BNC METROPOLITAN DISTRICT NO. 1
Adams County, Colorado

FINANCIAL STATEMENTS
December 31, 2025

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Haynie

INDEPENDENT AUDITORS' REPORT

To the Board of Directors

BNC Metropolitan District No. 1

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the BNC 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of BNC Metropolitan District No. 1 and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 14 to the financial statements, the District restated its beginning net position as of January 1, 2025, to recognize certain legal reimbursement obligations that were previously disclosed as contingent liabilities but not recorded. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about BNC Metropolitan District No. 1's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of BNC Metropolitan District No. 1'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 BNC Metropolitan District No. 1's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the BNC Metropolitan District No. 1's basic financial statements. The supplemental information, as listed in the table of contents, is presented for purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying 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 supplementary information, as listed in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information, as listed in the table of contents, included in the report. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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.

Sincerely,

Haynie

Littleton, Colorado

July 22, 2026

BASIC FINANCIAL STATEMENTS

BNC METROPOLITAN DISTRICT NO.1
STATEMENT OF NET POSITION
December 31, 2025

		Governmental Activities
ASSETS		
Cash and investments - unrestricted	$	449,195
Cash and investments - restricted		1,682,876
Accounts receivable		15,981
County treasurer receivable		7,395
Property taxes receivable		1,592,855
Prepaid expenditures		25,476
Capital assets, not being depreciated		18,900
Capital assets, being depreciated		1,180,828
Total assets		4,973,506
LIABILITIES		
Accounts payable and accrued liabilities		86,456
Accrued interest payable		562,379
Settlement payable		354,912
Current portion of bonds		235,000
Noncurrent liabilities - due in more than one year:		
Bonds premium		334,268
Bonds payable		8,994,000
Developer advances		439,966
Total liabilities		11,006,981
DEFERRED INFLOWS OF RESOURCES		
Deferred property tax revenue		1,592,855
Total deferred inflows of resources		1,592,855
NET POSITION (DEFICIT)		
Net investment in capital assets		(8,803,506)
Restricted for:		
Emergency reserves		13,900
Unrestricted		1,163,276
Total net position (deficit)	$	(7,626,330)

BNC METROPOLITAN DISTRICT NO.1
STATEMENT OF ACTIVITIES
Year Ended December 31, 2025

		Program Revenues			Net (Expense) Revenue and Change in Net Position
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**
Primary government:					
Governmental activities:					
General government	$ 462,836	$ 7,774	$ 50,180	$ 120,000	$ (284,882)
Interest and expenses on long-term debt	478,318	-	-	-	(478,318)
Capital project activities	619,943	-	-	382,277	(237,666)
	$ 1,561,097	$ 7,774	$ 50,180	$ 502,277	$ (1,000,866)
	General revenues:				
	Property taxes				1,620,705
	Specific ownership taxes				80,521
	Interest				103,592
	Total general revenues				1,804,818
	Change in net position				803,952
	Net position (deficit)- beginning of year (restated)				(8,430,282)
	Net position (deficit)- end of year				$ (7,626,330)

BNC METROPOLITAN DISTRICT NO.1
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2025

	Operating	Debt Service	Capital Project	Total Governmental Funds
ASSETS				
Cash and investments - unrestricted	$ 449,195	$ -	$ -	$ 449,195
Cash and investments - restricted	-	348,430	1,334,446	1,682,876
Accounts receivable	15,981	-	-	15,981
County treasurer receivable	3,391	4,004	-	7,395
Property taxes receivable	511,020	1,081,835	-	1,592,855
Prepaid expenditures	25,476	-	-	25,476
Total assets	$ 1,005,063	$ 1,434,269	$ 1,334,446	$ 3,773,778
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued liabilities	84,456	2,000	-	86,456
Settlement payable	-	-	354,912	354,912
Total liabilities	84,456	2,000	354,912	441,368
DEFERRED INFLOWS OF RESOURCES				
Deferred property tax revenue	511,020	1,081,835	-	1,592,855
Total deferred inflows of resources	511,020	1,081,835	-	1,592,855
FUND BALANCES				
Nonspendable:				
Prepaid expenditures	25,476	-	-	25,476
Restricted:				
Emergency reserves	13,900	-	-	13,900
Debt service	-	350,434	-	350,434
Capital projects	-	-	979,534	979,534
Unassigned	370,211	-	-	370,211
Total fund balances	409,587	350,434	979,534	1,739,555
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 1,005,063	$ 1,434,269	$ 1,334,446	

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.	
Land	18,900
Property, structures and equipment, net	1,180,828
Long-term liabilities are not due and payable in the current period and, therefore, are not in the funds:	
Bonds payable	(9,229,000)
Bond premium	(334,268)
Accrued interest on bonds	(31,229)
Developer advances	(439,966)
Accrued interest on developer advances	(531,150)
Net position (deficit) of governmental activities	$ (7,626,330)

BNC METROPOLITAN DISTRICT NO.1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2025

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
Property taxes	$ 519,954	$ 1,100,751	$ -	$ 1,620,705
Specific ownership taxes	25,833	54,688	-	80,521
Covenant violation fine income	6,500	-	-	6,500
Reimbursement expenses - collection costs	1,234	-	-	1,234
BNC2 cost share contributions	50,180	-	-	50,180
HW2 Settlement	-	-	120,000	120,000
Reimbursement BNC3	-	-	382,277	382,277
Miscellaneous income	40	-	-	40
Interest	6,996	54,577	42,019	103,592
Total revenues	610,737	1,210,016	544,296	2,365,049
EXPENDITURES				
General and administration	153,047	-	-	153,047
Landscaping maintenance	167,346	-	-	167,346
Capital asset maintenance	22,040	-	-	22,040
Pool maintenance and operation	92,913	-	-	92,913
Other district expenses	25,222	-	-	25,222
Debt service				
Direct and indirect collection costs	-	17,041	-	17,041
Bond trustee fees	-	2,268	-	2,268
Interest payments on Series 2017A Bonds	-	386,000	-	386,000
Principal payments on Series 2017A Bonds	-	225,000	-	225,000
Principal payments on Series 2017B Bonds	-	493,000	-	493,000
Interest payments on Series 2017B Bonds	-	67,629	-	67,629
Perimeter wall repairs and maintenance	-	-	121,426	121,426
Major capital projects	-	-	52,541	52,541
Settlement to CCC Note, LLC	-	-	354,912	354,912
Total expenditures	460,568	1,190,938	528,879	2,180,385
EXCESS OF EXPENDITURES OVER REVENUES	150,169	19,078	15,417	184,664
OTHER FINANCING SOURCES				
Fund Transfers In/ (Out)	(106,800)	-	106,800	-
Total other financing sources	(106,800)	-	106,800	-
NET CHANGE IN FUND BALANCES	43,369	19,078	122,217	184,664
FUND BALANCES - BEGINNING OF YEAR	366,218	331,356	857,317	1,554,891
FUND BALANCES - END OF YEAR	$ 409,587	$ 350,434	$ 979,534	$ 1,739,555

