STERLING RANCH
METROPOLITAN DISTRICT NO. 1
El Paso County, Colorado

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2025

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YEAR ENDED DECEMBER 31, 2025

BiggsKofford

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sterling Ranch Metropolitan District No. 2
El Paso County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Sterling Ranch Metropolitan District No. 2 ("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, 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 the 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 auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

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 which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

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 identified 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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, 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.

BiggsKofford LLP

Colorado Springs, Colorado
August 24, 2026

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities
ASSETS	
Cash and Investments	$ 61
Cash and Investments - Restricted	7,020,394
Due from Sterling Ranch MD No. 3	4,600
Accounts Receivable	11,200
Property Tax Receivable	23,410
Total Assets	7,059,665
LIABILITIES	
Accounts Payable	8,164
Due to Sterling Ranch MD No. 3	3,088
Due to County Treasurer	27,820
Accrued Interest	95,547
Noncurrent Liabilities:	
Due in More Than One Year	33,332,217
Total Liabilities	33,466,836
DEFERRED INFLOWS OF RESOURCES	
Deferred Property Tax	23,410
Total Deferred Inflows of Resources	23,410
NET POSITION	
Restricted for:	
Debt Service	2,527,969
Unrestricted	(28,958,550)
Total Net Position	$ (26,430,581)

See accompanying Notes to Basic Financial Statements.

STERLING RANCH 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	$ 25	$ -	$ 649	$ 11,200	$ 11,824
Transfer of Public Improvements to Sterling Ranch MD No. 3	2,907,524	-	-	-	(2,907,524)
Intergovernmental Expense - Sterling Ranch MD No. 3 - Capital	386,877	-	-	-	(386,877)
Interest on Long-Term Debt and Related Costs	1,858,996	-	-	-	(1,858,996)
Total Governmental Activities	$ 5,153,422	$ -	$ 649	$ 11,200	(5,141,573)
GENERAL REVENUES					
Property Taxes					(1,887)
Specific Ownership Taxes					947
Interest Income					174,528
Other Revenue					81,876
Total General Revenues and Transfers					255,464
CHANGES IN NET POSITION					(4,886,109)
Net Position - Beginning of Year					(21,544,472)
NET POSITION - END OF YEAR					$ (26,430,581)

See accompanying Notes to Basic Financial Statements.

STERLING RANCH METROPOLITAN DISTRICT NO. 1
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2025

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and Investments	$ 61	$ -	$ -	$ 61
Cash and Investments - Restricted	-	2,635,475	4,384,919	7,020,394
Due from Sterling Ranch MD No. 3	4,600	-	-	4,600
Accounts Receivable	-	11,200	-	11,200
Property Tax Receivable	2,826	20,584	-	23,410
Total Assets	$ 7,487	$ 2,667,259	$ 4,384,919	$ 7,059,665
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	$ -	$ -	$ 8,164	$ 8,164
Due to Sterling Ranch MD No. 3	-	-	3,088	3,088
Due to County Treasurer	4,661	23,159	-	27,820
Total Liabilities	4,661	23,159	11,252	39,072
DEFERRED INFLOWS OF RESOURCES				
Deferred Property Tax	2,826	20,584	-	23,410
Total Deferred Inflows of Resources	2,826	20,584	-	23,410
FUND BALANCES				
Restricted for:				
Debt Service	-	2,623,516	-	2,623,516
Capital Projects	-	-	4,373,667	4,373,667
Total Fund Balances	-	2,623,516	4,373,667	6,997,183
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 7,487	$ 2,667,259	$ 4,384,919	

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.	
Bonds Payable	(34,980,000)
Unaccreted Bond Principal	3,563,977
Unamortized Bond Premium	(49,204)
Accrued Bond Interest	(95,547)
Developer Advance Payable	(1,850,001)
Accrued Developer Advance Interest	(16,989)
Net Position of Governmental Activities	$ (26,430,581)

See accompanying Notes to Basic Financial Statements.

STERLING RANCH 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	$ (314)	$ (1,573)	$ -	$ (1,887)
Specific Ownership Taxes	158	789	-	947
Interest Income	(468)	39,277	135,719	174,528
District Impact Fees	-	11,200	-	11,200
Other Revenue	-	-	81,876	81,876
Intergovernmental Revenues - SRMD No. 3	649	-	-	649
Total Revenues	25	49,693	217,595	267,313
EXPENDITURES				
Current:				
County Treasurer's Fee	25	123	-	148
Intergovernmental Expenditures - SRMD No. 3	-	-	386,877	386,877
Debt Service:				
Paying Agent Fees	-	4,000	-	4,000
Bond Interest	-	1,146,569	-	1,146,569
Bond Issue Costs	-	-	551,225	551,225
Capital Projects:				
Capital Outlay	-	-	2,907,524	2,907,524
Total Expenditures	25	1,150,692	3,845,626	4,996,343
EXCESS OF REVENUES UNDER EXPENDITURES	-	(1,100,999)	(3,628,031)	(4,729,030)
OTHER FINANCING SOURCES (USES)				
Bond Issuance Proceeds	-	-	8,729,273	8,729,273
Developer Advance - Classic SRJ	-	-	2,560,195	2,560,195
Repay Developer Advance	-	-	(3,421,276)	(3,421,276)
Transfers (To) From Other Funds	-	2,722,927	(2,722,927)	-
Total Other Financing Sources (Uses)	-	2,722,927	5,145,265	7,868,192
NET CHANGE IN FUND BALANCES	-	1,621,928	1,517,234	3,139,162
Fund Balances - Beginning of Year	-	1,001,588	2,856,433	3,858,021
FUND BALANCES - END OF YEAR	$ -	$ 2,623,516	$ 4,373,667	$ 6,997,183

See accompanying Notes to Basic Financial Statements.

