Thompson Crossing Metropolitan District No. 2
Financial Statements

December 31, 2025

Thompson Crossing Metropolitan District No. 2
Financial Statements
December 31, 2025

Table of Contents

M & A

McMahan and Associates, L.L.C.

Certified Public Accountants and Consultants

Web Site: www.McMahanCPA.com Main Office: (970) 845-8800

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Thompson Crossing Metropolitan District No. 2
Larimer County, Colorado

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of 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

The District's management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

The budgetary comparison information in section E is not a required part of the basic financial statements but is supplementary information required by U.S. GAAP. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The individual fund budgetary comparison in Section F is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison found in Section F is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
Avon, Colorado
July 21, 2026

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Thompson Crossing Metropolitan District No. 2
Statement of Net Position
December 31, 2025

Assets:	
Cash and equivalents - Unrestricted	462,410
Cash and equivalents - Restricted	461,263
Amounts due from County	70,807
Property taxes receivable	2,152,328
Other receivables	3,879
Prepaid expenses	7,355
Capital assets, net	6,666,166
Total Assets	9,824,208
Deferred Outflow of Resources:	
Deferred charge on refunding	925,680
Total Deferred Outflow of Resources	925,680
Liabilities:	
Current liabilities:	
Accounts payable	6,154
Non-current liabilities due in less than one year:	
Bonds payable	445,000
Accrued interest payable	71,465
Non-current liabilities due in excess of one year:	
Bonds payable	19,434,457
Note payable	475,000
Developer advances	2,157,755
Accrued interest payable	10,493,856
Total Liabilities	33,083,687
Deferred Inflow of Resources:	
Property tax revenue	2,152,328
Total Deferred Inflow of Resources	2,152,328
Net Position:	
Net investment in capital assets	(14,920,366)
Restricted for debt service	803,590
Restricted for emergencies	25,839
Unrestricted	(10,395,190)
Total Net Position	(24,486,127)

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

Thompson Crossing Metropolitan District No. 2
Statement of Activities
For the Year Ended December 31, 2025

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Functions/Programs:					
Governmental activities:					
General government	323,493	-	204,403	709,704	590,614
Interest on long-term debt	1,019,831	-	-	-	(1,019,831)
Total primary government	1,343,324	-	204,403	709,704	(429,217)
General revenues:					
Taxes:					
Property tax					2,069,768
Specific ownership tax					129,314
Other income					3,879
Interest income					20,672
Total General Revenues					2,223,633
Change in Net Position					1,794,416
Net Position - Beginning, as previously reported					(25,779,479)
Restatement Due To Error Correction					(501,064)
Net Position - Beginning, as restated					(26,280,543)
Net Position - Ending					(24,486,127)

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

FUND FINANCIAL STATEMENTS

Thompson Crossing Metropolitan District No. 2
Balance Sheet
Governmental Funds
December 31, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Assets:				
Cash and equivalents - Unrestricted	162,768	299,642	-	462,410
Cash and equivalents - Restricted	-	461,263	-	461,263
Amounts due from County	28,122	42,685	-	70,807
Property taxes receivable	849,897	1,302,431	-	2,152,328
Other receivables	3,879	-	-	3,879
Prepaid expenditures	7,355	-	-	7,355
Total Assets	1,052,021	2,106,021	-	3,158,042
Liabilities:				
Accounts payable	6,154	-	-	6,154
Total Liabilities	6,154	-	-	6,154
Deferred Inflow of Resources:				
Unavailable property tax revenue	849,897	1,302,431	-	2,152,328
Total Deferred Inflow of Resources	849,897	1,302,431	-	2,152,328
Fund Balances:				
Nonspendable	7,355	-	-	7,355
Restricted for debt service	-	803,590	-	803,590
Restricted for emergencies	25,839	-	-	25,839
Unassigned	162,776	-	-	162,776
Total Fund Balances	195,970	803,590	-	999,560
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	1,052,021	2,106,021	-	3,158,042

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

Thompson Crossing Metropolitan District No. 2
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2025

