



COLORADO SPRINGS
EL PASO COUNTY, COLORADO



FINANCIAL STATEMENTS
As of and for the 12-month period ended
December 31, 2025

TABLE OF CONTENTS

STATEMENT OF NET POSITION	1
STATEMENT OF ACTIVITIES	2
BALANCE SHEET – GOVERNMENTAL FUNDS	3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	4
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES.....	5
GENERAL FUND – STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL.....	6
GENERAL FUND EXPENDITURE DETAILS– BUDGET AND ACTUAL.....	7
NOTES TO FINANCIAL STATEMENTS	8
SUPPLEMENTARY INFORMATION	
DEBT SERVICE FUND – SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL	22
DEBT MANAGEMENT & COMPLIANCE EXPENDITURE DETAILS - BUDGET AND ACTUAL	23
CONTRACTUAL OBLIGATION FUND – SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL	24
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY.....	25
SUMMARY OF ASSESSED VALUATION, MILL LEVY AND PROPERTY TAXES COLLECTED.....	26
OTHER SUPPLEMENTARY INFORMATION	
CHANGE IN TOTAL OVERLAPPING MILL LEVY	28
HISTORICAL DEBT RATIOS	29



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors

Flying Horse Metropolitan District No. 2

El Paso County, CO

Opinions

We have audited the accompanying financial statements of the governmental activities, and each major fund of Flying Horse Metropolitan District No. 2 (the "District") as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of District, as of December 31, 2025, and the respective changes in financial position and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

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 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 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.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operation, 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 District's basic financial statements as a whole. The supplementary information, as listed in the table of contents, is presented for purposes of legal compliance and 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 combining and individual nonmajor fund financial statements are 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 identified in the table of contents. The other information does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or provide any 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.



Castle Pines, Colorado
July 22, 2026

FLYING HORSE METROPOLITAN DISTRICT NO 2
STATEMENT OF NET POSITION
December 31, 2025

	Governmental Activities
ASSETS	
Cash and investments	\$ -
Cash and investments – restricted	113,896
Accounts receivable - specific ownership tax	36,445
Property taxes receivable	5,044,200
Prepaid expenses	56,985
Interfund receivable	-
Depreciable capital assets, net	8,137,220
Land	121,600
Total Assets	13,510,346
LIABILITIES	
Accounts payable and accrued liabilities	53,414
Interfund payable	-
Accrued interest payable	185,395
Unamortized premium on Series 2020A Bonds	5,375,811
Current portion of general obligation refunding bonds	605,000
General obligation refunding bonds	48,661,000
Total Liabilities	54,880,620
DEFERRED INFLOWS OF RESOURCES	
Deferred property tax revenue	5,044,200
Total Deferred Inflows of Resources	5,044,200
NET POSITION (DEFICIT)	
Restricted:	
Emergency reserves	30,100
Debt service	139,164
Capital projects	2,193
Non-spendable	56,985
Unassigned:	(46,642,916)
Net Position (Deficit)	\$ (46,414,474)

These financial statements should be read only in connection with
the accompanying notes to the financial statements.

FLYING HORSE METROPOLITAN DISTRICT NO 2
STATEMENT OF ACTIVITIES
For the 12-Month Period Ended
December 31, 2025

Program Revenue					Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Government Activities:					
General government activities	\$ (1,068,093)	\$ -	\$ 95,561	\$ -	\$ (972,532)
Interest and related costs on long-term debt	(2,316,747)	-	52,000	-	(2,264,747)
Capital project activities	(655,011)	-	-	8,601,100	7,946,089
	<u>\$ (4,039,851)</u>	<u>\$ -</u>	<u>\$ 147,561</u>	<u>\$ 8,601,100</u>	<u>4,708,810</u>
General Revenues					
Property taxes					4,771,386
Specific ownership taxes					457,377
Net investment income					101,682
Total general revenue					5,330,445
Change in net position					10,039,255
Net Position (Deficit) – Beginning of Year					(56,453,729)
Net Position (Deficit) – End of Year					\$ (46,414,474)

These financial statements should be read only in connection with
the accompanying notes to the financial statements.