BNC METROPOLITAN DISTRICT NO.1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2025

Amounts reported for governmental activities in the Statement of Activities are different because:

Net changes in fund balances - Total governmental funds	$ 184,664
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The net effect of these differences in the treatment of long-term debt is as follows:	
Bonds 2017A - principal payment	225,000
Bonds 2017B - principal payment	493,000
Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. In addition, some expenses in the statement of activities do require the use of financial resources and, therefore, are not reported as expenditures in governmental funds. The net effect of these differences is as follows:	
Depreciation expense on property, structures and equipment	(143,605)
Capital Outlay	52,541
Some expenses reported in the Statement of Activities do not require the use of financial resources and, therefore, are not reported as expenditures in governmental funds:	
Amortization of bond premium	27,655
Net change in accrued interest on long-term liabilities	(35,303)
Change in net position of governmental activities	$ 803,952

BNC METROPOLITAN DISTRICT NO.1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE (DEFICIT)
BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2025

	Budget Amounts Original & Final	Actual Amounts	Variance with Final Budget
REVENUES			
Property taxes	$ 519,500	$ 519,954	$ 454
Specific ownership taxes	25,400	25,833	433
Covenant violation fine income	5,000	6,500	1,500
Reimbursement expenses - collection costs	-	1,234	1,234
BNC2 cost share contributions	62,600	50,180	(12,420)
Miscellaneous income	-	40	40
Interest	10,000	6,996	(3,004)
Total revenues	622,500	610,737	(11,763)
EXPENDITURES			
GENERAL AND ADMINISTRATION			
District management and accounting	37,000	46,590	(9,590)
Administrative costs	4,500	5,775	(1,275)
Audit fees	8,500	8,500	-
Collection fees - county treasurer	7,800	8,113	(313)
Board of Directors' fees	3,500	9,200	(5,700)
Payroll taxes	-	703	(703)
Board training and conferences	4,000	1,056	2,944
Insurance and bonds	11,500	12,709	(1,209)
Legal fees	10,000	24,345	(14,345)
Litigation fees	135,000	35,537	99,463
Board election expenses	9,000	117	8,883
Newsletter publication costs	1,000	402	598
Contingency	3,000	-	3,000
Total General and Administration	234,800	153,047	81,753
LANDSCAPING MAINTENANCE			
Ground maintenance fees	77,500	67,128	10,372
Tree maintenance & replacement	20,000	19,318	682
Sprinkler & backflow repairs	28,000	14,638	13,362
Sprinklers - water	72,000	48,913	23,087
Sprinklers - electricity	3,000	2,050	950
Landscaping projects	25,000	12,926	12,074
Monument sign maintenance	1,000	-	1,000
Fertilization/weed control	2,000	-	2,000
Detention pond maintenance	8,500	2,235	6,265
Miscellaneous landscape costs	4,000	138	3,862
Total Landscaping Maintenance	241,000	167,346	73,654

BNC METROPOLITAN DISTRICT NO.1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE (DEFICIT)
BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2025

	Budget Amounts Original & Final	Actual Amounts	Variance with Final Budget
EXPENDITURES (CONTINUED)			
CAPITAL ASSET MAINTENANCE			
Perimeter fence maintenance	5,000	500	4,500
Playground maintenance	6,000	3,930	2,070
Insurance property	11,700	17,610	(5,910)
Total Capital Asset Maintenance	22,700	22,040	660
POOL MAINTENANCE AND OPERATION			
Pool maintenance fees	10,000	6,493	3,507
Pool chemicals	10,000	5,643	4,357
Repairs and supplies	15,000	9,808	5,192
Pool furniture maintenance	4,000	3,110	890
Electricity	4,000	3,072	928
Gas - pool heating	3,000	3,471	(471)
Internet and equipment installation	1,800	675	1,125
Water and sewer	5,400	4,664	736
Bathroom cleaning/trash	10,500	788	9,712
Gate attendant services	36,000	33,438	2,562
Pool manager services	18,000	19,257	(1,257)
Pool key administration	15,000	2,301	12,699
Dumpster service	1,000	193	807
Total Pool Maintenance and Operation	133,700	92,913	40,787
OTHER DISTRICT EXPENSES			
Snow removal	30,000	2,059	27,941
Covenant enforcement	29,000	17,467	11,533
Park and recreation events	5,000	341	4,659
Vandalism	1,000	5,355	(4,355)
Total Other District Expenses	65,000	25,222	39,778
Total expenditures	697,200	460,568	236,632
EXCESS OF REVENUES OVER EXPENDITURES	(74,700)	150,169	224,869
OTHER FINANCING SOURCES (USES)			
Transfer from other funds in (out)	(106,800)	(106,800)	-
Total other financing sources	(106,800)	(106,800)	-
NET CHANGE IN FUND BALANCE	(181,500)	43,369	224,869
FUND BALANCE - BEGINNING OF YEAR	241,500	366,218	124,718
FUND BALANCE - END OF YEAR	$ 60,000	$ 409,587	$ 349,587

NOTE 1 - DEFINITION OF REPORTING ENTITY

BNC Metropolitan District No. 1 (District), a quasi-municipal corporation and political subdivision of the State of Colorado was organized in November 2000 and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Adams County, Colorado entirely within the boundaries of the City and is comprised of approximately 458 single family homes on the north side of 104th Avenue. The District was established to provide financing for the design, acquisition, construction and installation of water, sanitation, street improvements, parks and recreation facilities, television relay and translation, mosquito control and other improvements (Public Improvements) within and without the District boundaries that benefit the taxpayers and inhabitants of the District. The District was created to provide certain essential public-purpose facilities for the use and benefit of all its anticipated residents and taxpayers of real property located within the boundaries of the District.

The District has no employees and all operations and administrative functions 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 District organization nor is the District a component unit of any other primary governmental entity.

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. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

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

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Expenditures for property and equipment are shown as increases in assets and redemption of bonds, notes and developer advances are recorded as a reduction in liabilities.

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 and specific ownership taxes and water fees. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred or the long-term obligation paid. 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 general government, except those required to be accounted for in other funds.

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

The Capital Projects Fund accounts for financial resources to be used for the construction of certain public improvements, facilities and services.

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

Budgets

In accordance with the Local Government Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 District has amended the Debt Service Fund annual budget for the year ended December 31, 2025.