STERLING RANCH 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	$ 3,139,162
Amounts reported for governmental activities in the statement of activities are different because:	
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 amount of capital outlay, depreciation and dedication of capital assets to other governments, in the current period.	
Capital Outlay	2,907,524
Transfer of Public Improvements to Sterling Ranch MD No. 3	(2,907,524)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net position.	
Bond Issuance	(8,729,273)
Developer Advance - Classic SRJ	(2,560,195)
Repay Developer Advance - Principal	3,332,671
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.	
Amortization of Bond Premium	2,780
Accretion of Bond Principal	(126,750)
Accrued Interest Payable Developer Advance - Change in Liability	55,496
Changes in Net Position of Governmental Activities	$ (4,886,109)

See accompanying Notes to Basic Financial Statements.

STERLING RANCH METROPOLITAN DISTRICT NO. 1
GENERAL FUND
STATEMENT 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			
Property Taxes	$ -	$ (314)	$ (314)
Specific Ownership Taxes	-	158	158
Interest Income	-	(468)	(468)
Other Revenue	500	-	(500)
Intergovernmental Revenues - SRMD No. 3	-	649	649
Total Revenues	500	25	(475)
EXPENDITURES			
Contingency	500	-	500
County Treasurer's Fee	-	25	(25)
Total Expenditures	500	25	475
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

Sterling Ranch 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 for El Paso County, Colorado on February 1, 2011, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located entirely within the City of Colorado Springs (City) in El Paso County, Colorado. The Consolidated Service Plan, approved by the City on March 7, 2011, formed Sterling Ranch Metropolitan District Nos. 1 - 3. The District was organized to provide planning, acquisition, construction, installation, and financing of public improvements, including streets, water, wastewater, traffic and safety, park and recreation, mosquito control, television relay, and transportation facilities, primarily for residential and commercial development.

The District was organized in conjunction with Sterling Ranch Metropolitan District No. 2 (District No. 2) and Sterling Ranch Metropolitan District No. 3 (District No. 3) to serve the needs of the Sterling Ranch development for the purpose of financing, construction, and operation of improvements and infrastructure serving the three districts. District No. 3 is responsible for managing the construction, operation, and maintenance of all improvements not transferred to the City of Colorado Springs. The District and District No. 2 are responsible for providing the funding and tax base needed to support the financing plan for capital improvements and to fund ongoing operations.

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

The District 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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 collectable 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. 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 Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 had 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.

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.

In 2025, there was a prior year abatement refund that was netted with the revenue. The abatement amount is greater than the revenue accrued, resulting in a negative revenue total.

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress and are not included in the calculation of net investment in capital assets component of the District's net position.

Original Issue Premium

In the government-wide financial statements, bond premiums are deferred and amortized over the life of the bonds using the effective interest method.

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, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue,* is deferred and recognized as an inflow 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.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

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

Certain Risk Disclosures

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

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

NOTE 3 CASH AND INVESTMENTS

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

Statement of Net Position:		
Cash and Investments	$	61
Cash and Investments - Restricted		7,020,394
Total Cash and Investments	$	7,020,455

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

Deposits with Financial Institutions	$	5,257,847
Investments		1,762,608
Total Cash and Investments	$	7,020,455

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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 $5,257,847.

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.

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 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

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

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

Investment	Maturity		Amount
Colorado Local Government Liquid Asset	Weighted-Average		
Trust (COLOTRUST)	Under 60 Days	$	62
Colorado Surplus Asset Fund Trust	Weighted-Average		
(CSAFE)	Under 60 Days		1,762,546
Total		$	1,762,608

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all state statutes governing the Trust. The Trust currently offers three portfolios – COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE.

COLOTRUST PRIME and COLOTRUST PLUS+, which operate similarly to a money market fund and each share is equal in value to $1.00, offer daily liquidity. 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 any security allowed under CRS 24-75-601.

COLOTRUST EDGE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a $10.00 transactional share price. COLOTRUST EDGE may invest in securities authorized by CRS 24-75-601, including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

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 PRIME and COLOTRUST PLUS+ are rated AAAm by Standard & Poor's. COLOTRUST EDGE is rated AAAf/S1 by FitchRatings. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily or weekly, and there is no redemption notice period.

