PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 1
Douglas County, Colorado

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2025

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YEAR ENDED DECEMBER 31, 2025

Dazzio & Associates, PC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Promenade at Castle Rock Metropolitan District No. 1
Douglas County, Colorado

Opinions

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

In our opinion, the 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 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. 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.

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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.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Supplementary Information, as listed in the table of contents, is presented for purposes 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 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 included in the annual report. The Other Information, as listed in the table of contents, does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and 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.

Dazzio & Associates, P.C.

July 20, 2026

BASIC FINANCIAL STATEMENTS

PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION
DECEMBER 31, 2025

	Governmental Activities
ASSETS	
Cash and Investments - Restricted	$ 13,285,146
Escrow Fund	261,085
PIF Receivable	434,132
Intergovernmental Receivable - District No. 2	2,850
Receivable from County Treasurer	2,722
Property Tax Receivable	423,226
Interest Rate SWAP	8,417,079
Total Assets	22,826,240
LIABILITIES	
Intergovernmental Payable District No. 2	3,196
Intergovernmental Payable District No. 3	24,967
Surety Escrows	261,085
Accrued Interest	164,092
Noncurrent Liabilities:	
Due Within One Year	1,660,000
Due in More Than One Year	55,106,780
Total Liabilities	57,220,120
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	423,226
Interest Rate SWAP	8,417,079
Total Deferred Inflows of Resources	8,840,305
NET POSITION	
Restricted for:	
Debt Service	8,365,283
Unrestricted	(51,599,468)
Total Net Position	$ (43,234,185)

See accompanying Notes to Basic Financial Statements.

PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 1
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025

		Program Revenues			Net Revenues (Expenses) and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
FUNCTIONS/PROGRAMS					
Primary Government:					
Governmental Activities:					
General Government	$ 113,078	$ -	$ -	$ -	$ (113,078)
Interest on Long-Term Debt and Related Costs	2,450,813	-	-	5,524,250	3,073,437
Total Governmental Activities	$ 2,563,891	$ -	$ -	$ 5,524,250	2,960,359
	GENERAL REVENUES				
	Property Taxes				423,523
	Specific Ownership Taxes				32,598
	Interest Income				109,287
	Total General Revenues				565,408
	CHANGES IN NET POSITION				3,525,767
	Net Position - Beginning of Year				(46,759,952)
	NET POSITION - END OF YEAR				$ (43,234,185)

See accompanying Notes to Basic Financial Statements.

PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 1
BALANCE SHEET –
GOVERNMENTAL FUNDS
DECEMBER 31, 2025

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and Investments - Restricted	$ 2,652	$ 9,590,182	$ 3,692,312	$ 13,285,146
Escrow Fund	-	-	261,085	261,085
Receivable from County Treasurer	544	2,178	-	2,722
PIF Receivable	-	434,132	-	434,132
Intergovernmental Receivable - District No. 2	-	2,850	-	2,850
Property Tax Receivable	84,643	338,583	-	423,226
Total Assets	$ 87,839	$ 10,367,925	$ 3,953,397	$ 14,409,161
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Intergovernmental Payable District No. 2	$ 3,196	$ -	$ -	$ 3,196
Intergovernmental Payable District No. 3	-	24,967	-	24,967
Surety Escrows	-	-	261,085	261,085
Total Liabilities	3,196	24,967	261,085	289,248
DEFERRED INFLOWS OF RESOURCES				
Deferred Property Tax	84,643	338,583	-	423,226
Total Deferred Inflows of Resources	84,643	338,583	-	423,226
FUND BALANCES				
Restricted for:				
Debt Service	-	10,004,375	-	10,004,375
Capital Projects	-	-	3,692,312	3,692,312
Total Fund Balances	-	10,004,375	3,692,312	13,696,687
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 87,839	$ 10,367,925	$ 3,953,397	
Amounts reported for governmental activities in the statement of net position are different because:				
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.				
Accrued Interest				(164,092)
Loans Payable				(56,766,780)
Net Position of Governmental Activities				$ (43,234,185)

See accompanying Notes to Basic Financial Statements.