Pooled Cash and Investments

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

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, net of estimated uncollectible taxes, are recorded initially as deferred inflow of resources in the year they are levied and measurable. The unearned property tax revenues are recorded as revenue in the year they are available or collected.

Specific Ownership Taxes

Beginning in 1937, the State of Colorado began assessing a tax annually on motor vehicles (aka Specific Ownership Tax). The Specific Ownership Tax is graduated based on a vehicle's age and original value. Specific Ownership Tax revenue collected by the State is apportioned among the 64 counties based on the number of state highway miles within each county. Each county allocates its respective share of specific ownership tax revenue proportionally among the various property-taxing governmental entities on the basis of total property taxes assessed by each entity in relation to total property taxes assessed by all entities within the county. In 2025, the District's share of specific ownership taxes was equal to approximately 4.9% of the property taxes collected.

Specific ownership tax is allocated proportionally between each fund based on the ratio of property tax revenue collected for each fund compared to total property revenue collected by the District.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Maintenance Fines

Covenant violation fines are assessed, in accordance with the District's covenant enforcement policy, on properties that the District deems to be in violation of the restrictive covenants provided in the Community Declaration For Turnberry Meadows filed with the Adams County Clerk & Recorder's Office on August 10, 2004 at reception number 20040810000749180 (the Declaration). Covenant violation fines are recognized as income after the violation has been identified, the homeowner has been notified and the period has expired for the homeowner to request a hearing to dispute the violation. Pursuant to 32-1-1001(1)(j)(l) CRS, fines and reimbursable costs are secured on and against each respective property by a perpetual lien.

Reimbursable Costs

Legal fees and other costs incurred by the District related to covenant enforcement actions and other services provided to specific properties within the District are charged back to the respective properties. The District presents reimbursable costs on a net basis. Factors considered by the District in determining whether to present reimbursable cost chargeback revenue on a gross or net basis include whether risks exist that the District will be unable to recover such costs from property owners. Pursuant to 32-1-1001(1)(j)(l) CRS, fines and reimbursable costs are secured on and against each respective property by a perpetual lien, which has priority over all other encumbrances on a property.

Collection Costs

Collection costs incurred by the District related to the collection of property taxes includes all costs incurred by the District that enable and support the District's ability to collect property taxes revenue. Generally, such costs include (a) operating and reporting compliance costs that protect the District's right to collect property taxes (e.g. financial statement audit fees, fees paid to professionals to prepare mandatory periodic financial and operational reports to the City and State, etc.), (b) professional fees related to applying and monitoring accounting controls over the collection of District revenues, (c) costs related to managing the District's annual property tax assessment process and (d) insurance protecting the District form Liability exposure that potentially could arise from performing these activities.

For the 2025 year, the District allocated indirect collection costs between its general fund (100% cost allocation) and its debt fund (0% cost allocation). Direct collection costs such as county treasurer collection fees are proportionally allocated to each fund on the basis of each property tax revenue allocable to each fund proportion to total property tax revenue assessed by the District.

Deferred Outflows of Resources and Deferred Inflows of Resources

A deferred inflow of resources is an acquisition of net position by a government that is applicable to a future reporting period and a deferred outflow of resources is a consumption of net position by a government that is applicable to a future reporting period. Both deferred inflows and outflows are

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

reported in the statement of net position but are not recognized in the financial statement as revenues and expenses until the period(s) to which they relate. Deferred inflows of resources in the governmental fund financial statements of the District for the 12-month period ended December 31, 2025 are comprised of property taxes due from Adams County that will not be collected within 60 days of the end of the current calendar year. Deferred inflows of resources in the government-wide financial statements represents property taxes for which an enforceable legal claim to assets exists, but for which the levy pertains to the subsequent year.

Capital Assets

Capital assets, which include infrastructure assets, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Capital assets that are anticipated to be conveyed to other governmental entities are recorded as construction in progress and are not included in the calculation of the net investment in capital assets.

When purchased or constructed, the District classifies newly acquired property, equipment and structures by functional area. The estimated depreciable lives assigned to each asset class are based on the assumption that such assets are reasonably and regularly maintained and used for their intended purpose.

Liabilities

The District identifies and records liabilities that meet the following three essential characteristics of a liability as defined by FASB Concept Statement No. 6:

1) It embodies a present duty or responsibility to one or more other entities that entails settlement by probable future transfer or use of assets at a specified or determinable date, on occurrence of a specified event, or on demand;

2) The duty or responsibility obligates a particular entity, leaving it little or no discretion to avoid the future sacrifice; and

3) The transaction or other event obligating the entity has already happened.

Agreements where amounts payable by the District are subject to annual appropriation and are not multiple-fiscal year obligations for the purposes of Article X, Section 20 of the Colorado Constitution, do not meet the definition of a liability and are considered contingent obligations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

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

Fund Balances – Governmental Funds

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: non-spendable, 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:

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

- ***Restricted fund balance*** – The portion of a 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 a 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 a 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 a 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 policy to use the most restrictive classification first.

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 postion:		
Cash and investments - unrestricted	$	449,195
Cash and investments - restricted		1,682,876
Total cash and investments	$	2,132,071

Cash and investments as of December 31, 2025 consist of the following:		
Deposits with financial institutions	$	781,253
Investments		1,350,818
Total cash and investments	$	2,132,071

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 institutions 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 institutions or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

As of December 31, 2025, the District’s cash deposits had a bank balance and carrying balance of $781,253.

Investments

Credit Risk

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

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

* Obligations of the United States and certain U.S. government agency securities and the World Bank
. General obligation and revenue bonds of U.S. local government entities
. Bankers' acceptances of certain banks
. Commercial paper

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

. Certain securities and lending agreements
. Certain corporate bonds
. Written repurchase agreements collateralized by certain authorized securities
. Certain money market funds
. Guaranteed investment contracts
* Local government investment pools

The District generally limits its concentration of investments to those noted with an asterisk (*) above, 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 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.

As of December 31, 2025, the District's investments were comprised of the following:

Investment	Maturity	Amortized Cost
	Weighted average	
Colorado Surplus Asset Fund Trust (CSAFE)	Under 60 Days	$ 1,350,818

CSAFE

The District holds investments in the Colorado Surplus Asset Fund Trust (CSAFE), which is an investment vehicle established by the State statutes for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing CSAFE. CSAFE operates similarly to a money market fund and each share is equal in value to $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. CSAFE measures its investments at amortized cost, which value is not materially different (less than 0.005% difference) than fair value measurement of such investments. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption period notice. A designated custodial bank serves as custodian for CSAFE's portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. No limitations exist on the District's ability to withdraw funds invested in CSAFE. CSAFE is rated AAAmmf by Fitch Group.