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

CSAFE

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

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

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

A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE CASH FUND is rated 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 CAPITAL ASSETS

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

	Balance at December 31, 2024	Increases	Decreases	Balance at December 31, 2025
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Capital Assets Not Being Depreciated	$ -	$ 2,907,524	$ 2,907,524	$ -
Total Capital Assets, Not Being Depreciated	$ -	$ 2,907,524	$ 2,907,524	$ -

During 2025, a significant portion of the capital assets constructed by the District was conveyed to District No. 3. The costs of all capital assets transferred were removed from the District's financial records.

NOTE 5 LONG-TERM OBLIGATIONS

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

	Balance at December 31, 2024	Additions	Reductions / Accretion	Balance at December 31, 2025	Due Within One Year
Bonds Payable:					
Series 2020 General Obligation Bonds	$ 22,560,000	$ -	$ -	$ 22,560,000	$ -
Bond Premium Series 2020	51,984	-	2,780	49,204	-
Series 2025 General Obligation Bonds	-	12,420,000	-	12,420,000	-
Bond Accretion Series 2025	-	(3,690,727)	(126,750)	(3,563,977)	-
Subtotal Bonds Payable	22,611,984	8,729,273	(123,970)	31,465,227	-
Other Debts:					
Developer Advance - Capital - Classic SRJ	2,622,477	2,560,195	3,332,671	1,850,001	-
Accrued Interest on: Developer Advance - Capital - Classic SRJ	72,485	33,109	88,605	16,989	-
Subtotal Other Debts	2,694,962	2,593,304	3,421,276	1,866,990	-
Total Long-Term Obligations	$ 25,306,946	$ 11,322,577	$ 3,297,306	$ 33,332,217	$ -

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

$22,560,000 Series 2020 Limited Tax General Obligation Bonds

On December 1, 2020, the District issued Series 2020 General Obligation Limited Tax Bonds (Series 2020 Bonds) for the purpose of: (i) financing the cost of acquisition, construction, and installation of certain public improvements; (ii) funding the initial deposit to the surplus fund; (iii) funding the capitalized interest on the bonds; and (iv) paying other costs incurred in connection with the issuance of the Series 2020 Bonds. The Series 2020 Bonds were issued in the amounts as follows: (a) $7,705,000, plus an original issue premium of $63,104, bearing interest at 5.000%, and maturing on December 1, 2040, and (b) $14,855,000, bearing interest at 5.125%, and maturing on December 1, 2050. The interest on the Series 2020 Bonds is calculated on the basis of a 360-day year of twelve 30-day months, payable to the extent of pledged revenues available on each June 1 and December 1.

The District is required to maintain bond payment, surplus, and project cash accounts. The purpose of the surplus cash account is to provide adequate funding to meet principal and interest requirements if the bond account does not have enough funding. The surplus account is required to be maintained as long as the bonds are outstanding.

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

$22,560,000 Series 2020 Limited Tax General Obligation Bonds (Continued)

The Series 2020 Bonds are secured by and payable from pledged revenue consisting of monies derived by the District from the following sources, net of any collection costs: (a) the required mill levy; (b) capital fees; (c) portion of the specific ownership tax which is collected as a result of imposition of the required mill levy; and (d) any other legally available monies which the District determines to be treated as pledged revenue. The Series 2020 Bonds are also secured by amounts held by the trustee in the surplus fund.

Required mill levy means an ad valorem mill levy imposed upon all taxable property within the District each year in an amount sufficient to pay the principal, premium, and interest on the bonds as they become due and payable. The maximum required mill levy is 50.000 mills, adjusted for changes in the ratio of actual value to assessed value of property within the District. For collection year 2025, the District levied 52.016 mills for the debt service fund.

The indenture provides for the purpose of paying the principal of, premium if any, and interest on the Bonds, and funding the Surplus Fund, the District covenants to cause to be levied on all of the taxable property of the District, in addition to all other taxes, direct annual taxes in each of the years 2020 to 2049, inclusive in the amount of the Required Mill Levy.

Optional Redemption

The Series 2020 Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of $1,000, in any order of maturity and in whole or partial maturities, on December 1, 2025, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium on the principal amount redeemed, as follows:

Date of Redemption	Redemption Premium
December 1, 2025 to November 30, 2026	3.00%
December 1, 2026 to November 30, 2027	2.00%
December 1, 2027 to November 30, 2028	1.00%
December 1, 2028 and thereafter	0.00%

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

$22,560,000 Series 2020 Limited Tax General Obligation Bonds (Continued)

Events of Default

The occurrence of any one or more of the following events or the existence of any one or more of the following conditions constitutes an event of default under the indenture:

(a) The District fails or refuses to impose the Required Mill Levy or to apply the Pledged Revenue as required by the indenture;
(b) The District defaults in the performance of observance of any of the covenants, agreements, or conditions on the part of the District in the indenture or the Bond Resolution, other than as described above, and fails to remedy the same after notice thereof pursuant to the indenture; or
(c) The District files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the Series 2020 Bonds.

It is acknowledged that, due to the limited nature of the pledged revenue, the failure to pay the principal of or interest on the bonds when due does not, in itself, constitute an event of default under the indenture.