Governmental Funds Total Fund Balance		999,560
Capital assets used in governmental activities are not considered current financial resources and, therefore, are not reported in the funds. Details of these amounts are as follows:		
Capital assets	9,135,353	
Accumulated depreciation	(2,469,187)	
		6,666,166
Deferred outflows are not available for current period expenditures and therefore, are not reported in the funds. This represents the District's deferred charges on refunding.		925,680
Long-term liabilities, including bonds payable, notes payable and developer advances are not due and payable in the current period and, therefore, are not reported in the funds. This is the amount of District long-term liabilities:		
Bonds payable	(18,645,000)	
Bond issuance premium	(1,234,457)	
Note payable	(475,000)	
Developer advances	(2,157,755)	
Accrued interest payable	(10,565,321)	
		(33,077,533)
Net Position of Governmental Activities		(24,486,127)

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

Thompson Crossing Metropolitan District No. 2
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Revenues:				
Property taxes	789,855	1,279,913	-	2,069,768
Specific ownership taxes	49,357	79,957	-	129,314
Capital Reimbursements	-	-	709,704	709,704
Sales Tax Reimbursement	-	-	204,403	204,403
Other income	3,879	-	-	3,879
Interest income	18,213	2,459	-	20,672
Total Revenues	861,304	1,362,329	914,107	3,137,740
Expenditures:				
General government	163,461	26,420	-	189,881
Debt service				
Principal	-	410,000	1,091,741	1,501,741
Interest	-	869,050	448,138	1,317,188
Capital outlay	-	-	738	738
Total Expenditures	163,461	1,305,470	1,540,617	3,009,548
Excess (Deficiency) of Revenues over Expenditures	697,843	56,859	(626,510)	128,192
Other Financial Sources (Uses):				
Transfers in	-	-	522,865	522,865
Transfers (out)	(522,865)	-	-	(522,865)
Total Other Financing Sources (Uses)	(522,865)	-	522,865	-
Net Change in Fund Balances	174,978	56,859	(103,645)	128,192
Fund Balances - Beginning	20,992	746,731	371,811	1,139,534
Restatement Due to Error Correction	-	-	(268,166)	(268,166)
Fund Balances - Beginning as Restated	20,992	746,731	103,645	871,368
Fund Balances - Ending	195,970	803,590	-	999,560

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

Thompson Crossing Metropolitan District No. 2
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2025

Net change in fund balances for total governmental funds		128,192
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of the assets is allocated over their estimated useful lives as depreciation expense. This is the net difference between depreciation and capital additions during the year. Details of these differences are as follows:		
Capital additions	738	
Depreciation expense	(133,613)	
		(132,875)
The repayment of the principal of long-term debt consumes current financial resources of governmental funds. This transaction, however, has no effect on net position. This amount is the net effect of these differences in the treatment of long-term debt repayments.		
Principal repayments - Bonds payable	410,000	
Amortization of premium on bonds payable	58,784	
Developer advances	1,091,741	
Amortization of bond refunding loss	(44,080)	
		1,516,445
The change in accrued interest reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds.		282,654
Change in Net Position of Governmental Activities		1,794,416

NOTES TO THE FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

Thompson Crossing Metropolitan District No. 2 (the “District”) was established in 2001, as a quasi-municipal corporation of the State of Colorado. The District was formed to serve the public improvement needs of the Thompson Crossing community. The District has the authority to finance, design, construct and install a portion of improvements including water, storm sewer, sanitation, streets, traffic safety, parks and recreation, and covenant enforcement in an area of approximately 381 acres of land divided into several development areas planned for residential and commercial uses. The District is one of six districts organized under the Modified Consolidated Service Plan for Thompson Crossing Metropolitan District Nos. 1-6, approved by the Town of Johnstown, Colorado on October 3, 2005, as may be amended from time to time (the “Service Plan”). The Service Plan governs the District’s powers, debt limitations, mill levy caps, and relationship to the other Thompson Crossing Metropolitan Districts.