NOTE 4 – CAPITAL ASSETS

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

Governmental Activities	Balance December 31, 2024	Increases	Decreases/ Transfers	Balance December 31, 2025
Capital assets, not being depreciated:				
Land	$ 18,900	$ -	$ -	$ 18,900
Total capital assets not being depreciated	$ 18,900	$ -	$ -	$ 18,900
Capital assets, being depreciated:				
Perimeter fencing	$ 564,700	$ 30,356	$ -	$ 595,056
Pool equipment	264,225	-	-	264,225
Landscaping in public open spaces	2,129,149	8,486	-	2,137,635
Community pool facility	518,600	13,699	-	532,299
Total capital assets being depreciated	$ 3,476,674	$ 52,541	$ -	$ 3,529,215
Less accumulated depreciation for:				
Perimeter fencing	$ (527,240)	$ (37,660)	$ -	$ (564,900)
Pool equipment	(308,235)	(22,005)	-	(330,240)
Landscaping in public open spaces	(1,148,882)	(70,970)	-	(1,219,852)
Community pool facility	(220,425)	(12,970)	-	(233,395)
Total accumulated depreciation	$(2,204,782)	$ (143,605)	$ -	$ (2,348,387)
Total capital assets being depreciated, net	$ 1,271,892	$ (91,064)	$ -	$ 1,180,828

The District owns and maintains approximately 18.9 acres of public open space located within the District. The District has recorded the public land and related water rights at a nominal value of $18,900.

Capital assets subject to depreciation consists of the following types of public infrastructure: (1) landscaping installed in various public open spaces throughout the subdivision, (2) storm water detention ponds, (3) entryway monument signs, (4) community swimming pool facility, (5) two parks/playgrounds, (6) sidewalks and irrigation systems, (7) perimeter fencing bordering all District-owned parks and open spaces and (8) a wall along the east side of Highway 2.

NOTE 5 - LONG-TERM OBLIGATIONS

The following is an analysis of changes in long-term obligations for the year ended December 31, 2025:

	Balance December 31, 2024	Additions	Retirements/ Adjustments	Balance December 31, 2025	Due Within One Year
Bonded debt					
Senior G.O. Limited Tax Bonds,					
Series 2017A G.O. Bonds:					
Principal	$ 9,030,000	$ -	$ (225,000)	$ 8,805,000	$ 235,000
Unpaid and compounded interest	31,124	386,105	(386,000)	31,229	-
Bond Premium	361,923	-	(27,655)	334,268	-
Subordinate G.O. Limited Tax Bonds,					
Series 2017B G.O. Bonds					
Principal	917,000	-	(493,000)	424,000	-
Unpaid and compounded interest	-	67,629	(67,629)	-	-
Total bonded debt	$ 10,340,047	$ 453,734	$ (1,199,284)	$ 9,594,497	$ 235,000
Other long-term liabilities					
Developer advances					
Advances	$ 439,966	$ -	$ -	$ 439,966	$ -
Advance interest	495,952	35,198	-	531,150	-
Total other long-term liabilities	$ 935,918	$ 35,198	$ -	$ 971,116	$ -
Total	$ 11,275,965	$ 488,932	$ (1,199,284)	$ 10,565,613	$ 235,000

Series 2017A General Obligation Refunding and Improvement Bonds (Senior Bonds)

On November 2, 2017, the District issued Limited Tax (Convertible to Unlimited Tax) G.O. Refunding and Improvement Bonds, Series 2017A in the amount of $10,340,000. The Senior Bonds bear interest at rates ranging from 3.00% to 5.00%, and the Bonds are payable semi-annually on June 1 and December 1, beginning on December 1, 2018. Annual mandatory sinking funds principal payments are due on December 1, beginning on December 1, 2028. The Senior Bonds mature on December 1, 2047.

The proceeds from the sale of the Senior Bonds were used as follows:

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Bond proceeds	$ 10,340,000
Bond premium	571,724
Less:	
Refund the Series 2013A bonds	(4,917,000)
Refund the Series 2013B bonds	(2,806,229)
Accrued interest on 2013 bonds	(56,629)
Funds restricted for the Senior Reserve Fund	(307,156)
Funds restricted for the Senior Bond Fund	(40,000)
Underwriter's discount	(51,700)
Legal, accounting and other costs of issuance	(297,196)
Net bond proceeds available for funding costs of public improvements	2,435,814

The Senior Bonds are secured by and payable solely from Senior Pledged Revenue, net of any costs of collection, which is comprised of the following:

a) All Senior Property Tax Revenues (generated by the imposition of the Senior Required Mill Levy);
b) All Senior Specific Ownership Taxes (attributable to the Senior Required Mill Levy);
c) All Capital Fees; and
d) Any other legally available amounts that the District determines, in its absolute discretion, to transfer to the Trustee for application as Senior Pledged Revenue.

Amounts on deposit in the Senior Bond Fund and, prior to the Conversion Date, amounts on deposit in the Senior Reserve Fund also secure payment of the Senior Bonds. Available Senior Pledged Revenue, if any, is to be accumulated in the Senior Reserve Fund in accordance with the Senior Indenture up to the Maximum Reserve Amount of $307,156.

Prior to the Conversion Date, Senior Pledged Revenue that is not needed to pay debt service on the Senior Bonds in any year will be deposited to and held in the Senior Surplus Fund, up to the Maximum Surplus Amount. Pursuant to the Senior Indenture, the Senior Surplus Fund will be terminated upon the Conversion Date, if it occurs, and any moneys therein applied to any legal purpose of the District. The balance in the Senior Reserve Fund at December 31, 2025, was $309,604.

The Senior Bonds are subject to redemption prior to maturity, at the option of the District on December 1, 2027, and on any date thereafter, upon payment of par, accrued interest, without redemption premium.

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Outstanding bond principal and interest on the Senior Bonds mature as follows:

	Principal	Interest	Total
2026	$ 235,000	$ 374,750	$ 609,750
2027	250,000	363,000	613,000
2028	260,000	350,500	610,500
2029	275,000	337,500	612,500
2030	290,000	323,750	613,750
2031-2035	1,670,000	1,388,000	3,058,000
2036-2040	2,110,000	950,362	3,060,362
2041-2045	2,555,000	512,063	3,067,063
2046-2047	1,160,000	65,625	1,225,625
Total	$ 8,805,000	$ 4,665,550	$ 13,470,550

The District's detail debt service schedule for its Senior Bonds is provided on page 32.