FLYING HORSE METROPOLITAN DISTRICT NO 2
BALANCE SHEET – GOVERNMENTAL FUNDS
December 31, 2025

	General Fund	Debt Service Fund	Contractual Obligation Fund	Total Government Funds
ASSETS				
Cash and investments	\$ -	\$ -	\$ -	\$ -
Cash and investments - Restricted	2,554	111,342	-	113,896
Accounts receivable - specific ownership tax	6,430	27,822	2,193	36,445
Property taxes receivable	910,400	3,831,000	302,800	5,044,200
Prepaid expenses	56,985	-	-	56,985
Interfund receivable	-	-	-	-
TOTAL ASSETS	\$ 976,369	\$ 3,970,164	\$ 304,993	\$ 5,251,526
LIABILITIES				
Accounts payable and accrued liabilities	\$ 53,414	\$ -	\$ -	\$ 53,414
Interfund payable	-	-	-	-
TOTAL LIABILITIES	53,414	-	-	53,414
DEFERRED INFLOWS OF RESOURCES				
Deferred property tax revenue	910,400	3,831,000	302,800	5,044,200
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	963,814	3,831,000	302,800	5,097,614
FUND BALANCES				
Restricted:				
Emergencies (TABOR)	30,100	-	-	30,100
Debt service	-	139,164	-	139,164
Capital projects	-	-	2,193	2,193
Non-spendable	56,985	-	-	56,985
Unrestricted	(74,530)	-	-	(74,530)
TOTAL FUND BALANCES	12,555	139,164	2,193	153,912
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 976,369	\$ 3,970,164	\$ 304,993	
Amounts reported for governmental activities in the statement of net position are different because:				
Other long-term assets are not available or otherwise cannot be converted to cash to pay for current expenditures and, therefore, are recorded as expenditures in the funds				
Land				121,600
Property, structures and equipment, net				8,137,220
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:				
General obligation bonds				(49,266,000)
Accrued interest payable				(185,395)
Series 2020A Bond premium				(5,375,811)
Net position of governmental activities				\$ (46,414,474)

These financial statements should be read only in connection with
the accompanying notes to the financial statements.

FLYING HORSE METROPOLITAN DISTRICT NO 2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
12-Month Period Ended
December 31, 2025

	General Fund	Debt Service Fund	Contractual Obligation Fund	Total Government Funds
REVENUES				
Property taxes	\$ 841,812	\$ 3,642,429	\$ 287,145	\$ 4,771,386
Specific ownership taxes	80,695	349,157	27,525	457,377
Facilities fees	-	52,000	-	52,000
Other revenue	-	-	-	-
Net investment income	20,284	81,144	254	101,682
Total Revenues	942,791	4,124,730	314,924	5,382,445
EXPENDITURES				
General and administration	73,139	-	4,315	77,454
Landscaping maintenance	888,149	-	-	888,149
Other District Expenses	15,579	-	-	15,579
Transfers to FHMD1 per Capital Pledge Agreement	-	-	308,416	308,416
Debt service				
Debt management & compliance	-	63,710	-	63,710
Interest payments - Series 2020A Bonds	-	1,453,550	-	1,453,550
Interest payments - Series 2020B Bonds	-	1,670,798	-	1,670,798
Principal payments - Series 2020A Bonds	-	545,000	-	545,000
Principal payments - Series 2020B Bonds	-	364,000	-	364,000
Major capital projects	91,226	-	-	91,226
Total Expenditures	1,068,093	4,097,058	312,731	5,477,882
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(125,302)	27,672	2,193	(95,437)
OTHER FINANCING SOURCES (USES)				
Contribution from FHMD3	95,561	-	-	95,561
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(29,741)	27,672	2,193	124
FUND BALANCES – BEGINNING	42,296	111,492	-	153,788
FUND BALANCES – END OF YEAR	\$ 12,555	\$ 139,164	\$ 2,193	\$ 153,912

These financial statements should be read only in connection with
the accompanying notes to the financial statements.

FLYING HORSE METROPOLITAN DISTRICT NO 2
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
12-Month Period Ended
December 31, 2025

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

Net change in fund balances – Total government funds	\$	124
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The issuance of long-term debt (e.g., bonds) 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.

Bond principal		909,000
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Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset. Therefore, this is the net capital outlay activity for the year:

Construction of public infrastructure		8,601,100
Depreciation expense on property, structures and equipment		(342,280)

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

Decrease in accrued interest payable on Series 2020B bonds		512,370
Amortization of Series 2020A Bond premium		358,941

Changes in net position of governmental activities	\$	<u>10,039,255</u>
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These financial statements should be read only in connection with
the accompanying notes to the financial statements.

FLYING HORSE METROPOLITAN DISTRICT NO 2
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL
12-Month Period Ended
December 31, 2025

	Original and Final Budget	Actual Amounts	Positive / (Negative) Variance with Original Budget
REVENUES			
Property taxes	\$ 841,900	\$ 841,812	\$ (88)
Specific ownership taxes	77,500	80,695	3,195
Other revenue	-	-	-
Net investment income	5,100	20,284	15,184
Total Revenues	924,500	942,791	18,291
EXPENDITURES			
General and administration	130,000	73,139	56,861
Landscaping maintenance	742,600	888,149	(145,549)
Other District Expenses	30,000	15,579	14,421
Capital Project Expenditures	100,000	91,226	8,774
Total Expenditures	1,002,600	1,068,093	(65,493)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(78,100)	(125,302)	(47,202)
OTHER FINANCING SOURCES (USES)			
Contribution from FHMD3	82,900	95,561	12,661
Total Other Financing Sources (Uses)	82,900	95,561	12,661
EXCESS OF REVENUES AND OTHER FINANCIAL SOURCES OVER	4,800	(29,741)	(34,541)
FUND BALANCE – BEGINNING OF YEAR	35,200	42,296	7,096
FUND BALANCE – END OF YEAR	\$ 40,000	\$ 12,555	\$ (27,445)

These financial statements should be read only in connection with
the accompanying notes to the financial statements.