The District’s financial statements are prepared in accordance with generally accepted accounting principles (“GAAP”). The Governmental Accounting Standards Board (“GASB”) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established by GAAP used by the District are discussed below.

A. Reporting Entity

The reporting entity consists of (a) the primary government; i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits, to, or to impose specific financial burdens on, the District. Consideration is also given to other organizations which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria discussed above, the District is not financially accountable for any other entity, nor is the District a component unit of any other government.

B. Government-wide and Fund Financial Statements

The District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). Both the government-wide and fund financial statements categorize primary activities as governmental type.

1. Government-wide Financial Statements

In the government-wide Statement of Net Position, all balances are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The government-wide focus is on the sustainability of the District as an entity and the change in the District’s net position resulting from the current year’s activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

I. Summary of Significant Accounting Policies (continued)

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

2. Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The fund focus is on current available resources and budget compliance.

The District reports the following governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *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* accounts for revenues that are required to be used for capital projects.

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

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements. Financial statement presentation refers to classification of revenues by source and expenses by function.

1. Long-term Economic Focus and Accrual Basis

Governmental activities in the government-wide financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

2. Current Financial Focus and Modified Accrual Basis

The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter (60 days) to be used to pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

I. Summary of Significant Accounting Policies (continued)

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

3. Financial Statement Presentation

Amounts reported as program revenues include capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and interest income.

D. Financial Statement Accounts

1. Cash and Cash Equivalents

Cash and equivalents are defined as deposits that can be withdrawn at any time without notice or penalty and investments with maturities of three months or less.

Investments are stated at net asset value. The change in net asset value or fair value of investments is recognized as an increase or decrease to investment assets and investment income. The District's investment policy is detailed in note III.A.

2. Receivables

Receivables are reported net of an allowance for uncollectible accounts. There was no allowance as of December 31, 2025.

3. Prepaid Expenses

Prepaid expenses represent costs incurred in advance for goods or services that will be consumed or utilized in future periods. These amounts are recorded as assets at the time of payment and are subsequently expensed over the period in which the related benefits are received.

4. Property Taxes

Property taxes are assessed in one year as a lien on the property, but not collected by governmental units until the subsequent year. In accordance with GAAP, the assessed but uncollected property taxes have been recorded as a receivable and as deferred inflow of resources.

5. Capital Assets

Capital assets, which include construction in progress, land, buildings, equipment, vehicles, and infrastructure assets, are reported in the governmental activity columns in the government-wide financial statements. The District defines capital assets as assets with an initial cost of $5,000 or more and an estimated useful life in excess of five years. Such assets are recorded at historical cost. Donated capital assets are recorded at acquisition value at the date of donation.

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

5. Capital Assets (continued)

Capital outlay for projects is capitalized as projects are constructed. Interest incurred during the construction phase is expensed as incurred. Infrastructure, buildings, and equipment are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Roads	40
Parks and recreation	25
Potable Water	5-40
Sewer and Storm Sewer	5-40

6. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred charge on refunding resulted from the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Unavailable property tax revenue is deferred and recognized as an inflow of resources in the period that the amounts become available and earned.

7. Long-term Obligations

The District's long-term obligations consist of outstanding bonds and developer advances. These obligations are recorded in the government-wide financial statements, at their principal amounts, net of any applicable bond discounts or premiums, which are amortized over the life of the related debt using the effective interest method.

Bonds payable – represent limited tax general obligation bonds issued to finance infrastructure and capital improvements. Interest on bonds is recognized as an expense when incurred, and principal payments are made in accordance with the debt service schedule.

Developer advances - represent funds provided by developers for initial infrastructure and operational costs. These advances bear interest at rates specified in agreements between the District and developers. Repayment of advances is contingent upon the availability of certain future revenues.

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

7. Long-term Obligations (continued)

Debt issuance costs, excluding prepaid bond insurance, are expensed as incurred in accordance with applicable accounting standards.

8. Fund Balance

The District classifies governmental fund balances as follows:

Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority which is the Board of Directors.