Upon the occurrence and continuance of an event of default, the trustee has the following rights and remedies which may be pursued:

(a) Receivership: Upon the filing of a bill in equity or other commencement of judicial proceedings to enforce the rights of the trustee and of the owners, the trustee is entitled to as a matter of right to the appointment of a receiver or receivers of the trust estate, and of the revenues, income, product, and profits thereof pending such proceedings, subject however, to the constitutional limitations inherent in the sovereignty of the District; but notwithstanding the appointment of any receiver or other custodian, the trustee is to be entitled to the possession and control of any cash, securities, or other instruments at the time held by, or payable or deliverable under the provisions of the indenture to the trustee.
(b) Suit for judgment: The trustee may proceed to protect and enforce its rights and the rights of the owners by suit, action, or special proceedings as the trustee, being advised by counsel, deems appropriate.
(c) Mandamus or other suit: The trustee may proceed by mandamus or any other suit, action, or proceeding at law or in equity, to enforce all rights of the owners.

Notwithstanding the foregoing, acceleration is not to be an available remedy for an event of default.

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

$22,560,000 Series 2020 Limited Tax General Obligation Bonds (Continued)

Events of Default (Continued)

The District's long-term obligations on the Series 2020 Bonds mature as follows:

Year Ending December 31,	Principal	Interest	Total
2026	$ -	$ 1,146,569	$ 1,146,569
2027	-	1,146,569	1,146,569
2028	250,000	1,146,569	1,396,569
2029	385,000	1,134,069	1,519,069
2030	435,000	1,114,819	1,549,819
2031-2035	2,710,000	5,214,845	7,924,845
2036-2040	3,925,000	4,422,345	8,347,345
2041-2045	5,470,000	3,283,076	8,753,076
2046-2050	9,385,000	1,679,976	11,064,976
Total	$ 22,560,000	$ 20,288,837	$ 42,848,837

$12,420,000 Series 2025 Limited Tax General Obligation Convertible Capital Appreciation Bonds

On October 16, 2025, the District issued the General Obligation Limited Tax Convertible Capital Appreciation Bonds (Series 2025 Bonds), convertible to current interest bonds on December 1, 2030. Prior to conversion to current interest bonds, the Series 2025 Bonds accrete in value at an assumed annual yield equal to 7.000% from their date of issuance. The accreted amount compounds annually on December 1, beginning on December 1, 2025, to and including December 1, 2030. Such accreted amount, together with the original principal amount of the Series 2025 Bonds, bears additional interest at the interest rate borne by the Series 2025 Bonds upon conversion to current interest bonds. The accreted 2025 Bonds principal balance at conversion on December 1, 2030, will be $12,420,000.

Upon conversion to current interest bonds, interest is payable semiannually on each June 1 and December 1 commencing on June 1, 2031. Annual principal payments are due on December 1 of each year, commencing on December 1, 2051, with a final maturity on September 1, 2055. If any amount of principal or interest on the Series 2025 Bonds remains unpaid after the application of all Pledged Revenue available therefore on December 2, 2065 (the Termination Date), the Series 2025 Bonds will be deemed terminated.

The Series 2025 Bonds are secured by and payable solely from and to the extent of Pledged Revenue which is defined generally in the Indenture as: (i) the Required Mill Levy; (ii) the Capital Fees; (iii) the portion of the Specific Ownership Tax which is collected as a result of imposition of the Required Mill Levy; and (iv) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Pledged Revenue.

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

$12,420,000 Series 2025 Limited Tax General Obligation Convertible Capital Appreciation Bonds (Continued)

Required Mill Levy

(a) Subject to the final paragraph of this definition, an ad valorem mill levy (a mill being equal to 1/10 of 1 cent) imposed upon all taxable property of the District each year in an amount sufficient to fund the Bond Fund for the relevant Bond Year and pay the Series 2025 Bonds, but (i) not in excess of 50 mills after taking into account such debt service mill levy as may be required to pay any Parity Bonds as they come due in the same Bond Year, without duplication, and (ii) for so long as the Surplus Fund is less than the Maximum Surplus Amount, not less than 40 mills, or such lesser mill levy which will fund the Bond Fund for the relevant Bond Year and pay the Series 2025 Bonds as they come due and will fund the Surplus Fund up to the Maximum Surplus Amount; provided however, that in the event the ratio of actual valuation to assessed valuation is or was changed after January 1, 2010, the minimum and maximum mill levies provided in the Indenture will be increased or decreased to reflect such changes, such increases or decreases to be determined by the Board in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenues generated by the mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes.

(b) Notwithstanding anything in the Indenture to the contrary, in no event: (i) may the Required Mill Levy be established at a mill levy which would cause the District to derive tax revenue in any year in excess of the maximum tax increases permitted by the District's electoral authorization or its Service Plan, and if the Required Mill Levy as calculated pursuant to the foregoing would cause the amount of taxes collected in any year to exceed the maximum tax increase permitted by the District's electoral authorization or its Service Plan, the Required Mill Levy shall be reduced to the point that such maximum tax increase is not exceeded; and (ii) shall the District be required to impose a Required Mill Levy which, when combined with any debt service mill levy required to be imposed under any indentures or resolutions pursuant to which Parity Bonds are issued, in excess of 50 mills, as adjusted in accordance with paragraph (a) above.