FLYING HORSE METROPOLITAN DISTRICT NO 2
GENERAL FUND
EXPENDITURE DETAILS - BUDGET AND ACTUAL
12-Month Period Ended
December 31, 2025

	Original and Final Budget	Actual Amounts	Positive / (Negative) Variance with Original Budget
GENERAL AND ADMINISTRATION			
District management and accounting fees	\$ 40,800	\$ 40,800	\$ -
Administrative costs	3,000	9,916	(6,916)
Audit fees	8,500	8,500	-
Collection fees – County Treasurer	12,700	12,651	49
Board of Directors’ fees	-	-	-
Board training and conferences	-	-	-
Insurance	4,300	3,315	985
Legal fees	40,000	(2,160)	42,160
Election expenses	14,000	117	13,883
Miscellaneous Admin Expense	6,700	-	13,883
Total General and Administration	\$ 130,000	\$ 73,139	\$ 64,044
LANDSCAPING MAINTENANCE			
Ground maintenance fees	\$ 344,900	\$ 344,890	\$ 10
Backflow Maintenance	-	1,360	(1,360)
Water - Sprinklers	265,000	359,192	(94,192)
Tree maintenance & replacement	-	195	(195)
Sprinkler repairs	70,000	54,278	15,722
Sprinklers – electricity	-	7,543	(7,543)
Landscaping projects	-	24,904	(24,904)
Tree Replacement	-	288	(288)
Detention pond maintenance	-	960	(960)
Stormwater Maintenance Fees	35,000	30,755	4,245
Sprinkler Line Locate Services	-	427	(427)
Perimeter Fence Maintenance & Repairs	8,000	25,876	(17,876)
Playground Maintenance	15,000	18,270	(3,270)
Community mailbox maintenance	-	12,675	(12,675)
Monument sign maintenance	-	503	(503)
Property insurance	-	-	-
Seasonal decorations	-	-	-
Miscellaneous landscape costs	4,700	6,033	(1,333)
Total Landscaping Maintenance	\$ 742,600	\$ 888,149	\$ (145,549)
OTHER DISTRICT EXPENSES			
Newsletter Publication Costs	\$ -	\$ 5,481	\$ (5,481)
Snow removal	30,000	8,298	21,702
Vandalism	-	-	-
Park and recreation events	-	-	-
Vandalism Costs	-	1,800	(1,800)
Total Other District Expenses	\$ 30,000	\$ 15,579	\$ 14,421

These financial statements should be read only in connection with
the accompanying notes to the financial statements.

FLYING HORSE METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
12-Month Period Ended December 31, 2025

NOTE 1 – DEFINITION OF REPORTING ENTITY

Flying Horse Metropolitan District No. 2 (District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized on November 08, 2004, and is governed pursuant to provisions of the Colorado Special District Act (Title 32). The District operates under a consolidated service plan approved by the City of Colorado Springs (City) in August 2004 and amended with City approval in December 2017. The District's service area is located in El Paso County, Colorado entirely within the boundaries of the City and, when combined with Flying Horse Metropolitan District No 3 (FHMD3), the combined service area of both districts encompasses 1,968 single family homes and multi-family units generally on the south side of North Gate Boulevard between Voyager Parkway and Highway 83. The District was established to provide financing for the design, acquisition, construction and installation of water, wastewater/stormwater, street improvements, safety protection, parks and recreational facilities, mosquito control, transportation, drainage and other improvements (Public Improvements) within and without the District boundaries that benefit the taxpayers and inhabitants of the District.

Through the consolidated service plan, the District was organized in conjunction with two other related districts, Flying Horse Metropolitan District No. 1 (FHMD1) and FHMD3. Beginning January 01, 2025, the District owns and maintains the parks and open spaces located within the service areas of the District and FHMD3.

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 organizations 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 organizations governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the District are 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. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by property taxes.

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

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 District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and specific ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

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 another fund.

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

The Capital Obligation Fund is used to account for the District's 15-year financial obligation to FHMD1 under the 2024 Capital Pledge Agreement.

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

Budgets

In accordance with Colorado State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

Actual expenditures in the General Fund and Debt Service Fund exceeded budgeted amounts. This may be a violation of State Law.

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 bank 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.

Investments are carried at net asset value.

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. The District's share of specific ownership taxes received from the State is approximately 9.6% of total 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.

Facilities Fees

Pursuant to the Resolution Imposition of Facilities Fees adopted and approved by the District on June 24, 2013, as amended pursuant to the First Amendment to Resolution Imposition of Facilities Fees adopted and approved by the District on July 14, 2020 the District imposed fees (the "Facilities Fees") in the amount of \$2,000 for each single-family unit, \$500 for each multi-family unit and \$0.75 per square foot of commercial property, which Facilities Fees are due and payable to the District at the earlier of: (i) the issuance of a building permit; or (ii) the sale of a platted lot. The undeveloped land excluded from the District in April 2023 remains subject to Facility Fees.