PROMENADE AT CASTLE ROCK 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	$ 84,702	$ 338,821	$ -	$ 423,523
Specific Ownership Taxes	6,519	26,079	-	32,598
Interest Income	21,857	87,430	-	109,287
Intergovernmental Revenue - District No. 3	-	3,193,763	-	3,193,763
PIF Revenue	-	2,330,487	-	2,330,487
Total Revenues	113,078	5,976,580	-	6,089,658
EXPENDITURES				
Current:				
County Treasurer's Fee	1,270	5,082	-	6,352
PIF Collection Fees	-	29,291	-	29,291
Intergovernmental Expenditures - District No. 2	111,808	-	-	111,808
Debt Service:				
Loan Interest - Series 2021	-	2,058,179	-	2,058,179
Loan Principal - Series 2021	-	1,600,000	-	1,600,000
Paying Agent Fees	-	2,150	-	2,150
Capital Projects:				
Intergovernmental Expenditures - District No. 2	-	-	360,372	360,372
Total Expenditures	113,078	3,694,702	360,372	4,168,152
NET CHANGE IN FUND BALANCES	-	2,281,878	(360,372)	1,921,506
Fund Balances - Beginning of Year	-	7,722,497	4,052,684	11,775,181
FUND BALANCES - END OF YEAR	$ -	$ 10,004,375	$ 3,692,312	$ 13,696,687

See accompanying Notes to Basic Financial Statements.

PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025

Net Change in Fund Balances - Total Governmental Funds	$ 1,921,506
Amounts reported for governmental activities in the statement of activities are different because:	
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net position.	
Loan Principal	1,600,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Accrued Interest Payable - Change in Liability	4,261
Changes in Net Position of Governmental Activities	$ 3,525,767

See accompanying Notes to Basic Financial Statements.

PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 1
GENERAL FUND – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2025

	Budget		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Property Taxes	$ 84,702	$ 84,702	$ 84,702	$ -
Specific Ownership Taxes	7,623	6,519	6,519	-
Interest Income	5,000	21,857	21,857	-
Other Revenue	12,675	6,922	-	(6,922)
Total Revenues	110,000	120,000	113,078	(6,922)
EXPENDITURES				
County Treasurer's Fee	1,271	1,270	1,270	-
Intergovernmental Expenditures - District No. 2	96,054	111,808	111,808	-
Contingency	12,675	6,922	-	6,922
Total Expenditures	110,000	120,000	113,078	6,922
NET CHANGE IN FUND BALANCE	-	-	-	-
Fund Balance - Beginning of Year	-	-	-	-
FUND BALANCE - END OF YEAR	$ -	$ -	$ -	$ -

See accompanying Notes to Basic Financial Statements.

NOTE 1 DEFINITION OF REPORTING ENTITY

Promenade at Castle Rock Metropolitan District No. 1 (the District), a quasi-municipal corporation and political subdivision of the State of Colorado was organized by Order and Decree of the District Court of Douglas County on May 28, 2014, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District operates under a Consolidated Service Plan for the District, Promenade at Castle Rock Metropolitan District No. 2, and Promenade at Castle Rock Metropolitan District No. 3 (collectively, the Districts), approved by the Town of Castle Rock, Colorado on January 7, 2014. The Service Plan was amended and approved March 2, 2021. The District's service area is located entirely within the Town of Castle Rock, Douglas County, Colorado (the Town). The District was established for the purpose of financing and providing public improvements and related operations and maintenance services within and outside of the boundaries of the District. The public improvements include water, streets, sanitation, parks and recreation, traffic and safety controls, transportation, mosquito and pest control, and television relay and translator.

Pursuant to a Capital Pledge Agreement, Promenade at Castle Rock Metropolitan District No. 2 (under certain, limited circumstances which are not expected to occur) and Promenade at Castle Rock Metropolitan District No. 3 (the Taxing District) has limited tax general obligations to the District (see Note 8). Property taxes to be generated from the Taxing District debt service mill levies, including specific ownership taxes to be received as a result of imposition of such mill levies, are expected to be transferred, net of fees, to the District to pay for debt service expenditures. District No. 2 is considered the Operating District.

The District's Service Plan allows for the ability to pay for administration, operations, and maintenance associated with the Public Improvements as necessary from the District Operating Revenue. The General Fund Mill Levy for 2025 was 11.863 mills and the Property taxes generated, net of fees, were transferred to District No. 2, the Operating District, pursuant to the District Administrative Services Agreement which pays all administrative expenditures for the District.

For the year 2025, the maximum debt mill levy allowed by the Service Plan is 50.000 mills as adjusted for changes in the method of calculating assessed value. The Debt Mill Levy for 2025 was 47.454 mills.

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.

NOTE 1 DEFINITION OF REPORTING ENTITY (CONTINUED)

The District has no employees, and all operations and administrative functions are contracted.

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 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. 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 sum of assets and deferred outflows and the sum of liabilities and deferred inflows 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 the 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes, specific ownership taxes, intergovernmental revenues from District Nos. 2 and 3, and public improvement fees.