Capital Fees

Capital Fees is defined in the Indenture to mean the "Development Fees," including the revenue derived from any action to enforce the collection thereof, and the revenue derived from the sale or other disposition of property acquired by the District from any action to enforce the collection thereof. For the avoidance of doubt, the fees imposed and collected by the District pursuant to the Development Fee Resolution Regarding Sand Creek Channel Drainage, the Development Fee Resolution Regarding Water Services and Facilities, the Development Fee Resolution Regarding Sanitary Sewer Services and Facilities, and the Development Fee Resolution Regarding Water, Sewer, Open Space and Streetlight Services are specifically excluded from the definition of Capital Fees. The total fee amount is $2,800/unit. The Indenture defines "Development Fees" to mean the fees imposed and collected by the District pursuant to the Development Fee Resolution Regarding Capital Facilities Fees.

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

$12,420,000 Series 2025 Limited Tax General Obligation Convertible Capital Appreciation Bonds (Continued)

Optional Redemption

The Bonds are subject to redemption prior to maturity, at the option of the District, on December 1, 2028, 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
December 1, 2028 to November 30, 2029	3.00%
December 1, 2029 to November 30, 2030	2.00%
December 1, 2030 to November 30, 2031	1.00%
December 1, 2031 and thereafter	0.00%

Surplus Fund

Both the Series 2020 Bonds and the Series 2025 Bonds are additionally secured by the Surplus Fund, a portion of which initially will be funded with proceeds of the Bonds in the amount of $872,927 and a portion of which will be funded by a transfer from the Project Fund in the amount of $1,850,000 upon issuance of the Series 2025 Bonds as a advance by Classic SRJ. The Surplus Fund shall then be funded solely by Pledged Revenue that is not needed to pay debt service on the Series 2025 Bonds and Series 2020 Bonds in any year, up to the Maximum Surplus Amount of $6,257,855. The Surplus Fund is drawn upon in 2025 through 2028 and again in 2031 through 2033 to pay Trustee fees and annual debt service requirements of the Series 2025 Bonds. The Surplus Fund is drawn on again in 2050 upon the final maturity of the Series 2020 Bonds and then released in 2055 upon the final maturity of the Series 2025 Bonds. The Surplus Fund is to be maintained as provided in the Indenture for so long as any Bond or any Series 2020 Bond is outstanding.

The District acknowledges that State law places certain restrictions upon the use of amounts appropriated or added to the tax levy to pay the principal of, premium, and interest on any bonds, and any then existing pledge or encumbrance on such revenues.

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

$12,420,000 Series 2025 Limited Tax General Obligation Convertible Capital Appreciation Bonds (Continued)

Events of Default

The occurrence of any one or more of the following events or the existence of any one or more of the following conditions shall constitute an event of default under the indenture, and there shall be no default or event of default hereunder except as provided below:

a) The District fails or refuses to impose the Required Mill Levy or to apply the Pledged Revenue as required by the indenture;
b) The District defaults in the performance or observance of any of the covenants, agreements, or conditions on the part of the District in this indenture or the bond resolution, other than as described in the indenture; or
c) The District files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the Series 2025 Bonds.

It is acknowledged that due to the limited nature of the Pledged Revenue, the failure to pay the principal of or interest on the Series 2025 Bonds when due shall not, of itself, constitute an event of default under the indenture.

Upon the occurrence and continuance of an event of default, the Trustee shall have the following rights and remedies which may be pursued:

a) Receivership. Upon the filing of a bill in equity or other commencement of judicial proceedings to enforce the rights of the trustee and of the owners, the trustee shall be entitled as a matter of right to the appointment of a receiver or receivers of the trust estate, and of the revenues, income, product, and profits thereof pending such proceedings, subject however, to constitutional limitations inherent in the sovereignty of the District; but notwithstanding the appointment of any receiver or other custodian, the trustee shall be entitled to the possession and control of any cash, securities, or other instruments at the time held by, or payable or deliverable under the provisions of this Indenture to, the trustee.
b) Suit for judgment. The trustee may proceed to protect and enforce its rights and the rights of the owners under the act, the Series 2025 Bonds, the bond resolution, the indenture, and any provision of law by such suit, action, or special proceedings as the trustee, being advised by counsel, shall deem appropriate.
c) Mandamus or other suit. The trustee may proceed by mandamus or any other suit, action, or proceeding at law or in equity, to enforce all rights of the owners.

Notwithstanding the foregoing, acceleration is not to be an available remedy for an event of default.