Facilities Fees are pledged towards the repayment of the District's 2020A Senior Bonds and 2020B Subordinate Bonds.

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 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 El Paso 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 column in the government-wide financial statements. Capital assets are defined by the District has 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.

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.

Equity

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 Balance

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: 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 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.

Adoption of New Accounting Standards

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

The District adopted the requirements of this guidance effective January 01, 2025, and has elected to apply the provisions of this standard to the beginning of the period of adoption. Management performed the analysis required under Statement 102 and did not identify any concentrations or constraints that require disclosure.

NOTE 3 – CASH AND INVESTMENTS

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

Statement of net position:

Cash and investments – unrestricted	\$	-
Cash and investments – restricted		113,896
Total cash and investments	\$	113,896

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

Deposits with financial institutions	\$	84,486
Investments		29,410
Total cash and investments	\$	113,896

Deposits with Financial Institutions

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

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

As of December 31, 2025, the District's cash deposits had a bank balance of \$44,863 and a carrying balance of \$84,486.

Investments

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

The District generally limits its concentration of investments to those listed below, which are believed to have minimal credit risk, minimal interest rate risk, and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial risk disclosure requirements 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.

Revenue bonds of local government securities, corporate and bank securities, and guaranteed investment contracts not purchased with bond proceeds, are limited to maturities of three years or less.

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

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

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

Investment	Maturity	Amortized Cost
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted Average Under 60 Days	\$ 4,740
ColoTrust+ Fund	Weighted Average Under 60 Days	24,670
		<u>\$ 29,410</u>

CSAFE

The District holds investments in the Colorado Surplus Asset Fund Trust (CSAFE), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing 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 than the 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 pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. No limitations exist on the District's ability to withdraw funds invested in CSAFE. CSAFE is rated AAmmf by Fitch Group.

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus finds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement.

The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. Colotrust is rated AAAM by Standard & Poor's.

NOTE 4 – CAPITAL ASSETS

In April 2025, Flying Horse Metropolitan District No 1 transferred 124 land tracts and all improvements thereon to the District. All land tracts are open spaces – most of which are dedicated for public park and recreational uses. Changes in the District's capital assets for the 12-month period ended December 31, 2025 are as follows:

	Balance at Dec. 31, 2024	Additions	Dedications	Balance at Dec. 31, 2025	Accumulated Depreciation
Perimeter concrete walls	\$ -	\$2,315,400	\$ -	\$2,315,400	(\$ 77,180)
Concrete split rail fencing	-	1,770,800	-	1,770,800	(59,030)
Entrance monument signs	-	1,250,000	-	1,250,000	(62,500)
Retaining walls	-	800,000	-	800,000	(20,000)
Playground equipment	-	918,000	-	918,000	(61,200)
Stone monument signs	-	396,000	-	396,000	(19,800)
Sports courts (basketball; hockey)	-	320,000	-	320,000	(10,670)
Parking Lots	-	200,000	-	200,000	(5,000)
Pavilion, shade structures, fire pits	-	160,000	-	160,000	(8,000)
Park equipment	-	159,300	-	159,300	(7,970)
Backflow valves	-	95,000	-	95,000	(6,330)
Statues	-	80,000	-	80,000	(4,000)
Light poles	-	15,000	-	15,000	(600)
Total capital assets	\$ -	\$ 8,479,500	\$ -	\$ 8,479,500	(\$ 342,280)

As of December 31, 2025, the District owns approximately 121.6 acres of parks and open spaces throughout the Flying Horse community. The District records its public land holdings at a nominal value of \$121,600.

NOTE 5 – LONG-TERM DEBT

The following is a summary of the changes in the District's long-term debt for the 12-month period ended December 31, 2025:

	Balance at Dec. 31, 2024	Additions	Retirements	Balance at Dec. 31, 2025	Due within one year
Series 2020A Senior Bonds	\$ 34,770,000	\$ -	(\$ 545,000)	\$ 34,225,000	\$ 605,000
Accrued Interest – Series 2020A Senior Bonds	124,446	1,453,550	(1,453,550)	124,446	-
Series 2020B Subordinate Bonds	15,405,000	-	(364,000)	15,041,000	-
Accrued Interest – Series 2020B Subordinate Bonds	573,319	1,158,428	(1,670,798)	60,949	-
Total	\$ 50,872,765	\$2,611,978	(\$4,033,348)	\$ 49,451,395	\$ 605,000

Details regarding the District's long-term obligations are as follows:

Series 2020A General Obligation Limited Tax Bonds (2020A Senior Bonds)

On August 08, 2020, the District issued \$36,595,000 in General Obligation Refunding and Improvement Bonds, Series 2020A ("2020A Senior Bonds"), the proceeds of which were used to refund the Series 2013A Bonds, fund the construction of additional public infrastructure and pay the costs of issuance of the 2020A Senior Bonds. The 2020A Senior Bonds have a final maturity date of December 1, 2050. The principal amount of the 2020A Senior Bonds is subject to mandatory sinking fund payments prior to their final maturity date. The 2020A Senior Bonds were issued as tax exempt bonds bearing interest rates rate of between 4.00% and 5.00% per annum.