All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. 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 debt of the governmental funds.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

Budgets

In accordance with the State Budget Law, the District’s Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures and other financing uses 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 amended its 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 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 and investments.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *inflows of resources,* represents an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. Accordingly, these items, *deferred property tax revenue* and *interest rate SWAP,* are deferred and recognized as inflows of resources in the period that the amount becomes available.

Equity

Net Position

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

Fund Balance

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

Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

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

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

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

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

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

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.

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

NOTE 3 CASH AND INVESTMENTS

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

Statement of Net Position:	
Escrowed Funds	$ 261,085
Cash and Investments - Restricted	13,285,146
Total Cash and Investments	$ 13,546,231

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

Deposits with Financial Institutions	$ 9,235,017
Escrow - Deposits with Financial Institutions	261,085
Investments	4,050,129
Total Cash and Investments	$ 13,546,231

Deposits with Financial Institutions

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

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

At December 31, 2025, the District's cash deposits had a bank balance and a carrying balance of $9,235,017. At December 31, 2025, the District had escrow deposits in the amount of $261,085.

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 noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate risk, and no foreign currency risk. Additionally, the District is not subject to concentration risk or 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.

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

Colorado Revised 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 securities of 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 repurchase agreements collateralized by certain authorized securities
. Certain money market funds
. Guaranteed investment contracts
* Local government investment pools

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

Investment	Maturity	Amount
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted-Average Under 60 Days	$ 4,050,129
Total		$ 4,050,129

CSAFE

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

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

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

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

CSAFE (Continued)

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

NOTE 4 LONG-TERM OBLIGATIONS

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

	Balance at December 31, 2024	Additions	Reductions	Balance at December 31, 2025	Due Within One Year
Loans/Notes from Direct:					
Borrowings/Direct Placements:					
Limited Tax General:					
Obligation Note, Series 2021	$ 58,366,780	$ -	$ 1,600,000	$ 56,766,780	$ 1,660,000
Subtotal Loans/Notes Payable	58,366,780	-	1,600,000	56,766,780	1,660,000
Total Long-Term Obligations	$ 58,366,780	$ -	$ 1,600,000	$ 56,766,780	$ 1,660,000

The details of the District's long-term obligations are as follows:

Limited Tax General Obligation and Special Revenue Refunding and Improvement Note, Series 2021

On April 15, 2021, the District issued Limited Tax General Obligation and Special Revenue Refunding and Improvement Note, Series 2021 (the 2021 Loan) in the amount of $64,236,780. The proceeds from the 2021 Loan were used for the purposes of: (i) refunding the Series 2015 Bonds, (ii) reimbursing the Developer for the advancement of funds for financing costs related to capital infrastructure improvements; (iii) providing the Reserve Fund; (iv) paying the costs of issuing the 2021 Loan; and (v) providing additional funds for the Project Fund. The 2021 Loan bears interest at a variable rate per annum, tied to SOFR, payable semi-annually on June 1 and December 1, commencing on June 1, 2021. Principal payments are due on December 1, commencing on December 1, 2021. The 2021 Loan matures on December 1, 2050.

On December 1, 2022, the 2021 Loan agreement was amended to incorporate the amended Swap Agreement (Note 4 - Derivatives) and the amended Capital Pledge Agreement (Note 7 – Capital Pledge Agreement).

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Limited Tax General Obligation and Special Revenue Refunding and Improvement Note, Series 2021 (Continued)

The 2021 Loan is secured by and payable from the Pledged Revenue consisting of monies derived by the District from the following sources: 1) all Property Tax Revenues, 2) all Specific Ownership Tax Revenues, 3) all Credit PIF Revenue, 4) all Add-On PIF Revenue, 5) all Incremental Target Store Sales Tax Revenue, 6) all PILOT Revenues, 7) any Counterparty Net Regularly Scheduled Swap Payments, 8) any Termination Payments paid by the 2021 Swap Counterparty, and 9) all other legally available moneys which the Board determines in its sole discretion to apply as Pledged Revenue.

The District is required to make mandatory prepayments towards the principal to the extent pledged revenues are available and to the extent pledged revenues excess the payment obligations during the year. These payments shall be capped at an amount equal to the maximum amount that could be prepaid without causing the outstanding principal of the loan, following such prepayment, to be less than the outstanding notional amount of the 2021 Loan Swap Agreement.

Events of Default

Events of default occur if the District fails to impose the Capital Levy or to transfer or cause the transfer of the Pledge Revenues to the Custodian, and do not comply with other customary terms and conditions consistent with normal municipal financing as described in the loan and SWAP agreement.