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

$12,420,000 Series 2025 Limited Tax General Obligation Convertible Capital Appreciation Bonds (Continued)

Events of Default (Continued)

The District's long-term obligations on the Series 2025 Bonds mature as follows:

Year Ending December 31,	Principal	Interest	Total
2026	$ -	$ -	$ -
2027	-	-	-
2028	-	-	-
2029	-	-	-
2030	-	-	-
2031-2035	-	4,347,000	4,347,000
2036-2040	-	4,347,000	4,347,000
2041-2045	-	4,347,000	4,347,000
2046-2050	-	4,347,000	4,347,000
2051-2055	12,420,000	2,798,863	15,218,863
Total	$ 12,420,000	$ 20,186,863	$ 32,606,863

Developer Advances

Infrastructure Acquisition and Reimbursement Agreement

On June 21, 2022, the District entered into an Infrastructure Acquisition and Reimbursement Agreement with Classic SRJ, LLC (Developer, see Note 7) whereby the District agrees to reimburse the Developer for District Eligible Costs incurred on behalf of the District. The District agree to repay the Developer along with accrued interest at a rate of MMD AAA General Obligation Yield Curve, 30-Year constant maturity + 30bps per annum, but not to exceed the interest rate permitted by the Service Plan from the date of the advance resolution. The obligations of this agreement shall terminate at the earlier of repayment in full or twenty years from the date of the agreement or upon the occurrence of (i) the Developer's voluntary dissolution; (ii) administrative dissolution or (iii) the initiation of bankruptcy, receivership or similar process or actions with regard to the Developer.

As of December 31, 2025, outstanding Developer Advances under the agreement totaled $1,850,001 and accrued interest totaled $16,969.

Authorized Debt

Pursuant to the Consolidated Service Plan, the District, Sterling Ranch Metropolitan District No. 2, and Sterling Ranch Metropolitan District No. 3 are authorized to issue Debt up to $115,000,000 (Consolidated Service Plan Debt Issuance Limit) in total principal amount combined for all Districts. In no event is the District authorized to issue debt in excess of the Consolidated Service Plan Debt Issuance Limit, with the exception that such limit is not applicable to refunding's of the debt authorized to be issued under the Consolidated Service Plan. The maximum debt service mill levy is 50 mills subject to Gallagher Adjustment.

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Authorized Debt (Continued)

The District has voter authorization in excess of the Consolidated Service Plan Debt Issuance Limit as at the time of the election, the actual costs of construction were not known. Without knowing the costs of construction, it is not possible to allocate the Consolidated Service Plan Debt Issuance Limit by power (such as water, sewer, or streets). Therefore, the Consolidated Service Plan Debt Issuance Limit was voted in every power relative to debt for public improvements. With that understanding, on November 2, 2010, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed $410,000,000 at an interest rate not to exceed 18% per annum. At December 31, 2025, the District had authorized but unissued indebtedness of $375,020,000.

In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area.

NOTE 6 NET POSITION

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

The restricted component of net position consists of 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 a restricted net position as of December 31, 2025, as follows:

	Governmental Activities
Restricted Net Position:	
Debt Service Reserve	$ 2,527,969
Total Restricted Net Position	$ 2,527,969

The District has a deficit in unrestricted net position as a result of the District being responsible for the repayment of general obligation bonds issued to fund public infrastructure.

NOTE 7 RELATED PARTIES

The Developers of the property which constitutes the District are SR Land, LLC; SR Sewer, LLC; SR Water, LLC; Rhetoric, LLC; Elite Properties of America, Inc.; and Classic SRJ, LLC (Developer, or collectively, Developers). The members of the Board of Directors are officers of, employees of, or associated with the Developers and may have conflicts of interest in dealing with the District.

NOTE 7 RELATED PARTIES (CONTINUED)

During the year ended December 31, 2025, the District reimbursed Classic SRJ, LLC a total of $3,421,276 for advances the developer made previously to the district for public infrastructure under the Infrastructure Acquisition and Reimbursement Agreement (See Developer Advances under Note 5).

NOTE 8 ECONOMIC DEPENDENCY

The District has not yet established a revenue base sufficient to pay operational expenditures. Until an independent revenue base is established, continuation of operations in the District will be dependent upon funding by the Developer.

NOTE 9 AGREEMENTS AND COMMITMENTS

Infrastructure Acquisition Agreement

On October 21, 2015, the District entered into an Infrastructure Acquisition Agreement (the Agreement) with SR Sewer, LLC (Developer, see Note 7) whereby the Developer agrees to provide Acquisition Improvements on the District's behalf with the understanding that the District will pay agreed upon fees and acquire such Acquisitions Improvements. If not paid on a timely manner, the fees shall accrue simple interest at the maximum annual rate permitted by the service plan (i.e., prime rate plus two points).

On October 21, 2015, the District entered into an Infrastructure Acquisition Agreement (the Agreement) with SR Water, LLC (Developer, see Note 7) whereby the Developer agrees to provide Acquisition Improvements on the District's behalf with the understanding that the District will pay agreed upon fees and acquire such Acquisitions Improvements. If not paid on a timely manner, the fees shall accrue simple interest at the maximum annual rate permitted by the service plan (i.e., prime rate plus two points).