The 2020A Senior Bonds are secured by and payable solely from Senior Pledged Revenue, net of any costs of collection, which is comprised of the following:

- all property tax revenues generated by the imposition of the Required Senior Debt Service Mill Levy (not to exceed 30 mills);
- all specific ownership taxes attributable to the Required Senior Debt Service Mill Levy;
- Facility Fees; and
- any other legally available amounts that the District determines, in its absolute discretion, to transfer to the Trustee for application as Pledged Revenue.

At the time of the issuance of the 2020A Senior Bonds, the District purchased from Assured Guaranty Municipal a reserve insurance policy that covers the entire term of the 2020A Senior Bonds. This policy allows the District to not maintain a cash reserve fund as otherwise required per the 2020A Senior Bonds Indenture of Trust Agreement.

The 2020A Senior Bonds may be redeemed prior to maturity at the option of the District on December 1, 2030, and any date thereafter, upon payment of par and accrued interest.

Outstanding bond principal and interest on the 2020A Senior Bonds mature as follows:

	Principal	Interest	Total
2026	\$ 605,000	\$ 1,431,750	\$ 2,036,750
2027	635,000	1,401,500	2,036,500
2028	705,000	1,369,750	2,074,750
2029	740,000	1,334,500	2,074,500
2030	815,000	1,297,500	2,112,500
2031-2035	4,960,000	5,831,200	10,791,200
2036-2040	6,675,000	4,648,000	11,323,000
2041-2045	8,585,000	3,161,800	11,746,800
2046-2050	10,505,000	1,293,600	11,798,600
Total	\$ 34,225,000	\$ 21,769,600	\$ 55,994,600

The District's detail debt service schedule for its Senior Bonds is provided on page 25.

Series 2020B Subordinate General Obligation Limited Tax Bonds ("2020B Subordinate Bonds")

On August 08, 2020, the District issued General Obligation Bonds, Series 2020B ("2020B Subordinate Bonds") in the amount of \$15,405,000. The proceeds from the sale of the 2020B Subordinate Bonds were used to refund the Series 2020B Subordinate Bonds and pay the costs of issuing the 2020B Bonds. The 2020B Subordinate Bonds were issued as tax exempt bonds bearing interest at 7.25% per annum. The 2020B 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 2020B Subordinate Bonds compounds annually on each December 15. In the event any amounts due and owing on the 2020B Subordinate Bonds remain outstanding on December 16, 2059, such amounts shall be deemed discharged and shall no longer be due and outstanding.

The 2020B 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 Required Subordinate Mill Levy – which is equal to 30 mills less the Required Senior Debt Service Mill Levy);
- b) all Subordinate Specific Ownership Taxes (attributable to the Required Subordinate Mill Levy);
- c) Subordinate Facility Fee revenue;
- d) any other legally available amounts that the District may designate towards payment of the Subordinate Bonds.

The 2020B Subordinate Bonds are subject to redemption prior to maturity, at the option of the District on September 01, 2025, 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:

Date of Redemption	Redemption Premium (%)	Redemption Premium (\$)
September 01, 2025, to August 31, 2026	3.0%	\$ 462,150
September 01, 2026, to August 31, 2027	2.0%	\$ 308,100
September 01, 2027, to August 31, 2028	1.0%	\$ 154,050
September 01, 2028 and thereafter	0.0%	\$ -

Contractual Terms Regarding Events of Default – Series 2020 Bonds

The following events are considered events of default under the bond indenture 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 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 (3) 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 if the District has levied the Required Mill Levy, complied with all covenants and conditions of the Indenture of Trust and remitted all Pledged Revenues to the Trustee. 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 – TABOR

On November 04, 2024, the remaining, unused debt issuance authorization obtained from the District’s electors in November 2004 expired Per C.R.S 32-1-1101(2). The District is unable to issue any additional debt without first submitting to the voters and obtaining voter approval of a TABOR ballot issue requesting authority to issue additional debt.

Debt Authorization – Service Plan

The District’s Amended and Restated Service Plan establishes a Maximum Mill Levy, subject to certain conditions and restrictions, the District is permitted to impose on taxable property within the District for the payment of debt. The Maximum Debt Mill Levy is 30 mills, as adjusted by the State of Colorado for changes in the ratio of taxable valuation to assessed valuation of real property since January 01, 2005 – at which time, the ratio for residential and commercial property was 7.96% and 29%, respectively. The ratio for the 2025 collection year was 6.70% and 27.9%, respectively, for residential and commercial property, which caused the District’s Maximum Debt Mill Levy for 2025 to be 44.398 mills.

The District’s Amended and Restated Service Plan does not contain a limitation on the amount of debt the District may issue.