The District's long-term obligations regarding the 2021 Loan will mature as follows assuming mandatory prepayments are made:

	Governmental Activities		
Year Ending December 31,	Principal	Interest	Total
2026	$ 1,660,000	$ 1,969,110	$ 3,629,110
2027	1,720,000	1,911,528	3,631,528
2028	1,780,000	1,847,249	3,627,249
2029	1,845,000	1,790,121	3,635,121
2030	1,910,000	1,726,122	3,636,122
2031-2035	10,620,000	7,584,627	18,204,627
2036-2040	12,165,000	5,604,079	17,769,079
2041-2045	12,320,000	3,521,294	15,841,294
2046-2050	12,746,780	1,154,997	13,901,777
Total	$ 56,766,780	$ 27,109,127	$ 83,875,907

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Authorized Debt

Pursuant to the January 7, 2014 Service Plan, the Districts are permitted to issue bonds indebtedness of up to $32,000,000 as may be required by the Public Finance Agreement.

The March 2, 2021 Amended Service Plan provides that, exclusive of refundings of District Bonds (as defined in the Public Finance Agreement) outstanding as of March 2, 2021 (which would include the Refunded Bonds), the net proceeds of further District Bonds that the Financing Districts shall be permitted to issue shall not exceed $32,000,000, specifically exclusive of Costs of Issuance (as defined in the Service Plan), Pre-Financing Costs (as defined in the Service Plan), and any required reserves and capitalized interest.

On May 6, 2014, a majority of the qualified electors of the District who voted in the election authorized the issuance of indebtedness in an amount not to exceed $620,000,000 at an interest rate not to exceed 18% per annum. At December 31, 2025, the Districts had authorized but unissued indebtedness under the Amended Service Plan of approximately $2,155,499.

Derivatives

Swap Agreement

On April 15, 2021 the District entered into an interest rate swap transaction (hedging derivative instrument) (the Swap) with U.S. Bank National Association (the Bank, Trustee) in order to hedge interest rates and protect against rising interest rates. The Swap is associated with the 2021 Loan and used the debt service maturity schedule of the 2021 Loan as the notional amount of the Swap. An International Swaps and Derivatives Association (ISDA) Master Agreement was used to develop the Swap which is set to terminate on December 1, 2050 (Terminate Date).

From the effective date of the agreement through Terminate Date, the District is the fixed rate payor under the Swap, paying a rate of 1.951%, on the 1st day of each month, based on a 30/360-day count. The Bank is the floating rate payor, paying the current 83% of a one-month LIBOR rate based on an actual/360-day count.

On November 29, 2022, the Swap agreement was amended to incorporate alternative interest rate determination provisions due to the anticipated cessation of the LIBOR rate. Effective December 1, 2022, the District is the fixed rate payor, paying a rate of 1.882%, on the 1st of day of each month, based on a 30/360-day count. Beginning January 3, 2023, the floating rate is 83% of USD-SOFR based on an actual/360-day count.

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Derivatives (Continued)

Swap Agreement (Continued)

The following is the projected payments based on the interest rate Swap transaction as of December 31, 2025:

Year Ending December 31,	Swap Notional Amount	Net Interest Rate Swap Payments	Interest Payments	Total
2026	$ 1,660,000	$ (723,055)	$ 2,692,165	$ 3,629,110
2027	1,720,000	(701,911)	2,613,439	3,631,528
2028	1,780,000	(684,619)	2,531,868	3,627,249
2029	1,845,000	(657,331)	2,447,452	3,635,121
2030	1,910,000	(633,830)	2,359,952	3,636,122
2031-2035	10,620,000	(2,790,488)	10,375,115	18,204,627
2036-2040	12,165,000	(2,065,439)	7,669,518	17,769,079
2041-2045	12,320,000	(1,295,137)	4,816,431	15,841,294
2046-2050	12,746,780	(424,915)	1,579,912	13,901,777
Total	$ 56,766,780	$ (9,976,725)	$ 37,085,852	$ 83,875,907

Payments on the 2021 Loan and the Swap are calculated using interest rates in effect on December 31, 2025.