Amended and Restated Establishment Agreement of FAWWA

On December 17, 2021, District Nos. 1 - 3, The Retreat Metropolitan District No. 1 (Retreat No. 1) and The Retreat Metropolitan District No. 2 (Retreat No. 2 and together with Retreat No. 1, the Retreat Districts, and together with the Sterling Ranch Districts, the Members) entered into an Amended and Restated Intergovernmental Agreement for the Establishment of the Falcon Area Water and Wastewater Authority (the Amended and Restated Establishment Agreement). The Amended and Restated Establishment Agreement superseded and replaced the Original Establishment Agreement and, among other things, authorized the provision of wastewater improvements by the Falcon Area Water and Wastewater Authority and added the Retreat Districts as Members of the Authority. This agreement was amended on August 12, 2022.

NOTE 9 AGREEMENTS AND COMMITMENTS (CONTINUED)

Amended and Restated Establishment Agreement of FAWWA (Continued)

Effective on March 26, 2024, the District and the other members of the Falcon Area Water and Wastewater Authority approved a resolution to approve adding Sterling Ranch Metropolitan District No. 4 and Sterling Ranch Metropolitan District No. 5 as Small Members of the Authority and admit as parties to the Amended and Restated Establishment Agreement.

Effective on December 19, 2025, the District and the other members of the Falcon Area Water and Wastewater Authority approved a Resolution to Approve Adding Prairie Ridge Metropolitan District Nos. 1-3 as Small Members of the Authority. Prairie Ridge Metropolitan District Nos. 1-3 were admitted as Small Members and admitted as parties to the Amended and Restated Establishment Agreement.

Coordinating Services Agreement

On February 25, 2022, the District entered into a District Coordinating Services Agreement (Agreement) between the District and District No. 2 (Financing Districts) and District No. 3 (Operating District). The purpose of the Agreement is to set forth the rights and obligations of the Operating District and the Financing Districts to fund the public improvements and continued operation and maintenance of public improvements, in addition to the rights and obligations of the Operating District to operate and maintain the public improvements on behalf of the Financing Districts. The public improvements to be designed and constructed by the Operating District will benefit all property owners and residents within the Districts.

Subdivision Improvements Agreement

On January 5, 2022, the District entered into an agreement with SR Land, LLC, Rhetoric, LLC, and El Paso County whereby the county agrees to hold funds in escrow as required to record Filing 2 plat. The funds are partially remitted at different milestones of completion of work on capital projects concerning the District. The District originally sent funds on January 7, 2022, in the amount of $5,358,181. After partial disbursements since then, the balance on December 31, 2025, is $-0-.

NOTE 10 INTERFUND TRANSFER

The transfer of $2,722,927 from the Capital Project Fund to the Debt Service Fund was the related to the Series 2025 Bonds issuance funding of the Surplus Fund.

NOTE 11 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.

NOTE 11 RISK MANAGEMENT (CONTINUED)

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 any of the past three fiscal years.

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

NOTE 12 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 which apply to the state of Colorado and all local governments.

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

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. The Emergency Reserve is held by District No. 3. The District transfers its net operating revenue to District No. 3 pursuant to a Coordinating Services Agreement (Note 8). Therefore, the Emergency Reserves related to the District's revenues are reported in District No. 3.

On November 2, 2010, a majority of the District's electors authorized the District to collect and 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.

NOTE 12 TAX, SPENDING, AND DEBT LIMITATIONS (CONTINUED)

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

Annual operating revenue is limited to a 5.25% increase; such increase is determined based on a prior assessment period and adjusted for allowable exclusions and exemptions from qualified property tax revenues. As of December 31, 2025, the District was unable to impose the maximum General Fund mill levy as allowed in the Consolidated Service Plan, due to the constraints contained within the provisions of Section 29-1-1702.

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

STERLING RANCH 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 Original	Budget Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Property Taxes	$ -	$ -	$ (1,573)	$ (1,573)
Specific Ownership Taxes	-	823	789	(34)
Interest Income	23,000	75,000	39,277	(35,723)
District Impact Fees	168,000	56,000	11,200	(44,800)
Other Revenue	848	894	-	(894)
Total Revenues	191,848	132,717	49,693	(83,024)
EXPENDITURES				
County Treasurer's Fee	-	123	123	-
Paying Agent Fees	4,000	8,000	4,000	4,000
Bond Interest	1,146,569	1,146,569	1,146,569	-
Contingency	431	25,308	-	25,308
Total Expenditures	1,151,000	1,180,000	1,150,692	29,308
EXCESS OF REVENUES UNDER EXPENDITURES	(959,152)	(1,047,283)	(1,100,999)	(53,716)
OTHER FINANCING SOURCES				
Transfers From Other Funds	-	2,722,695	2,722,927	232
Total Other Financing Sources	-	2,722,695	2,722,927	232
NET CHANGE IN FUND BALANCE	(959,152)	1,675,412	1,621,928	(53,484)
Fund Balance - Beginning of Year	1,021,052	1,001,588	1,001,588	-
FUND BALANCE - END OF YEAR	$ 61,900	$ 2,677,000	$ 2,623,516	$ (53,484)