Series 2017B Subordinate General Obligation Limited Tax Bonds (Subordinate Bonds)

On November 2, 2017, the District issued Subordinate General Obligation Limited Tax Bonds, Series 2017B in the amount of $1,641,000. The stated interest rate on the Subordinate Bonds is 7.375% per annum, and the Bonds are payable annually on December 15, beginning December 15, 2018, from, and to the extent of, Subordinate Pledged Revenue available, if any, and mature on December 16, 2047. The Subordinate Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal or interest prior to the final maturity date. Unpaid interest on the Subordinate Bonds remaining outstanding on December 16, 2057, shall be deemed discharged and shall no longer be due and outstanding.

The Subordinate Bonds are secured by and payable from Subordinate Pledged Revenue, net of any costs of collection, which includes:

a) All Subordinate Property Taxes (generated by the imposition of the Subordinate Required Mill Levy);
b) All Subordinate Specific Ownership Taxes (attributable to the Subordinate Required Mill Levy);
c) All Subordinate Capital Fee Revenue (meaning any Capital Fee Revenue remaining after deduction of any amounts applied to the payment of the Senior Bonds);
d) Any other legally available monies which the District determines, in its absolute discretion, to credit to the Subordinate Bond Fund.

The Subordinate Bonds are subject to redemption prior to the maturity, at the option of the District on December 15, 2022, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed, as follows:

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Date of Redemption	Redemption Premium (%)	Redemption Premium ($)
December 15, 2025, and thereafter	0.0%	$ -

Events of Default – Series 2017A and B Bonds

The following events are considered events of default under the respective 2017A and 2017B Indentures of Trust: (1) The District fails or refuses to impose the Required Mill Levy or to apply the Pledged Revenue as required by the Indenture of Trust, (2) the District fails to pay the principal or interest on the Bonds when due (only applicable to the 2017A Bonds), (3) the District defaults in the performance or observance of any of the covenants, agreements, or conditions on the part of the District in the Indenture or the Bond Resolution and fails to remedy the same after notice thereof is provided to the District by the Trustee, Bond Insurer or Bond Owners or (4) the District files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the Bonds. Failure to pay the principal of or interest on the Bonds when due shall not, of itself, constitute an Event of Default. Available remedies for an Event of Default are (1)placing the District in receivership, (2) Trustee initiating a lawsuit against the District and (3) compelling the District to cure the default via mandamus or any other suit, action, or proceeding at law or in equity. Acceleration of the repayment of the Bonds is not an available remedy for an Event of Default.

Debt Authorization

Debt Authorization – Service Plan

The District's Service Plan, which was approved by the City on September 15, 2003, authorizes the District, BNC Metropolitan District No. 2 (BNC2) and BNC Metropolitan District No. 3 (BNC3) to issue up to $60 million in debt among the three districts. The District's Amended and Restated Service Plan also establishes a Maximum Mill Levy the District is permitted to impose on taxable property within the District for the repayment of debt. As long as the District's total outstanding debt exceeds 50% of the assessed valuation of all taxable property within the District, the Maximum Debt Mill Levy is 50 mills, as adjusted by the State of Colorado for changes in the ratio of taxable valuation to assessed valuation of real property since August 21, 2000.

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

	BNC Metro 1	BNC Metro 2	BNC Metro 3	Combined Total
Authorized maximum debt issuance per Service Plan				$ 60,000,000
Less:				
Series 2004 Bonds	$ (6,020,000)	$ -	$ -	$ (6,020,000)
Series 2025 Bonds	-	(5,000,000)	-	(5,000,000)
Series 2013A/B Bonds	(7,710,000)	-	-	(7,710,000)
Series 2017A/B Bonds	(11,981,000)	-	-	(11,981,000)
Series 2019A/B Bonds	-	(22,717,000)	-	(22,717,000)
Series 2022A/B Bonds	-	-	(17,540,000)	(17,540,000)
Total debt issued	(25,711,000)	(27,717,000)	(17,540,000)	(70,968,000)
Refunding of debt	10,830,222	2,477,057	-	13,307,279
Total Issued Debt, net of refunding debt	(14,880,778)	(25,239,943)	(17,540,000)	(57,660,721)
Total Remaining Debt Authorized by Service Plan				$ 2,339,279

The combined financing plan for the District, BNC2 and BNC3 which was included in the respective District's 2003 service plans submitted to the City projected (1) issuing debt totaling $30 million to fund the installation of public infrastructure across all three districts and (2) the full build-out of all residential lots across all three districts to be completed by 2011. As of December 31, 2025 the District is fully built out, BNC2 is fully built out and BNC3 is partially built out.

Debt Authorization – TABOR

As of December 31, 2025, the District is prohibited from issuing any additional debt (other than refinancing existing debt that would generate a net cost saving to the homeowners) without first obtaining authorization from the District's voters in compliance with TABOR.

Operations and Maintenance Cost Reimbursement Agreement. The District entered into an Amended and Restated Operation Funding Agreement-as executed on May 18, 2004 and amended on March 21, 2006, May 15, 2007, October 16, 2007 and November 18, 2008 – (AROF Agreement) with 104th Avenue Investment Partners, LLC (104 AIP, LLC) pursuant to which 104 AIP, LLC agreed to advance cash to the District to fund any District cash shortfalls that would prevent the District from funding its operating and maintenance costs. The District agreed to reimburse 104 AIP, LLC for such amounts, subject to annual appropriation by the District. Contingent obligations incurred under this Agreement accrue simple interest at 8% per annum. On December 31, 2024, any remaining unpaid balances due to 104 AIP, LLC under the AROF Agreement were discharged.

On October 24, 2017 the District Board, which was comprised of two directors who were owners of Catellus CC Note, LLC (CCC Note, LLC) and three directors who were owners of 104 AIP, LLC and 104 AIP, LLC amended the AROF Agreement to require any District repayments made under this agreement to be paid 50% to CCC Note, LLC and 50% to 104 AIP, LLC. For the 12-month period ended December 31, 2025, District payments made, advances received and interest accrued under the AROF Agreement is as follows:

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

	104 AIP, LLC	CCC Note, LLC	Total
Developers Advances - Operations			
Beginning Balance (Jan 01, 2025)	$ 219,983	$ 219,983	$ 439,966
Additional advances	-	-	-
Payments to Developers	-	-	-
Ending Balance (Dec 31, 2025)	**$ 219,983**	**$ 219,983**	**$ 439,966**
Accrued Interest on Developer Advances - Operations			
Beginning Balance (Jan 01, 2025)	$ 247,976	$ 247,976	$ 495,952
Accrued interest	17,599	17,599	35,198
Payments to Developers	-	-	-
Ending Balance (Dec 31, 2025)	**$ 265,575**	**$ 265,575**	**$ 531,150**

2017 Public Facility Reimbursement Agreement. On October 24, 2017, the District entered into a Public Facility Reimbursement Agreement with Catellus CC Note, LLC (CCC Note, LLC) pursuant to which CCC Note, LLC agreed to advance the District cash to fund the construction of public improvements within the boundaries of the District. Contingent obligations incurred under this Agreement accrue simple interest at 8% per annum. Any contingent obligations owing under the 2017 PFR Agreement are subordinate to any contingent obligations owing under the 2003 PFR Agreement. The District agreed to reimburse CCC Note, LLC for such amounts, subject to annual appropriation by the District. The 2017 PFR Agreement will terminate and any remaining unpaid balances due to CCC Note, LLC under the 2017 PFR Agreement will be discharged on December 31, 2057.