The following is a summary of the effective interest rate calculation on the District's Swap Agreement for the year ended December 31, 2025:

Counterparty Swap Payment			Interest Payments to Bank	Total Payments	Actual Synthetic Rate
To	From	Net			
$ 1,095,411	$ 2,113,564	$ (1,018,153)	$ 3,076,332	$ 2,058,179	3.53%

The following is a summary of the District's derivative for the year ended December 31, 2025:

Net Change in Fair Value		Fair Value December 31, 2025	
Classification	Amount	Classification	Amount
Deferred Inflow	$ 8,417,079	Asset	$ 8,417,079

The basic terms and parties to the Swap are listed below:

Counterparty	Trade Date	Effective Date	Original Notional Amount	Termination Date
US Bank National Association	4/15/2021	4/15/2021	$ 64,236,780	12/1/2050

Associated Debt Series	Payable Swap Rate	Variable Receivable Swap rate	Fair Value at December 31, 2025
2021	1.882%	83% of 1-month SOFR	$ 8,417,079

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Derivatives (Continued)

Swap Agreement (Continued)

The year-end fair values were calculated using the mid-market SOFR valuations as of December 31, 2025. As of this date, the 83% of 1-month SOFR Index rate was 3.2121%. Fair values represent the difference between the present value of the fixed payments and the present value of the floating payments, at forward floating rates as of December 31, 2025.

When the present value of payments to be made by the District exceeds the present value of payments to be received, the Swap has a negative value to the District. When the present value of payments to be received by the District exceeds that of payments to be made, the Swap has a positive value to the District.

The following risks are generally associated with the Swap:

Credit Risk

The Swap relies upon the performance of the Swap counterparty. The District is exposed to the risk of this counterparty being unable to fulfill its financial obligation to the District. The District measures the extent of this risk based upon the credit ratings of the counterparty and the fair value of the Swap. The ratings of the counterparty as of December 31, 2025, are as follows:

	Ratings of Counterparty
Counterparty	Moody's
US Bank National Association	A2

Termination Risk

Either party to the Swap may terminate the Swap if the other party fails to perform under the terms of the agreement. Further, certain credit or tax events can lead to a termination event under the Swap. If the Swap has a negative fair value at the time of the termination, the District could be liable to the counterparty for a payment equal to the Swap's fair value. If the Swap is terminated the associated variable rate loan would no longer be hedged with a synthetic fixed interest rate. The District is not aware of any existing event that would lead to a termination with respect to the Swap.

NOTE 5 NET POSITION

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

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

NOTE 5 NET POSITION (CONTINUED)

	Governmental Activities
Restricted Net Position:	
Debt Service	$ 8,365,283
Total Restricted Net Position	$ 8,365,283

The District has a deficit in unrestricted net position. This deficit amount is a result of the District being responsible for the repayment of the loan issued for the repayment of debt and public improvements which were constructed by District No. 2.

NOTE 6 RELATED PARTY

The Developer of the property which constitutes the District is Promenade at Castle Rock, LLC. The members of the Board of Directors are employees, owners, or are otherwise associated with the Developer and its affiliates and may have conflicts of interest in dealing with the District.

NOTE 7 AGREEMENTS

Development Agreement

In 2015, the District entered into the Promenade at Castle Rock Development Agreement with the Town of Castle Rock, Promenade Castle Rock, LLC and District Nos. 2 and 3. The Development Agreement generally governs, without limitation, the development of the property in and facilities for the Development, the provision of municipal services by the Town, and water rights relating to property in the Development. Additionally, the Development Agreement establishes a cash construction escrow (the Escrow) as surety for the construction of public improvements in the Development.

Master Intergovernmental Agreement

On September 25, 2014, the District, District Nos. 2 and 3, and the Town entered into the Town of Castle Rock/Promenade at Castle Rock Metropolitan District Nos. 1 – 3 Master Intergovernmental Agreement (the Master Intergovernmental Agreement), which generally governs the relationship between the Town and the Districts and sets the parameters of the Districts' authority to finance and construct public improvements. The Master Intergovernmental Agreement states that the Districts have the authority to construct and finance public improvements in accordance with the standards and procedures set forth in the Service Plan, Public Finance Agreement, and the Town Requirements (generally defined as the rules and regulations of the Town, including those relating to zoning and land use). Pursuant to the Master Intergovernmental Agreement, the Districts agree to convey public facilities to the Town, and the Town agrees to operate, maintain, repair, and replace the facilities. The Master Intergovernmental Agreement further provides that the Districts shall only issue bonds in accordance with the Public Finance Agreement, the Service Plan, the Special District Act, and other laws of the state of Colorado.