Assigned – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Board of Directors or its management designee.

Unassigned – includes residual positive fund balance within the General Fund which has not been classified within the other above-mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The District uses restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the District first uses committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The District does not have a formal minimum fund balance policy. However, the District's budget includes a calculation of targeted reserve positions and management reports the targeted amounts annually to Board of Directors.

E. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the District's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

II. Stewardship, Compliance, and Accountability

A. Budgetary Information

In the fall of each year, the District's Board of Directors formally adopts a budget with appropriations by fund for the ensuing year pursuant to the Local Government Budget Law of Colorado. The budgets for the funds are adopted on a basis consistent with generally accepted accounting principles ("GAAP").

As required by Colorado statutes, the District followed the following timetable in approving and enacting a budget for 2025:

(1) For the 2025 budget year, prior to August 25, 2024, the County Assessor sent to the District the certified assessed valuation of all taxable property within the District's boundaries and prior to December 10, 2024, the County Assessor sent the final recertified assessed valuation to the District.

(2) On or before October 15, 2024, the District's accountant submitted to the District's Board of Directors a recommended budget which detailed the necessary property taxes needed along with other available revenues to meet the District's operating requirements.

(3) A public hearing on the proposed budget and capital program was held by the Board no later than 45 days prior to the close of the fiscal year.

(4) For the 2025 budget, prior to December 15, 2024, the District computed and certified to the County Commissioners a rate of levy that derived the necessary property taxes as computed in the proposed budget.

(5) For the 2025 budget, the final budget and appropriating resolution was adopted prior to December 31, 2024.

After adoption of the budget resolution, the District may make the following changes: a) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; b) it may approve supplemental appropriations to the extent of revenues in excess of the estimated in the budget; c) it may approve emergency appropriations; and d) it may reduce appropriations for which originally estimated revenues are insufficient.

Taxes levied in one year are collected in the succeeding year. Taxes certified in 2024 were collected in 2025 and taxes certified in 2025 will be collected in 2026. Taxes are due on January 1st in the year of collection; however, they may be paid in either one installment (no later than April 30th) or two equal installments (not later than February 28th and June 15th) without interest or penalty. Taxes which are not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 15th.

The level of control in the budget at which expenditures exceed appropriations is at the fund level. All appropriations lapse at year end.

The Capital Projects Fund exceeded appropriations during the year ended December 31, 2025, which may be a violation of State Statutes.

II. Stewardship, Compliance, and Accountability (continued)

B. TABOR Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government. Any revenues earned in excess of the fiscal year spending limit must be refunded in the next fiscal year, unless voters approve retention of such excess revenue.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR also requires local governments to establish an emergency reserve to be used for declared emergencies only. The reserve is calculated at 3% of fiscal year spending. Fiscal year spending excludes bonded debt service and enterprise spending. The District has reserved $25,839, which is the approximate required reserve, at December 31, 2025.

Under TABOR, the initial base for local government spending and revenue limits is December 31, 1992, fiscal year spending. Future spending and revenue limits are determined based on the prior year's fiscal year spending adjusted for inflation in the prior calendar year plus annual local growth. Fiscal year spending is generally defined as expenditures and reserve increases with certain exceptions. Revenue, if any, in excess of the fiscal year spending limit must be refunded in the next fiscal year unless voters approve retention of such revenue.

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

III. Detailed Notes on all Funds

A. Deposits and Investments

The District's deposits are entirely covered by federal depository insurance ("FDIC") or by collateral held under Colorado's Public Deposit Protection Act ("PDPA"). The FDIC insures the first $250,000 of the District's deposits at each financial institution. Deposit balances over $250,000 are collateralized as required by PDPA. The carrying amount of the District's demand deposits was $572,448 at year end.

III. Detailed Notes on all Funds (continued)

A. Deposits and Investments (continued)

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments, and entities such as the District, may invest which include:

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market mutual funds
- Guaranteed investment contract
- Local government investment pools

Interest Rate Risk. As a means of limiting its exposure to interest rate risk, the District diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer and type of issuer. The District coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term to less than five years (less in some cases) from the purchase date. As a result of the limited length of maturities the District has limited its interest rate risk.