NOTE 6 – INTERGOVERNMENTAL AGREEMENTS (IGAs)

2004 IGA

On December 02, 2004, the District, FHMD3 and FHMD1 (“Districts”) entered into an intergovernmental agreement to establish certain rights and obligations among the districts pertaining to (1) the financing and construction of public infrastructure benefitting the Flying Horse Community and (2) the operations and maintenance of public parks and open spaces within the Flying Horse Community (2004 IGA).

On November 05, 2024, the 2004 IGA was effectively terminated per the terms of the Settlement Agreement.

2024 Settlement Agreement

In September 2024, the Districts and the Developer (defined in Note 8) entered into a settlement agreement to settle all disagreements, claims and litigation among all parties. Per the terms of the settlement agreement:

- FHMD1 agreed to dismiss its (1) \$12.1 million in construction cost and accrued interest claims against FHMD2/3 and (2) \$5.85 million in operations subsidy funding claims against FHMD2/3;
- FHMD3, FHMD1 and Pulpit Rock agreed to advise the Court in the Organizational Case that they have resolved their disputes relating to the Motion to Revoke, that the Appeal is being dismissed with prejudice, and that the Settlement Agreement shall be made part of the record of the Organizational Case;
- FHMD2 and FHMD3 agreed to enter into the 2024 Capital Pledge Agreement with FHMD1 (described below);
- The Districts and the Developer agreed to terminate the 2004 Acquisition Agreement (described below);
- The Districts and the Developer agreed to terminate the 2004 Reimbursement Agreement (described below);
- FHMD2, FHMD3 and Classic Homes agreed to enter into the 2024 Facilities Acquisition Agreement (described below); and
- Each party agreed to release each of the other parties from all past, present and future claims, known and unknown as of the date of the Settlement Agreement – except for claims arising from the 2024 Facilities Acquisition Agreement and the 2024 Capital Pledge Agreement.

A condition precedent to the ratification of the Settlement Agreement was obtaining approval from the FHMD2 and FHMD3 voters regarding the multi-year obligation that would be created by the proposed 2024 Capital Pledge Agreement. The District and FHMD3 submitted a ballot issue to the voters to obtain voter authority to enter into the 2024 Capital Pledge Agreement. On November 05, 2024, 78.8% and 83.4% of the voters of the District and FHMD3, respectively, authorized the District and FHMD3 to enter into the Capital Pledge Agreement with FHMD1.

2024 Capital Pledge Agreement

Effective November 05, 2024 (date approval was obtained from the respective voters within the District and FHMD3), FHMD2 and FHMD3 entered into the 2024 Capital Pledge Agreement where FHMD2 and FHMD3 agreed to remit all tax revenue (including related specific ownership taxes less county treasurer collection fees) collected from a 3-mill levy to FHMD1 annually for 15 years beginning in 2024.

For 2025, the amount due to FHMD1 from the District under the 2024 Pledge Agreement was \$310,609. The District paid \$308,416 to FHMD1 in 2025 and paid the remaining \$2,193 to FHMD1 in 2026.

NOTE 7 – NET POSITION (DEFICIT)

Non-spendable Net Position

The District's non-spendable net position as of December 31, 2025 in the General Fund, Debt Service Fund, and Contractual Obligation Fund totaled \$56,985, \$0, and \$0, respectively. These balances were created due to the District prepaying certain 2026 expenses in 2025.

Restricted Net Position

The District's restricted net position as of December 31, 2025 in the General Fund, Debt Service Fund, and Contractual Obligation Fund totaled \$30,100, \$139,164, and \$2,193, respectively. The restricted net position within the general

fund is due to spending restrictions established by TABOR. See Note 11 for further details. The restricted net position within the debt service fund is comprised of funds that are restricted to servicing the Series 2020 Bonds.

Unassigned Net Position

The District's unassigned net position as of December 31, 2025 totaled (\$46,642,916). This deficit amount was a result of the District being responsible for the repayment of bonds issued for public improvements conveyed to El Paso County and to the District.

NOTE 8 – RELATED PARTIES

The developer of all land within the District is Classic Development – Flying Horse, LLC, a Colorado limited liability company and Pulpit Rock Investments, LLC, a Colorado limited liability company (collectively, the “Developer”). The Developer is a wholly owned subsidiary of Elite Properties of America, Inc., a Colorado Corporation (“Elite Properties”).

In 1999, Pulpit Rock Investments, LLC, a Colorado limited liability company (“Pulpit Rock”) purchased the property that constitutes the Flying Horse Master Planned Community, which comprises all land located within the service boundaries of the District, FHMD3 and FHMD1. In general, the Developer purchases land from Pulpit Rock and then sells or transfers fully entitled lots to Elite Properties, or a subsidiary thereof, for the purpose of building homes on such lots.

Since the District’s inception in 2004 through May 03, 2023, all or a majority of directors serving on the District’s board were officers/employees/owners of the Developer and/or Elite Properties. Those directors filed conflicts of interest disclosures with the Colorado Secretary of State regarding their service on the District’s board. Beginning on May 03, 2023, the majority of directors serving on the District’s board reported no conflicts of interest regarding their service on the board.