NOTE 7 AGREEMENTS (CONTINUED)

Amended and Restated Declaration of Covenants Imposing and Implementing the Promenade at Castle Rock Public Improvement Fee

On April 14, 2021, Promenade Castle Rock, LLC (the Declarant) entered into the Amended and Restated Declaration of Covenants Imposing and Implementing the Promenade at Castle Rock Public Improvement Fee, which replaced the Original PIF Covenant dated April 16, 2015 and the Restated PIF Covenant dated August 17, 2015. The Declaration of Covenants is imposed in consideration of the benefits to be provided to the Property with respect to construction, installation, operation, and maintenance of Project Improvements, (i) Declarant has agreed to impose a public improvement fee on the Property and (ii) the Town has agreed to credit a portion of the total Sales Tax due on PIF Sales occurring within the Property on which the Credit PIF is collected. The Declarant has pledged the PIF Revenues to the District for repayment of the Districts 2021 Loan. The Add-On PIF initial amount is .25% and it will not exceed 0.50% of PIF Sales. The Credit PIF amount is 0.55% of PIF Sales.

Public Finance Agreement

On January 7, 2014, the District, the Developer, and the Town entered into the Public Finance Agreement, which agreement was amended and restated as the Amended and Restated Public Finance Agreement dated as of February 17, 2015 to include District No. 2 and District No. 3, as amended by a First Amendment dated August 4, 2015 and as amended by a Second Amendment dated March 2, 2021 (as amended, the Public Finance Agreement). The Public Finance Agreement governs certain aspects of the Development, financing for the Development including the issuance of the Bonds, and regulatory approvals issued by the Town for the Development.

The Public Finance Agreement permits the issuance of "District Bonds", which is defined as one or more series of bonds issued or incurred by any of the Districts to finance or refinance the Eligible Costs in accordance with the terms and provisions of the Public Finance Agreement, including any bonds, other financial obligations, or securities issued by any of the Districts to refund the District Bonds, but specifically exclusive of any Reimbursement Agreement entered into between the Developer and any of the Districts. Notwithstanding the foregoing, or any other provision to the contrary, District Bonds shall not be refinanced without the written consent of the Town.

The Public Finance Agreement provides that District Bonds shall be issued in an amount not exceeding $30,000,000 of Net Proceeds to pay Eligible Costs, subject to adjustment as provided in the Pledge Agreement. "Net Proceeds" is generally defined as net proceeds of one or more series of District Bonds in an amount not exceeding $30,000,000 used to pay or reimburse Eligible Costs.

NOTE 7 AGREEMENTS (CONTINUED)

Public Finance Agreement (Continued)

The District and District No. 3 (and to the extent hereinafter provided, District No. 2), covenant to impose the District Debt Service Mill Levy in the amount of not less than 40 mills and not more than 50 mills, as hereinafter provided, for so long as any District Bonds remain outstanding, and further covenant to pledge and cause remittance of the District Debt Service Mill Levy to the District Bond Trustee for such outstanding District Bonds. Each such District further covenants that so long as any District Bonds remain outstanding, that each such District will remit all District Specific Ownership Taxes to the District Bond Trustee for payment of outstanding District Bonds.

The Developer agrees to impose the Credit PIF and the Add-On PIF and to irrevocably assign the Pledged PIF Revenue and any amount of Remaining Add-On PIF Revenue that may be included in District Operating Revenue to the District designated in the District Bond Documents, through and until the payment in full of the District Bonds. The Add-On PIF means the public improvement fee in the amount of not less than 0.25% and not more than 0.50% of PIF Sales. The Credit PIF means the public improvement fee in the amount of 0.55% of PIF Sales.

The District Operating Revenue will be used to pay the normal and reasonable operating and maintenance expenses of the Districts or for any other lawful purpose. The District Operating Revenue means revenue produced by the Districts' imposition of a mill levy to pay the operations and maintenance expenses of any of the Districts, and certain Add-On PIF Revenue not pledged to pay District Bonds, as allowed under the District Bond Documents from time to time.

District Administrative Services Agreement

On March 5, 2015, the District entered into the District Administrative Services Agreement which provides that District No. 2 shall be solely responsible for the management, execution, and administration of the construction of the Public Improvements on behalf of the Districts. For the purpose of completing all or a portion of the Project, District No. 2 has entered into and anticipates entering into multiple contracts.

In order to fund the Administrative Costs, The District and District No. 3 (the Financing Districts) agree to levy on all of the taxable property of the Financing Districts, in addition to all other taxes, direct annual taxes to the extent necessary to provide for payment of the Administrative Costs, in the amount of the Required Mill Levy, or a lesser amount as determined by District No. 2. In addition, the Financing Districts agree to remit any available PIF Revenues, fees, or other Revenues to District No. 2 to fund the Administrative Costs.

