				
Property taxes	174,516	174,085	(431)	184,626
Specific ownership taxes	7,853	8,647	794	8,526
Interest	29,661	34,195	4,534	35,127
Other income	5,806	3,942	(1,864)	5,835
Community Center rentals	10,239	10,320	81	10,620
Reimbursement from TRHOA	24,706	21,023	(3,683)	99,512
Ground lease	2,346	2,369	23	2,278
Total Revenues	255,127	254,581	(546)	346,524
Expenditures:				
General government:				
Accounting	88,201	86,307	1,894	90,148
Legal	15,600	3,725	11,875	15,008
Administrative	17,278	6,652	10,626	6,468
Insurance	21,519	23,280	(1,761)	20,691
Service plan	-	-	-	-
Treasurer fee's	5,235	5,227	8	5,544
Wages	114,110	98,169	15,941	95,451
Payroll taxes	4,377	4,302	75	4,046
Elections	5,000	1,247	3,753	464
Website	1,998	1,380	618	767
Allocation of overhead	(154,451)	(134,211)	(20,240)	(194,003)
Debt service:				
Principal payments - developer	-	-	-	768,724
Principal payments - loan	10,000	3,844	6,156	8,072
Interest payments - loan	115,798	44,507	71,291	31,346
Issuance costs - loan	-	-	-	44,202
Capital outlay	-	38,450	(38,450)	97,037
Total Expenditures	244,665	182,879	61,786	993,965
Excess (Deficiency) of Revenues Over Expenditures	10,462	71,702	61,240	(647,441)
Other Financing Sources (Uses):				
Loan proceeds	-	-	-	812,925
Total Other Financing Sources (Uses)	-	-	-	812,925
Net Change in Fund Balance	10,462	71,702	61,240	165,484
Fund Balance - Beginning	741,520	764,769	23,249	599,285
Fund Balance - Ending	751,982	836,471	84,489	764,769

Two Rivers Metropolitan District
Schedule of Revenues and Expenditures
Budget and Actual - Sales Tax Fund
For the Year Ended December 31, 2025
(With Comparative Totals For the Year Ended 2024)

	2025			2024
	Original & Final Budget	Actual	Final Budget Variance Positive (Negative)	Actual
Revenues:				
Sales tax	568,250	290,676	(277,574)	225,733
Interest	6,800	8,899	2,099	7,556
Reimbursement from TRHOA	-	-	-	600
Total Revenues	575,050	299,575	(275,475)	233,889
Expenditures:				
Repairs and maintenance	110,462	84,549	25,913	128,913
Utilities	3,775	1,339	2,436	5,390
Snowplowing	22,959	11,158	11,801	10,832
Community parking lot	-	777	(777)	-
Allocation of overhead	51,217	44,737	6,480	38,965
Contingency	20,000	-	20,000	-
Capital outlay	64,443	33,241	31,202	-
Total Expenditures	272,856	175,801	97,055	184,100
Net Change in Fund Balance	302,194	123,774	(178,420)	49,789
Fund Balance - Beginning	169,995	237,846	67,851	188,057
Fund Balance - Ending	472,189	361,620	(110,569)	237,846

SUPPLEMENTARY INFORMATION

Two Rivers Metropolitan District
Schedule of Revenues, Expenses and Changes in Net Position
Budget (Non-GAAP Basis) and Actual with Reconciliation to GAAP Basis
Water and Sewer Fund
For the Year Ended December 31, 2025
(With Comparative Totals For the Year Ended 2024)

	2025			2024
	Original & Final Budget	Actual	Final Budget Variance Positive (Negative)	Actual
Operating Revenues:				
Water and sewer fees	440,250	439,693	(557)	430,932
Finance charges	6,000	6,525	525	5,928
Miscellaneous income	-	2,778	2,778	4,039
Total Operating Revenues	446,250	448,996	2,746	440,899
Operating Expenses:				
Operation:				
Plant operator	90,692	87,703	2,989	77,548
Permits and fees	13,765	19,877	(6,112)	12,947
Meter expenses	8,466	11,928	(3,462)	7,284
Engineering	4,992	3,623	1,369	6,189
Repairs and maintenance	56,038	41,457	14,581	61,905
Utilities	46,004	39,035	6,969	39,917
Sludge hauling	60,060	65,145	(5,085)	39,791
Legal	6,300	-	6,300	-
Allocation of overhead	51,617	44,737	6,880	116,073
Contingency	62,000	-	62,000	-
Total Operation Expense	399,934	313,505	86,429	361,654
Capital:				
Infrastructure	1,473,299	878,402	594,897	335,818
Total Capital Expense	1,473,299	878,402	594,897	335,818
Total Operating & Capital Expenses	1,873,233	1,191,907	681,326	697,472
Operating Income (Loss):	(1,426,983)	(742,911)	684,072	(256,573)
Non-operating Revenue (Expense):				
Interest	92,051	76,896	(15,155)	100,586
Grants	325,000	308,750	(16,250)	-
Interest expense	-	(20,750)	20,750	(5,630)
Cost of issuance	-	-	-	(81,626)
Total Non-operating Revenue (Expense)	417,051	364,896	(10,655)	13,330
Change in net position	(1,009,932)	(378,015)	673,417	(243,243)
Reconciliation to GAAP Basis:				
Capital outlay		878,402		335,818
Bad debt		-		(3,534)
Depreciation		(167,201)		(161,986)
Change in Net Position - GAAP Basis		333,186		(72,945)

Two Rivers Metropolitan District
Schedule of Revenues, Expenses and Changes in Net Position
Budget (Non-GAAP Basis) and Actual with Reconciliation to GAAP Basis
Infrastructure & Recreation Fund
For the Year Ended December 31, 2025
(With Comparative Totals For the Year Ended 2024)

	2025			2024
	Original & Final Budget	Actual	Final Budget Variance Positive (Negative)	Actual
Operating Revenues:				
Infrastructure and recreation fees	111,300	109,730	(1,570)	92,578
TRHOA operating payments	-	-	-	27,854
Total Operating Revenues	111,300	109,730	(1,570)	120,432
Operating Expenses:				
Operation:				
Community center improvements	16,600	21,130	(4,530)	3,630
Repairs and maintenance	34,370	17,011	17,359	26,687
Utilities	15,553	14,576	977	14,445
Community park lease	-	-	-	492
Cleaning	5,661	5,514	147	6,270
Miscellaneous expense	14,702	7,906	6,796	7,109
Allocation of overhead	51,617	44,737	6,880	38,965
Contingency	15,000	-	15,000	-
Total Operation Expenses	153,503	110,874	42,629	97,598
Total Operating & Capital Expenses	153,503	110,874	42,629	97,598
Non-operating Revenue (Expense):				
Interest	4,598	5,690	1,092	4,141
Total Non-operating Revenue (Expense)	4,598	5,690	1,092	4,141
Change in Net Position	(37,605)	4,546	(43,107)	26,975
Adjustment to GAAP Basis:				
Depreciation		-		-
Change in Net Position - GAAP Basis		4,546		26,975