For the year ended December 31, 2025, no reimbursable costs were incurred by nor owing to CCC Note, LLC under the 2017 PFR Agreement.

NOTE 6 –FUND EQUITY

Nonspendable Fund Balance

The nonspendable fund balance in the General Fund in the amount of $25,476 represents prepaid expenditures for the ensuing fiscal year and therefore not in a spendable form.

Restricted Fund Balance

The restricted fund balance in the General Fund in the amount of $13,900 is comprised of the emergency reserves that have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 11).

The restricted fund balance in the Debt Service Fund in the amount of $350,434 is to be used exclusively for debt service requirements (see Note 5).

NOTE 6 –FUND EQUITY (CONTINUED)

The restricted fund balance in the Capital Projects Fund in the amount of $979,534 is to be used for funding the construction and major repairs of public infrastructure.

NOTE 7 – NET POSITION (DEFICIT)

The District's net position consists of four components – net investment in capital assets, restricted, unrestricted and non-spendable.

Net Investment in capital assets consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets and increased by balances of deferred outflows or resources related to those assets. As of December 31, 2025, the District had a net investment in capital assets of ($8,803,506).

The restricted portion of the net position includes amounts that are restricted either externally by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District's restricted net position as of December 31, 2025 is as follows:

	Governmental Activities
Restricted net position:	
TABOR emergency reserve (Note 11)	$ 13,900
	$ 13,900

In the government-wide financial statements, the District's unrestricted net position as of December 31, 2025, totaled $1,163,276.

NOTE 8 – AGREEMENTS

Covenant Enforcement and Architectural Review Services

On April 1, 2021, the District entered into an agreement with Turnberry Meadows HOA to serve as the enforcer of the covenants, conditions and restrictions applicable to all home lots within the District as provided in Community Declaration for Turnberry Meadows. The cost of providing such services on behalf of the HOA will be funded from the annual revenues generated by the District. This agreement automatically renews on January 1st of each calendar year unless cancelled by the District or the HOA no less than 30 days prior to the renewal date.

Cost Sharing Agreement with BNC2 and BNC3

On October 24, 2017, the District entered into an agreement with BNC2 and BNC3 to share the costs of installing five public improvements projects located within and without the boundaries of the three districts (Cost Sharing IGA). When this Cost Sharing IGA was ratified by all three districts, the directors serving on all three boards were employees or owners of the Developers.

NOTE 8 - AGREEMENTS (CONTINUED)

The five public improvements subject to funding under the Cost Sharing IGA (and related estimated project costs per the Cost Sharing IGA) are as follows:

	Location of Infrastructure	**District**	**BNC2**	**BNC3**	**Total**
Potomac Street Improvements (from E 108th Ave to 112th Ave)	BNC2	$ 464,166	$ 596,785	$ 265,238	$ 1,326,189
108th Avenue (from Turnberry Pkwy to Potomac St)	BNC2	604,678	769,590	-	1,374,268
Turnberry Parkway (from 108th Ave to Potomac St)	BNC2	1,680,603	2,138,950	-	3,819,553
Open space landscaping (Turnberry subdivision filing 3)	BNC1	548,410	-	-	548,410
Revere Street (South side of 104th Ave)	BNC3	1,116,906	1,116,906	3,350,718	5,584,530
Total Estimated Cost Allocation		$ 4,414,763	$ 4,622,231	$ 3,615,956	$ 12,652,950

As of December 31, 2025, the status of each of the five projects is as follows:

- The Potomac Street improvement project – completed in 2017
- 108th Avenue installation project – completed in 2018
- Turnberry Parkway installation project – completed in 2022
- Open space landscaping in Turnberry Filing No. 3- completed in 2017
- Revere Street (south side of 104th Avenue) installation project – See Note 13 regarding litigation.

The District's maximum funding commitment under the Cost Sharing IGA is limited to $3,944,802 of the net cash proceeds from the issuance of the District's 2017 bonds – regardless of the actual costs of the five projects ultimately allocated to the District. This Cost Sharing IGA may be terminated by either (1) mutual consent of all three districts or (2) all three districts accept the allocation of actual costs incurred to construct all five public infrastructure projects.

On December 23, 2019 the District, BNC2 and BNC3 amended the Cost Sharing IGA to appoint BNC3 as the entity responsible for constructing the remaining public improvement projects. Also, per the amendment, the District agreed to transfer all cash from the District's senior and subordinate project funds (which were funded from the District's 2017 bond proceeds) to BNC3. On April 24, 2020, the District transferred $3,363,277 to BNC3 under the Cost Sharing IGA.

Any such funds not utilized by BNC3 by December 31, 2023 were to be returned to the District. At the time this Cost Sharing IGA and related amendment were ratified by all three districts, the directors serving on all three boards were employees or owners of the Developer. Per a reconciliation performed by CliftonLarsonAllen related to the above named projects, BNC3 returned overpaid funds to the District.

NOTE 9 – RELATED PARTIES

The owners and developers of the land within the District were 104th Avenue Investment Partners, LLC (104AIP, LLC), BCX Development Partners, Inc (BCX) and Catellus CC Note, LLC (CCC Note, LLC) (collectively, the "Developers").

For the 12-month period ended December 31, 2025, none of the directors serving on the District's board reported conflicts of interest regarding their service on the board. All five directors are residents of the District, elected to serve on the Board.

The District is a party to a 2017 Intergovernmental Cost-Sharing Agreement with BNC2 and BNC3. (See Note 8)

As of December 31, 2025, the Turnberry Meadows Homeowners Association, Inc (HOA) board was comprised of three individuals – two of whom serve as directors on BNC2 and one who serves on the District's board.

As of December 31, 2025, active related party transactions and agreements between the District and the Developers were as follows:

- The District is a party to a 2017 Intergovernmental Cost-Sharing Agreement with BNC2 and BNC3 (See Note 8)

- The District is a party to an Operation Funding Agreement with 104 AIP, LLC and CCC Note, LLP (See Note 5)

- The District is a party to a 2017 Public Facility Reimbursement Agreement with CCC Note, LLC (See Note 5)

NOTE 10 – RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, the District may be 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 (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 in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property, public officials' liability, and workers compensation 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 11 – 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 governments.