Capital Pledge Agreement

On April 15, 2021, the Districts and the Trustee entered into a Capital Pledge Agreement in order to generate additional revenue pledged to payment of the Series 2021 Loan. Pursuant to the agreement, District No. 3 has agreed to pay its Property Tax Revenue generated by the debt service mill levy to the Trustee, and District No. 2 (under certain limited conditions) and District No. 3 are obligated to impose ad valorem property taxes in an amount equal to the District Debt Service Mill Levy, and pay the proceeds and Specific Ownership Tax Revenues as a result of the District Service Mill Levy to the Trustee.

NOTE 7 AGREEMENTS (CONTINUED)

Capital Pledge Agreement (Continued)

The Capital Pledge Agreement was amended on December 1, 2022 to reflect changes made per the first amendment to the 2021 Loan Swap Agreement.

Master Escrow Agreement

The Master Escrow Agreement was entered into on August 25, 2015, by the Districts, Town of Castle Rock, Land Title Guarantee Company, and Promenade Castle Rock, LLC. The District and the Town of Castle Rock appointed an Escrow Agent that established two accounts: (1) the Promenade 2015 Bond Proceeds Account; and (2) the Developer Advances Account.

The District will deposit all amounts permitted to be released from the Bond Project Fund under the terms of the Indenture with the Escrow Agent from the net proceeds of the Limited Tax General Obligation Bonds, Series 2015A and Taxable Special Revenue Bonds 2015B.

The Developer will deposit additional monies with the Escrow Agent for purposes of advancing monies for the benefit of the District as required by the Town of Castle Rock that are not otherwise available from the Districts or able to be released from the Project Fund, or to fund costs that do not constitute Eligible Costs.

Both accounts combined must have a continuing balance at least equal to the Minimum Surety Balance required by the Town of Castle Rock. Funds in excess of the minimum balance may be used for project costs.

District No. 2 shall be entitled to make written requests for the payment of invoices related to the Construction Contracts from the Escrow on a monthly basis (each, a Requisition) to the Developer, Escrow Agent, and the Town. Each Requisition shall include: (i) reference to the underlying Construction Contract and a description of the work performed for which payment is being requested; (ii) the total amount of such Requisition; (iii) an accounting detailing the total amount of Construction Contracts issued by District No. 2, all payments made toward the same prior to the date of the Requisition, including copies of lien waivers, and the amount that will be outstanding after payment of the Requisition; (iv) the Account from which payment should be made; and (v) to the extent the Requisition is for payments of Eligible Costs to be made from the Promenade Bond Account, certification by the Districts' independent engineer that all costs to be paid from the Requisition constitute Eligible Costs. Upon submission of the Requisition to the Town, the Town shall consider the same for administrative approval and verification that funds, being requisitioned from the Escrow under the Promenade Bond Account are to be spent on Eligible Costs and that the Minimum Surety Balance is maintained subsequent to any proposed disbursement. The Town's approval of the Requisition shall be granted within five business days of receipt of the Requisition. In the event that the Town takes no action within the allotted five business days the Requisition shall be deemed approved. Any objection of the Town as to Requisition request shall be provided to District No. 2 in writing and shall specify all or the specific portions of the Requisition to which there is an objection and the specific reasons.

NOTE 7 AGREEMENTS (CONTINUED)

Master Escrow Agreement (Continued)

The parties shall work in good faith to resolve any Town objections consistent with the intent of the Development Agreement and applicable SIA. The Escrow Agent shall make disbursement to District No. 2 within two business days of approval of the Requisition by the Town. Requisitioned funds for Eligible Costs shall be disbursed by the Escrow Agent from the Promenade Bond Account. The Minimum Surety Balance at December 31, 2025, was $261,085. The Escrow Agent held account balances in the amount of $261,085 at December 31, 2025.

NOTE 8 RISK MANAGEMENT

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

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

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 9 TAX, SPENDING, AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue, and debt limitations that 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.

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

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. The District transfers its net operating revenue to District No. 2. Therefore, the Emergency Reserves related to the District's revenues are reported in District No. 2.

On May 6, 2014, a majority of the District's electors authorized the District to collect, spend, or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under TABOR.

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

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

Annual operating property tax revenue is limited to a 5.25% increase (10.5% increase over a two-year period), such increase is determined based on a prior assessment period and adjusted for allowable exclusions and exemptions from qualified property tax revenues.