Credit Risk. District investment policy limits investments to those authorized by State statutes. The District's general investment policy is to apply the prudent-person rule: investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

Concentration of Credit Risk. The District diversifies its investments by security type and institution. Financial institutions holding District funds must provide the District a copy of the certificate from the Banking Authority that states that the institution is an eligible public depository.

At year end, the District had the following deposits and investments and maturities:

	Standard & Poors Rating	Carrying Amounts	Term to Maturity: Less than one year	Term to Maturity: More than one year
Deposits:				
Checking and savings	Not rated	572,448	572,448	-
Investments:				
Investment pool	AAAm	351,225	351,225	-
		923,673	923,673	-

III. Detailed Notes on all Funds (continued)

A. Deposits and Investments (continued)

At December 31, 2025, the District had the following recurring fair value measurements:

Investments Measured at Net Asset Value	Total
Colotrust Plus+	351,225
	351,225

Fair Value of Investments. The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

Investments classified in Level 1 are valued using prices quoted in active markets for those securities. Investments classified in Level 2 are valued using the following approaches:

- U.S. Treasuries, U.S. Agencies, and Commercial Paper: quoted prices for identical securities in markets that are not active;
- Repurchase Agreements, Negotiable Certificates of Deposit, and Collateralized Debt Obligations: matrix pricing based on the securities' relationship to benchmark quoted prices;
- Money Market, Bond, and Equity Mutual Funds: published fair value per share (unit) for each fund.

The Investment Pool represents investments in COLOTRUST. The net asset value of the pool is determined by the pool's share price. The District has no regulatory oversight for the pool. At December 31, 2025, the District's investments in COLOTRUST were 100% of the District's investment portfolio.

At December 31, 2025, District had invested $351,225 in the Colorado Local Government Liquid Asset Trust (the "Trust") an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commission administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to $1. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. COLOTRUST PRIME invests only in U.S. Treasury and government agencies. COLOTRUST PLUS+ can invest in U.S. Treasury, government agencies, and in the highest-rate commercial paper. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as a 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. The Trust is rated AAAm by Standard and Poor's and is measured at net asset value. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

The District had $461,263 restricted cash and equivalents in the Debt Service Fund as of December 31, 2025.

III. Detailed Notes on all Funds (continued)

B. Capital Assets

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

	Beginning Balance (as restated)	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	-	475,000	-	475,000
Construction in progress	5,986,601	738	-	5,987,339
Capital assets, being depreciated:				
Infrastructure	2,673,014	-	-	2,673,014
Total capital assets	8,659,615	475,738	-	9,135,353
Less accumulated depreciation for:				
Infrastructure	(2,335,574)	(133,613)	-	(2,469,187)
Total accumulated depreciation	(2,335,574)	(133,613)	-	(2,469,187)
Net Capital Assets	6,324,041	342,125	-	6,666,166

Depreciation and amortization expense and capital outlay expenditures are classified by function as follows:

	Capital Outlay	Depreciation Expense
General Government	-	133,613
Public works	738	-
	738	133,613

C. Long-term Obligations

1. Series 2016A and Series 2016B General Obligation Bonds

On November 22, 2016 the District issued two series of general obligation bonds totaling $20,620,000, consisting of:

- $6,460,000 General Obligation (Limited Tax Convertible to Unlimited Tax) Refunding Bonds, Series 2016A (the “Series 2016A Bonds”) and
- $14,160,000 General Obligation (Limited Tax Convertible to Unlimited Tax) Bonds, Series 2016B (the “Series 2016B Bonds”)

The Series 2016A Bonds were issued to advance refund all outstanding Series 2010 Bonds, fund a debt service reserve fund, and pay costs of issuance. The Series 2016B Bonds were issued to finance public infrastructure improvements within the District, fund a reserve fund, capitalize initial interest, and pay issuance costs. The bonds bear interest at fixed rates ranging from approximately 2.00% to 5.00% and mature annually through December 1, 2046, with interest payable semiannually on June 1 and December 1.