Spending and revenue limits are determined based on 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.

On November 7, 2000, District voters authorized the District to assess property taxes at no more than $500,000 annually, without limitation to rate, to pay the District's operations, maintenance and other expenses. Additionally, the District voters approved a revenue change to allow the District to retain and spend all revenue, other than ad valorem taxes, in excess of TABOR spending, revenue raising or other limitations.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). TABOR prohibits the District from using its emergency reserves to compensate for economic conditions and revenue shortfalls.

TABOR is complex and subject to legal interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits, may require judicial interpretation.

NOTE 12 – LITIGATION

On May 1, 2023, the District and BNC2 filed a complaint in Adams County District Court against BNC3 and five individuals who served on the BNC3's board and/or BNC2's board prior to the May 2020 board elections. The District's claims were as follows:

1) The 2017 Cost Sharing Agreement and related amendments thereto between the District, BNC2 and BNC3 (See Note 9) was an invalid contract;

2) If the 2017 Cost Sharing Agreement was deemed a valid contract (which the District and BNC2 alleged it was not), the Developer-controlled BNC3 board breached the contact's covenants of good faith and fair dealing by placing the Developer's interest ahead of the public's interest;

3) If the 2017 Cost Sharing Agreement was deemed a valid contract (which the District and BNC2 alleged it was not), BNC3 breached the contract by failing to perform its express obligations under the contract; and

NOTE 12 – LITIGATION (CONTINUED)

4) The individual defendants breached their fiduciary duties to the public while serving on the District's, BNC2 and BNC3 boards when these directors, two weeks prior to losing control of the district's board as a result of the district's regular board election process approved transferring (1) $3,363,277 in District funds to BNC3 and (2) $1,428,192 in BNC2 funds to BNC3.

In April 2024, the District Court dismissed without prejudice (allowing the districts to alter and then refile such claims) certain claims regarding the District's and BNC2's allegations as to the invalidity of the 2017 Cost Sharing Agreement and related amendments including claims that the Agreement was invalid due to (1) lack of consideration, (2) certain terms of the Agreement were unconscionable and (3) certain terms of the Agreement violated public policy. Also, the District Court dismissed without prejudice certain claims that BNC3 allegedly breached the Agreement by (1) requiring the transfer of funds from the District and BNC2 before construction of Peoria Parkway was completed in BNC3, (2) requiring the District and BNC2 to requisition the bond trustee to release funds to the District and BNC2 before construction of the Peoria Parkway was completed in BNC3, (3) requiring the District and BNC2 to pay for public improvements that were not necessary for development within BNC1 and BNC2 and (4) breaching the implicit contractual covenant of good faith and fair dealing with the District and BNC2.

The District Court also dismissed with prejudice the District's and BNC2's claims that (1) the 2017 Cost Sharing Agreement and related amendments was invalid because the Agreement was not authorized by the taxpayers under the constitutional requirements of TABOR; and (2) the District Court dismissed the claims asserted against the five individuals who served on the District and/or BNC2 boards – all of whom were Catellus employees or spouses of Catellus employees – finding that they were fully protected by the Colorado Governmental Immunity Act (CGIA) regarding the claims that they breached their fiduciary duties regarding their service as directors on the District and BNC2 boards, and the CGIA afforded the individuals full protection against the asserted claims.

On October 22, 2024, the District and BNC2 appealed to the Colorado Court of Appeals the District Court's dismissal of the breach of fiduciary claims against the five individuals.

On May 22, 2025, the Colorado Court of Appeals upheld the District Court's ruling dismissing the claims against the five individuals on the grounds that (1) the CGIA applied to the claims because the actions were part of the governmental functions (2) the District and BNC2 failed to provide notice of claim to such individuals and the BNC3 board prior to filing such claims in the District Court against such individuals as required under CGIA and (3) the District and BNC2 failed to sufficiently allege how the individuals acted outside of the scope of their responsibilities as public officials. The case was remanded to District Court to award attorney fees to the five individual defendants. The District Court has quantified the attorneys fees and costs, and the District has paid the fee and cost award.

The District Court did not dismiss the District's and BNC2's breach of contract claims – which were then scheduled to proceed to trial. The District has since settled and dismissed its pursuit of the

NOTE 12 – LITIGATION (CONTINUED)

remaining claims against BNC3 and the District has been dismissed from the lawsuit. To the District's knowledge, BNC2 continues to pursue its claims in the litigation.

On August 8, 2024 BNC3 wired $3,693,063 of the funds to Catellus CC Note, LLC as payment of claims submitted by Catellus CC Note, LLC to BNC3 under a Facilities Funding and Acquisition Agreement dated October 24, 2017, between Catellus CC Note, LLC and BNC3. Subsequent to that payment, BNC3 and CCC Note, LLC determined that there had been an overpayment based on the Cost Sharing and Intergovernmental Agreement between the District, BNC2 and BNC3, and returned the overpayment to BNC2 and the District in equal shares. Following the return of the funds, CCC Note, LLP advised that the disbursement should not have been equal shares and that funds returned to BNC2 were owed to and should have been paid to the District. On agreement of the parties to the Facilities Funding and Acquisition Agreement, and pursuant to the terms thereof, BNC3 retained the services of CliftonLarsonAllen LLP to reconcile the costs incurred and the source of funds paid to confirm to whom the repayment was owed and in what amount. McGeady Becher Cortese Williams law firm issued CliftonLarsonAllen LLP's reconciliation on November 25, 2025, but BNC2 has failed and refused to deliver the excess funds it erroneously received.

On October 23, 2025 the District board approved the HW2 Settlement Agreement involving 22 acres of undeveloped, commercial property located at the southeast corner of 104th Avenue and State Highway 2 in Commerce City, Colorado, a large portion of which was purportedly located in BNC1. The agreement states that HW2 shall pay the District the total amount of six hundred thousand dollars, to be paid in five (5) equal installments of $120,000 per year. The first payment was received on December 23, 2025. The District filed a Nunc Pro Tunc Order to exclude the above referenced land from the District.

NOTE 13 – SUBSEQUENT EVENTS

On March 18, 2026 the District board approved the BNC3 Settlement Agreement in which the District agreed to pay the total sum of $354,912 to CCC Note, LLC. One half of the settlement $177,456 was due within 10 days of signing the agreement, and the remaining $177,456 was due in equal monthly installments at the end of each month from March through December.