On December 02, 2004, the District, FHMD1 and FHMD3 entered into the 2004 IGA. At the time the 2004 IGA was ratified, all directors serving on all district boards were officers/employees of the Developer.

NOTE 9 – LAND EXCLUSION

On April 28, 2023, approximately 23 acres of undeveloped commercially-zoned land from the District. Although the 23 acres of land has been excluded from the District’s service area, such land remains subject to paying property taxes to the District on the District’s annual debt service mill levy until the District’s 2020 Senior Bonds and 2020 Subordinate Bonds (and any subsequent refinancing of such bonds) are paid off in full.

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 local governments.

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

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). 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.

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

On November 04, 2004, nine individuals qualified to vote by the Developer unanimously voted in approval of authorizing the District to:

- assess property taxes at no more than \$1.5 million annually, without limitation to rate, to pay the District's administrative, operations, maintenance and other expenses; and
- collect and spend or retain all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

SUPPLEMENTARY INFORMATION

FLYING HORSE METROPOLITAN DISTRICT NO 2
DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL
12-Month Period Ended
December 31, 2025

	Original and Final Budget	Actual Amounts	Positive / (Negative) Variance with Original Budget
REVENUES			
Property taxes	\$ 3,642,700	\$ 3,642,429	\$ (271)
Specific ownership taxes	335,100	349,157	14,057
Facilities fees	50,000	52,000	2,000
Other revenue	-	-	-
Net investment income	60,000	81,144	21,144
Total Revenues	4,087,800	4,124,730	36,930
EXPENDITURES			
Debt management & compliance	66,700	63,710	2,990
Cash payments on debt			
Interest payments - Series 2020A Bonds	1,453,600	1,453,550	50
Interest payments - Series 2020B Bonds	1,156,300	1,670,798	(514,498)
Principal payments – Series 2020A Bonds	545,000	545,000	-
Principal payments – Series 2020B Bonds	866,200	364,000	502,200
Total Expenditures	4,087,800	4,097,058	(9,258)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	27,672	27,672
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	-	-	-
Total Other Financing Sources (Uses)	-	-	-
EXCESS OF REVENUES AND OTHER FINANCIAL SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-	27,672	27,672
FUND BALANCE – BEGINNING	-	111,492	111,492
FUND BALANCE – END OF YEAR	\$ -	\$ 139,164	\$ 139,164

These financial statements should be read only in connection with
the accompanying notes to the financial statements.

FLYING HORSE METROPOLITAN DISTRICT NO 2
DEBT SERVICE FUND
DEBT MANAGEMENT & COMPLIANCE EXPENDITURE DETAILS - BUDGET AND ACTUAL
12-Month Period Ended
December 31, 2025

	Original and Final Budget	Actual Amounts	Positive / (Negative) Variance with Original Budget
DEBT MANAGEMENT & COMPLIANCE			
Collection fees – County Treasurer	\$ 54,700	\$ 54,739	\$ (39)
Bond paying agent fees	7,000	7,000	-
Miscellaneous	5,000	1,971	3,029
Total Debt Management & Compliance Expenses	\$ 66,700	\$ 63,710	\$ 2,990

These financial statements should be read only in connection with
the accompanying notes to the financial statements.

FLYING HORSE METROPOLITAN DISTRICT NO 2
CONTRACTUAL OBLIGATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL
12-Month Period Ended
December 31, 2025

	Original and Final Budget	Actual Amounts	Positive / (Negative) Variance with Original Budget
REVENUES			
Property taxes	\$ 287,200	\$ 287,145	\$ (55)
Specific Ownership Tax Revenue	26,400	27,525	1,125
Net investment income	-	254	254
Other Income	8,000	-	(8,000)
Total Revenues	321,600	314,924	(6,676)
EXPENDITURES			
County treasurer collection fees	4,300	4,315	(15)
Transfers to FHMD1 per Capital Pledge Agreement	317,300	308,416	8,884
Total Expenditures	321,600	312,731	8,869
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	2,193	(15,545)
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	-	-	-
Total Other Financing Sources (Uses)	-	-	-
EXCESS OF REVENUES AND OTHER FINANCIAL SOURCES	-	2,193	15,545
FUND BALANCE – BEGINNING OF YEAR	-	-	-
FUND BALANCE – END OF YEAR	\$ -	\$ 2,193	\$ 15,545

These financial statements should be read only in connection with
the accompanying notes to the financial statements.