III. Detailed Notes on all Funds (continued)

C. Long-term Obligations (continued)

1. Series 2016A and Series 2016B General Obligation Bonds (continued)

The bonds are not secured by a lien on District assets but by pledged tax revenues and amounts held in the bond and reserve funds. Each series will convert independently to unlimited tax general obligations when the District's debt-to-assessed valuation ratio declines to 50% or less. Conversion is automatic and permanent; however, there is no assurance as to the timing of such conversion.

2. Developer Advances

The District entered into an Advance and Reimbursement Agreement with 2534 Development, Inc. in 2005 to provide a mechanism for funding certain public improvements and organizational costs of the District. Under the Agreement, the Developer may, at its sole discretion, advance funds to the District for the construction and installation of public infrastructure and related improvements, as well as for costs associated with the organization, administration, and development of the District. The District is obligated to reimburse the Developer for eligible advances, plus interest at a stated rate of 7% per annum.

In 2005, the District entered into an Advance and Reimbursement Agreement with 2534 Holdings, LLC under which the developer may advance funds to finance public infrastructure and related costs of the District. The District agrees to reimburse such advances, together with interest at 7% per annum, subject to annual appropriation and the availability of funds after payment of operations, capital, and debt service obligations.

In 2005, the District entered into an Advance and Reimbursement Agreement with Gerrard Family Limited Partnership, LLLP, under which the developer may advance funds to finance public infrastructure improvements and related District costs. The District agrees to reimburse such advances, together with interest at 7% per annum, from legally available funds, subject to annual appropriation and budget approval, and only after payment of operations, capital, and debt service obligations.

In 2005, the District entered into an Advance and Reimbursement Agreement with Thompson Ranch Development Co. under which the developer may advance funds to finance public infrastructure improvements and related District costs. The District agrees to reimburse such advances, together with interest at 7% per annum, from legally available funds, subject to annual appropriation and budget approval, and only after payment of operations, capital, and debt service obligations.

The District entered into a Construction Funding Loan Agreement with Gary Gerrard in 2023 under which the developer agreed to advance funds to finance the construction of public infrastructure improvements. The loan provides for advances up to a maximum principal amount of $1,305,000. Advances bear interest at 5.50% per annum (simple interest) from the date of each draw until repayment or conversion to a reimbursement obligation; accrued interest may be capitalized into principal upon issuance of such obligations.

III. Detailed Notes on all Funds (continued)

C. Long-term Obligations (continued)

2. Developer Advances (continued)

The District entered into a Construction Funding Loan Agreement with Dale Boehner in 2023 under which the developer agreed to advance funds to finance the construction of public infrastructure improvements. The loan provides for advances up to a maximum principal amount of approximately $1,305,000, to be disbursed as needed for project costs. Advances bear interest at 5.50% per annum (simple interest) from the date funds are drawn until repayment or conversion to a formal reimbursement obligation; accrued interest may be capitalized into principal upon issuance of such obligations.

3. Related Party Loan Agreement – Outlot A

On October 17, 2025, the District entered into an Outlot A Loan Agreement with Reagan West Properties, LLC (the “Lender”) pursuant to which the Lender extended credit to the District in the principal amount of $475,000 to finance the acquisition of land for use as public open space. The interest rate will be the Municipal Market Data (“MMD”) AAA 30-year General Obligation Index rate as of October 17, 2025, plus the number of basis points necessary to equal 7%, not to exceed 400 basis points above the MMD AAA Index. The District intends to repay the loan from ad valorem property taxes, fees, and other legally available revenues (net of debt service and operations & maintenance costs). The obligation terminates no later than thirty years from the agreement date, subject to Service Plan limitations. A maximum mill levy of 50 mills applies for repayment purposes, subject to additional restrictions. The District may (and upon Lender request, agrees to) issue Bonds or Notes (“Reimbursement Obligations”) to evidence and refinance amounts due under the Loan on market terms, subject to applicable Colorado law, voter authorization (if required), and securities exemptions. The Lender is an entity affiliated with individuals who have connections to the District (including signatories and attestors on the agreement). The transaction was approved by the District’s Board as serving a valid public purpose and was structured in accordance with Colorado metropolitan district statutes.