STERLING RANCH METROPOLITAN DISTRICT NO. 1
CAPITAL PROJECTS 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				
Interest Income	$ -	$ 168,000	$ 135,719	$ (32,281)
Other Revenue	-	82,294	81,876	(418)
Total Revenues	-	250,294	217,595	(32,699)
EXPENDITURES				
Intergovernmental Expenditures - SRMD No. 3	-	392,948	386,877	6,071
Capital Outlay	-	4,560,195	2,907,524	1,652,671
Bond Issue Costs	-	568,500	551,225	17,275
Contingency	-	14,581	-	14,581
Total Expenditures	-	5,536,224	3,845,626	1,690,598
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(5,285,930)	(3,628,031)	1,657,899
OTHER FINANCING SOURCES (USES)				
Bond Issuance Proceeds	-	8,729,273	8,729,273	-
Developer Advance - Classic SRJ	26,421	4,560,000	2,560,195	(1,999,805)
Repay Developer Advance	(2,721,383)	(5,421,081)	(3,421,276)	1,999,805
Transfers To Other Fund	-	(2,722,695)	(2,722,927)	(232)
Total Other Financing Sources (Uses)	(2,694,962)	5,145,497	5,145,265	(232)
NET CHANGE IN FUND BALANCE	(2,694,962)	(140,433)	1,517,234	1,657,667
Fund Balance - Beginning of Year	2,694,962	2,856,433	2,856,433	-
FUND BALANCE - END OF YEAR	$ -	$ 2,716,000	$ 4,373,667	$ 1,657,667

OTHER INFORMATION

STERLING RANCH METROPOLITAN DISTRICT NO. 1
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2025

Year Ending December 31,	\$22,560,000 Limited Tax General Obligation Bonds Dated December 1, 2020 Interest Rate 5.00% - 5.125% Interest Payable June 1 and December 1 Principal Payable December 1		\$8,729,273 (Value at Issuance) \$12,420,000 (Value at End of Accretion) Limited Tax General Obligation Convertible Capital Appreciation Bonds Dated October 16, 2025 Interest Rate 7.00% Interest Payable June 1 and December 1 Principal Payable December 1		
	Principal	Interest	Principal	Interest	Total
2026	$ -	$ 1,146,569	$ -	$ -	$ 1,146,569
2027	-	1,146,569	-	-	1,146,569
2028	250,000	1,146,569	-	-	1,396,569
2029	385,000	1,134,069	-	-	1,519,069
2030	435,000	1,114,819	-	-	1,549,819
2031	455,000	1,093,069	-	869,400	2,417,469
2032	510,000	1,070,319	-	869,400	2,449,719
2033	535,000	1,044,819	-	869,400	2,449,219
2034	590,000	1,018,069	-	869,400	2,477,469
2035	620,000	988,569	-	869,400	2,477,969
2036	685,000	957,569	-	869,400	2,511,969
2037	720,000	923,319	-	869,400	2,512,719
2038	790,000	887,319	-	869,400	2,546,719
2039	830,000	847,819	-	869,400	2,547,219
2040	900,000	806,319	-	869,400	2,575,719
2041	945,000	761,319	-	869,400	2,575,719
2042	1,030,000	712,888	-	869,400	2,612,288
2043	1,085,000	660,100	-	869,400	2,614,500
2044	1,175,000	604,494	-	869,400	2,648,894
2045	1,235,000	544,275	-	869,400	2,648,675
2046	1,335,000	480,981	-	869,400	2,685,381
2047	1,400,000	412,563	-	869,400	2,681,963
2048	1,510,000	340,813	-	869,400	2,720,213
2049	1,585,000	263,425	-	869,400	2,717,825
2050	3,555,000	182,194	-	869,400	4,606,594
2051	-	-	1,940,000	869,400	2,809,400
2052	-	-	2,135,000	733,600	2,868,600
2053	-	-	2,280,000	584,150	2,864,150
2054	-	-	2,500,000	424,550	2,924,550
2055	-	-	3,565,000	187,163	3,752,163
Total	$ 22,560,000	$ 20,288,837	$ 12,420,000	$ 20,186,863	$ 75,455,700

STERLING RANCH METROPOLITAN DISTRICT NO. 1
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2025

			Total Mills Levied			Total Property Taxes		Percent
Year Ended December 31,	Assessed Valuation	Percent Change	General Operations	Debt Service	Total	Levied	Collected	Collected to Levied
2020/2021	$ 65,010	0.1%	11.132	44.531	55.663	$ 3,636	$ 3,636	100.00 %
2021/2022	241,170	271.0%	11.132	55.664	66.796	16,109	16,109	100.00 %
2022/2023	240,960	-0.1%	11.139	55.702	66.841	16,106	16,106	100.00 %
2023/2024	4,900	-98.0%	10.534	52.670	63.204	310	(19,172)	(6184.52)%
2024/2025	158,160	3127.8%	10.403	52.016	62.419	9,872	(1,887)	(19.11)%
Estimated for Year Ending December 31, 2026	$ 479,120	202.9%	5.898	42.962	48.860	$ 23,410		

Note:
Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the Treasurer does not permit identification of specific year of levy.

Source: El Paso County Assessor and Treasurer.