FLYING HORSE METROPOLITAN DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2025

The District's repayment schedule for its general obligation bonds is as follows:

\$36,595,000 General Obligation Limited Tax Refunding Bonds Series 2020A Interest Rate 4.00% to 5.00% Interest Due June 1st and December 1st Principal due December 1st				
Year Ended Dec. 31,	Principal	Interest	Total	
2026	\$ 605,000	\$ 1,431,750	\$	2,036,750
2027	635,000	1,401,500		2,036,500
2028	705,000	1,369,750		2,074,750
2029	740,000	1,334,500		2,074,500
2030	815,000	1,297,500		2,112,500
2031	855,000	1,256,750		2,111,750
2032	935,000	1,214,000		2,149,000
2033	985,000	1,167,250		2,152,250
2034	1,070,000	1,118,000		2,188,000
2035	1,115,000	1,075,200		2,190,200
2036	1,200,000	1,030,600		2,230,600
2037	1,250,000	982,600		2,232,600
2038	1,340,000	932,600		2,272,600
2039	1,395,000	879,000		2,274,000
2040	1,490,000	823,200		2,313,200
2041	1,550,000	763,600		2,313,600
2042	1,655,000	701,600		2,356,600
2043	1,725,000	635,400		2,360,400
2044	1,790,000	566,400		2,356,400
2045	1,865,000	494,800		2,359,800
2046	1,940,000	420,200		2,360,200
2047	2,015,000	342,600		2,357,600
2048	2,100,000	262,000		2,362,000
2049	2,180,000	178,000		2,358,000
2050	2,270,000	90,800		2,360,800
	\$ 34,225,000	\$ 21,769,600	\$	55,994,600

Interest on the 2020A Senior Bonds is payable each year on June 1st and December 1st, and principal payments are due each year on December 1st.

FLYING HORSE METROPOLITAN DISTRICT NO. 2
**SUMMARY OF ASSESSED VALUATION,
MILL LEVY AND PROPERTY TAXES COLLECTED**
December 31, 2025

SERVICE BOUNDARY DISTRICT (COUNTY TAX ENTITY #182)							
Year Ended December 31,	Prior Year Assessed Valuation for Current Year tax Levy	Mills Levied			Total Property Taxes		Percent Collected to Levied
		Operations	Contractual Obligations	Debt	Levied	Collected (Note A)	
2018	\$ 48,153,720	10.461	-	32.763	\$2,081,400	\$2,080,235	99.9%
2019	52,796,370	10.462	-	32.775	2,282,800	2,283,076	100.0%
2020	60,846,650	10.520	-	33.124	2,654,800	2,654,842	100.0%
2021	66,095,910	10.520	-	33.124	2,884,700	2,884,738	100.0%
2022	72,482,910	11.132	-	33.398	3,227,700	3,227,953	100.0%
2023	74,540,550	11.383	-	34.151	3,394,100	3,394,104	100.0%
2024	94,247,340	11.807	-	35.424	4,451,400	4,484,796	100.8%
2025	95,722,500	8.795	3.000	38.055	4,771,800	4,771,386	100.0%
2026	100,927,230	9.020	3.000	37.929	5,041,200	[TBD]	[TBD]

DEBT BOUNDARY DISTRICT (COUNTY TAX ENTITY #590)							
Year Ended December 31,	Prior Year Assessed Valuation for Current Year tax Levy	Mills Levied			Total Property Taxes		Percent Collected to Levied
		Operations	Contractual Obligations	Debt	Levied	Collected (Note A)	
2024	\$ 67,310	N/A	N/A	35.424	\$ 2,400	\$ 2,384	99.3%
2025	67,310	N/A	N/A	38.055	2,500	2,561	102.4%
2026	65,140	N/A	N/A	37.929	2,500	[TBD]	[TBD]

NOTE A: Property taxes collected in any one year may include collection of delinquent property taxes levied in prior years.

OTHER SUPPLEMENTARY INFORMATION

FLYING HORSE METROPOLITAN DISTRICT NO. 2
CHANGE IN TOTAL OVERLAPPING MILL LEVY
 December 31, 2025

	2024 Mill Levy *	2025 Mill Levy **	Change
Flying Horse Metropolitan District No. 2	49.850	49.949	0.099
El Paso County	7.315	6.857	(0.458)
City of Colorado Springs	3.554	3.009	(0.545)
Academy School District #20	45.959	45.459	(0.500)
Pikes Peak Library District	3.140	2.938	(0.202)
Southeastern Colo Water Conservancy District	0.747	0.850	0.103
Total Mill Levy	110.565	109.062	(1.503)

* -- For property tax collections in 2025

** -- For property tax collections in 2026

FLYING HORSE METROPOLITAN DISTRICT NO. 2

HISTORICAL DEBT RATIOS

December 31, 2025

	12/31/21	12/31/22	12/31/23	12/31/24	12/31/25
General obligation bonds	\$ 51,620,000	\$ 51,170,000	\$ 50,700,000	\$ 50,175,000	\$ 49,266,000
Accrued, unpaid interest - Bonds	738,655	1,024,630	1,336,266	697,765	185,395
Restricted cash	(111,469)	(52,752)	(111,357)	(81,890)	(107,342)
Combined assessed property values within the District	72,482,910	74,540,550	94,314,650	95,789,810	100,992,370
Ratio of debt to assessed property values	72.1%	70.0%	55.1%	53.0%	48.9%