The District was deemed to have incurred an obligation hereunder to reimburse Lender for the Loan, at Closing upon the conveyance of the land to the District. The closing occurred in December 2025 and is therefore recorded as a note payable as of December 31, 2025.

III. Detailed Notes on all Funds (continued)

C. Long-term Obligations (continued)

The District had the following changes in long-term obligations for the year ended December 31, 2025:

	Beginning Balance (as restated)	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
Limited Tax G.O. Bonds, Series 2016A	5,500,000	-	(245,000)	5,255,000	265,000
Limited Tax G.O. Bonds, Series 2016B	13,555,000	-	(165,000)	13,390,000	180,000
Total bonds payable:	19,055,000	-	(410,000)	18,645,000	445,000
Bond Premium	1,293,240	-	(58,783)	1,234,457	-
Developer advances	3,249,496	-	(1,091,741)	2,157,755	-
Note payable	-	475,000	-	475,000	-
Accrued interest	10,847,975	165,483	(448,137)	10,565,321	71,465
Total	34,445,711	640,483	(2,008,661)	33,077,533	516,465

4. Annual Debt Service Requirements

Annual debt service requirements to maturity for the Series 2016A and Series 2016B Bonds are as follows:

	Principal	Interest	Total
2026	445,000	857,575	1,302,575
2027	460,000	845,125	1,305,125
2028	495,000	827,625	1,322,625
2029	515,000	808,675	1,323,675
2030	575,000	788,925	1,363,925
2031-2035	3,565,000	3,498,701	7,063,701
2036-2040	4,785,000	2,620,244	7,405,244
2041-2045	6,030,000	1,390,000	7,420,000
2046	1,775,000	88,750	1,863,750
Total	18,645,000	11,725,620	30,370,620

D. Defeased Bonds

Proceeds of the General Obligation Refunding Bonds, Series 2016A, in the amount of $6,111,115 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments of the General Obligation Bonds, Series 2010. The advance refunding resulted in the recognition of an accounting loss of $1,322,402. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the financial statements.

As of December 31, 2025, the outstanding principal balance of defeased bonds was $4,065,000.

III. Detailed Notes on all Funds (continued)

E. Authorized Debt

In 2001, the District authorized general obligation debt. Under C.R.S. 32-1-1101(2) voter authorization of debt expires twenty years after the date of the election when voters authorized the debt. The District's debt authorization expired November 2021, per statute. No additional debt may be issued under the expired authorization without subsequent voter approval at an election.

Per the Consolidated Service Plan dated October 3, 2005, the maximum amount of debt that Thompson Crossing Metropolitan Districts 1 through 6 may have outstanding at any one time is $65,000,000.

IV. Other Information

A. Risk Management

Colorado Special Districts Property and Liability Pool

The District is exposed to various risks of loss related to workers' compensation, general liability, and worker unemployment. The District has acquired commercial coverage for these risks. Any settled claims are not expected to exceed the commercial insurance coverage. The District is also exposed to the risks of loss related to torts, theft of, damage to, and destruction of assets, and errors or omissions.

B. Commitments and Contingencies

During the normal course of business, the District may incur claims and other assertions against it from various agencies and individuals. Management of the District and their legal representatives have disclosed that they are not aware of any material outstanding claims against the District at December 31, 2025.

C. Related Parties

The Developer's representatives make up the majority of the members of the Board of Directors. The Developer advances through December 31, 2025 aggregated $2,157,755.

There is a Related Party Loan Agreement, please reference Note III.C.3.