The settlement relates to litigation that existed as of December 31, 2025. Accordingly, the District recognized a litigation settlement liability and related expense of $354,912 in the accompanying 2025 financial statements. In addition, the District provided an offset for the amount allocated as payable to BNC3 as determined by the final reconciliation of costs subject to the Cost Sharing Intergovernmental Agreement between the District, BNC2 and BNC3 (it being understood by the District that, under the final version of the reconciliation, BNC3 owed the District the amount of $74,744.29. Within seven days of receipt of the Settlement Payment, the parties filed a stipulation for dismissal of the District from the appeal filed by BNC3, which dismissed all issues raised as to the District, including claims for attorney fees and costs, with prejudice. The District was dismissed with prejudice from the District Court action also based on this Settlement Agreement.

NOTE 14 – CORRECTION OF ERROR

During the year ended December 31, 2025, the District determined that the developer advances and related interest were not properly reported on the Statement of Net Position. Therefore, liabilities were understated on the Statement of Net Position. The effect of correcting that error is shown below.

	12/31/2024 Net Position Previously Reported	Error Correction	12/31/2024 Net Position as Restated
Governmental-Wide			
Governmental Activities	$ (7,494,364)	$ (935,918)	$ (8,430,282)
Total Primary Government	**$ (7,494,364)**	**$ (935,918)**	**$ (8,430,282)**

This information is an integral part of the accompanying financial statements.

SUPPLEMENTARY INFORMATION

BNC METROPOLITAN DISTRICT NO.1
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
DEBT SERVICE FUND
Year Ended December 31, 2025

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Property taxes	$ 1,099,800	$ 1,100,751	$ 1,100,751	$ -
Specific ownership taxes	54,000	54,688	54,688	-
Interest	32,000	54,577	54,577	-
Total revenues	1,185,800	1,210,016	1,210,016	-
EXPENDITURES				
Direct and indirect collection costs	24,000	17,050	17,041	9
Bond trustee fees	-	2,300	2,268	32
Debt service				
Interest payments on Series 2017A Bonds	386,000	386,000	386,000	-
Principal payments on Series 2017A Bonds	225,000	225,000	225,000	-
Principal payments on Series 2017B Bonds	483,100	493,000	493,000	-
Interest payments on Series 2017B Bonds	67,700	67,800	67,629	171
Total expenditures	1,185,800	1,191,150	1,190,938	212
NET CHANGE IN FUND BALANCE	-	18,866	19,078	212
FUND BALANCE - BEGINNING OF YEAR	307,200	331,356	331,356	-
FUND BALANCE - END OF YEAR	$ 307,200	$ 350,222	$ 350,434	$ 212

BNC METROPOLITAN DISTRICT NO.1
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
Year Ended December 31, 2025

	Budget Amounts Original & Final	Actual Amounts	Variance with Final Budget
REVENUES			
HW2 settlement	$ -	$ 120,000	$ 120,000
Reimbursement from BNC3	-	382,277	382,277
Interest	40,000	42,019	2,019
Total revenues	40,000	544,296	504,296
EXPENDITURES			
Capital projects			
Major capital projects	653,500	52,541	600,959
Perimeter wall repairs & maintenance	-	121,426	(121,426)
Settlement with CCC Note, LLC	-	354,912	(354,912)
Total expenditures	653,500	528,879	124,621
EXCESS OF EXPENDITURES OVER (UNDER) REVENUE	(613,500)	15,417	628,917
OTHER FINANCING USES			
Transfer from other funds in (out)	106,800	106,800	-
Total other financing uses	106,800	106,800	-
NET CHANGE IN FUND BALANCE	(506,700)	122,217	628,917
FUND BALANCE - BEGINNING OF YEAR	956,200	857,317	(98,883)
FUND BALANCE - END OF YEAR	$ 449,500	$ 979,534	$ 530,034

OTHER SUPPLEMENTARY INFORMATION

BNC METROPOLITAN DISTRICT NO.1
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2025

$10,340,000 Series 2017A
Limited Tax
(Convertible to Unlimited Tax)
Refunding and Improvements Bond
Dated October 31, 2017
Interest Rate of 3.75% to 5.0%
Payable on June 1 and December 1,
Principal Due December 1

	Principal	Interest	Interest Rate	Total
2026	$ 235,000	$ 374,750	3.75% to 5.0%	$ 609,750
2027	250,000	363,000	3.75% to 5.0%	613,000
2028	260,000	350,500	3.75% to 5.0%	610,500
2029	275,000	337,500	3.75% to 5.0%	612,500
2030	290,000	323,750	3.75% to 5.0%	613,750
2031	300,000	309,250	3.75% to 5.0%	609,250
2032	315,000	294,250	3.75% to 5.0%	609,250
2033	335,000	278,500	3.75% to 5.0%	613,500
2034	350,000	261,750	3.75% to 5.0%	611,750
2035	370,000	244,250	3.75% to 5.0%	614,250
2036	385,000	225,750	3.75% to 5.0%	610,750
2037	405,000	206,500	3.75% to 5.0%	611,500
2038	425,000	188,862	3.75% to 5.0%	613,862
2039	440,000	172,875	3.75% to 5.0%	612,875
2040	455,000	156,375	3.75% to 5.0%	611,375
2041	475,000	139,313	3.75% to 5.0%	614,313
2042	490,000	121,500	3.75% to 5.0%	611,500
2043	510,000	103,125	3.75% to 5.0%	613,125
2044	530,000	84,000	3.75% to 5.0%	614,000
2045	550,000	64,125	3.75% to 5.0%	614,125
2046	570,000	43,500	3.75% to 5.0%	613,500
2047	590,000	22,125	3.75%	612,125
	$ 8,805,000	$ 4,665,550		$ 13,470,550

BNC METROPOLITAN DISTRICT NO.1
SUMMARY OF ASSESSED VALUATION, MILL LEVY
AND PROPERTY TAXES COLLECTED
December 31, 2025

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied	Total Property Taxes Levied	Total Property Taxes Collected	Percentage Collected to Levied
2019	$ 11,735,880	69.649	$ 817,392	$ 817,392	100.00%
2020	$ 1,492,790	70.135	$ 954,197	$ 962,055	100.00%
2021	$ 13,648,870	87.502	$ 1,194,300	$ 1,187,388	100.00%
2022	$ 14,332,490	83.028	$ 1,190,000	$ 1,194,765	100.00%
2023	$ 13,935,600	90.122	$ 1,255,900	$ 1,255,904	100.00%
2024	$ 16,758,830	90.402	$ 1,515,000	$ 1,536,236	100.00%
2025	$ 16,764,670	96.590	$ 1,619,299	$ 1,620,705	100.00%
Estimated for the year ending December 31, 2026	$ 16,490,890	96.590	$ 1,592,855		

NOTE:
Property taxes collected in any one year include collection of delinquent property taxes assessed in prior years, as well as reductions for property tax refunds or abatements. Information received from the county treasurer does not permit identification of specific year of assessment.