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

SUPPLEMENTARY INFORMATION

PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 1
DEBT SERVICE FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2025

	Budget		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Property Taxes	$ 338,821	$ 338,821	$ 338,821	$ -
Specific Ownership Taxes	30,494	26,079	26,079	-
Interest Income	60,000	87,430	87,430	-
PIF Revenue	2,325,383	2,330,487	2,330,487	-
Intergovernmental Revenue - District No. 3	3,377,170	3,193,763	3,193,763	-
Total Revenues	6,131,868	5,976,580	5,976,580	-
EXPENDITURES				
County Treasurer's Fee	5,082	5,082	5,082	-
PIF Collection Fees	29,291	29,291	29,291	-
Paying Agent Fees	2,000	2,150	2,150	-
Loan Interest - Series 2021	2,043,421	2,058,179	2,058,179	-
Loan Principal - Series 2021	1,600,000	1,600,000	1,600,000	-
Contingency	10,206	5,298	-	5,298
Total Expenditures	3,690,000	3,700,000	3,694,702	5,298
NET CHANGE IN FUND BALANCE	2,441,868	2,276,580	2,281,878	5,298
Fund Balance - Beginning of Year	7,717,125	7,722,497	7,722,497	-
FUND BALANCE - END OF YEAR	$ 10,158,993	$ 9,999,077	$ 10,004,375	$ 5,298

PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 1
CAPITAL PROJECTS FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2025

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Total Revenues	-	-	-
EXPENDITURES			
Intergovernmental Expenditures - District No. 2	3,714,464	360,372	3,354,092
Total Expenditures	3,714,464	360,372	3,354,092
NET CHANGE IN FUND BALANCE	(3,714,464)	(360,372)	3,354,092
Fund Balance - Beginning of Year	3,714,464	4,052,684	338,220
FUND BALANCE - END OF YEAR	$ -	$ 3,692,312	$ 3,692,312

OTHER INFORMATION

PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 1
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2025

Loan and Interest Maturing in the Year Ending December 31,	$64,236,780 Limited Tax General Obligation and Special Revenue Refunding and Improvement Loan Series 2021* Dated April 15, 2021 Interest Rate 3.512% (Swap Rate) Interest Payable June 1 and December 1 Principal Payable December 1		
	Principal	Interest	Total
2026	$ 1,660,000	$ 1,969,110	$ 3,629,110
2027	1,720,000	1,911,528	3,631,528
2028	1,780,000	1,847,249	3,627,249
2029	1,845,000	1,790,121	3,635,121
2030	1,910,000	1,726,122	3,636,122
2031	1,975,000	1,659,869	3,634,869
2032	2,050,000	1,587,394	3,637,394
2033	2,120,000	1,520,251	3,640,251
2034	2,200,000	1,446,713	3,646,713
2035	2,275,000	1,370,400	3,645,400
2036	2,360,000	1,288,266	3,648,266
2037	2,440,000	1,209,622	3,649,622
2038	2,530,000	1,124,984	3,654,984
2039	2,620,000	1,037,224	3,657,224
2040	2,215,000	943,983	3,158,983
2041	2,295,000	869,509	3,164,509
2042	2,375,000	789,901	3,164,901
2043	2,460,000	707,517	3,167,517
2044	2,550,000	620,635	3,170,635
2045	2,640,000	533,732	3,173,732
2046	2,935,000	442,157	3,377,157
2047	3,040,000	340,348	3,380,348
2048	3,150,000	234,312	3,384,312
2049	3,260,000	125,631	3,385,631
2050	361,780	12,549	374,329
Total	$ 56,766,780	$ 27,109,127	$ 83,875,907

* Schedule assumes payment of mandatory prepayments

PROMENADE AT CASTLE ROCK METROPOLITAN DISTRICT NO. 1
SCHEDULE 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	Total Mills Levied		Total Property Taxes		Percent Collected to Levied
		General Operations	Debt Service	Levied	Collected	
2021	$ 5,592,840	11.132	44.531	$ 311,314	$ 311,313	100.00 %
2022	6,258,150	11.132	44.531	348,347	348,348	100.00 %
2023	5,948,580	11.673	46.692	347,189	347,189	100.00 %
2024	7,143,950	11.856	47.426	423,508	423,508	100.00 %
2025	7,139,990	11.863	47.454	423,523	423,523	100.00 %
Estimated for Year Ending December 31, 2026	$ 6,667,390	12.695	50.782	$ 423,226		

NOTE: Property taxes shown as collected in any one year include collection of delinquent property taxes or abatements of property taxes assessed in prior years. This presentation does not attempt to identify specific years of assessments. Information received from the County Treasurer does not permit identification of specific year of levy.