IV. Other Information (continued)

D. Restatements of Fund Balances and Net Position

The District has restated beginning fund balances and net position as follows:

	12/31/2024 As Previously Reported	Error Correction	12/31/2024 As Restated
Government-Wide:			
Governmental activities	$(25,779,479)	$ (501,064)	$(26,280,543)
Total Primary Government	$(25,779,479)	$ (501,064)	$(26,280,543)
Governmental Funds:			
Capital Projects Fund	$ 371,811	$ (268,166)	$ 103,645
Total Governmental Funds	$ 371,811	$ (268,166)	$ 103,645

In 2025, the District discovered that developer advances of $490,504 and capital asset additions of $239,056 were not recorded. Additionally, interest expense was overstated in the prior year by $18,550.

In 2025, the District found some erroneously recorded receivables that are not due to the District. This resulted in a decrease of $268,166 to the Capital Projects Fund fund balance.

REQUIRED SUPPLEMENTARY INFORMATION

Thompson Crossing Metropolitan District No. 2
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Governmental Funds - General Fund
For the Year Ended December 31, 2025

	Original and Final Budget	Actual	Final Budget Variance Positive (Negative)
Revenues:			
Property taxes	789,556	789,855	299
Specific ownership taxes	47,373	49,357	1,984
Other income	-	3,879	3,879
Interest income	15,000	18,213	3,213
Total Revenues	851,929	861,304	9,375
Expenditures:			
General government:			
Insurance	7,400	7,059	341
Accounting and auditing	38,700	35,690	3,010
Legal	80,000	78,454	1,546
Management	17,050	17,050	-
Elections	15,000	6,146	8,854
Treasurer fees	15,791	15,810	(19)
Administration - Other	4,500	3,252	1,248
Contingency	5,000	-	5,000
Total Expenditures	183,441	163,461	19,980
Excess (Deficiency) of Revenues Over Expenditures	668,488	697,843	29,355
Other Financing Sources:			
Transfers (out)	(750,000)	(522,865)	227,135
Total Other Financing Sources	(750,000)	(522,865)	227,135
Net Change in Fund Balance	(81,512)	174,978	256,490
Fund Balance - Beginning	376,221	20,992	(355,229)
Fund Balance - Ending	294,709	195,970	(98,739)

SUPPLEMENTARY INFORMATION

Thompson Crossing Metropolitan District No. 2
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Governmental Funds - Debt Service Fund
For the Year Ended December 31, 2025

	Original and Final Budget	Actual	Final Budget Variance Positive (Negative)
Revenues:			
Property taxes	1,279,051	1,279,913	862
Specific ownership taxes	76,743	79,957	3,214
Interest income	5,000	2,459	(2,541)
Total Revenues	1,360,794	1,362,329	1,535
Expenditures:			
General government:			
Treasurer fees	25,581	25,620	(39)
Bank and trustee fees	800	800	-
Debt service:			
Principal payments	410,000	410,000	-
Interest payments	869,050	869,050	-
Contingency	5,000	-	5,000
Total Expenditures	1,310,431	1,305,470	4,961
Net Change in Fund Balance	50,363	56,859	6,496
Fund Balance - Beginning	640,138	746,731	106,593
Fund Balance - Ending	690,501	803,590	113,089

Thompson Crossing Metropolitan District No. 2
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Governmental Funds - Capital Projects Fund
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Final Budget Variance Positive (Negative)
Revenues:				
Capital reimbursements	-	396,892	709,704	312,812
Sales tax reimbursements	-	220,000	204,403	(15,597)
Total Revenues	-	616,892	914,107	297,215
Expenditures:				
General government:				
Accounting and consulting	10,000	10,000	-	10,000
Engineering and review	100,000	50,000	-	50,000
Debt Service:				
Principal payments	750,000	1,213,521	1,091,741	121,780
Interest payments	-	-	448,138	(448,138)
Capital outlay	200,000	125,000	738	124,262
Total Expenditures	1,060,000	1,398,521	1,540,617	(142,096)
Excess (Deficiency) of Revenues Over Expenditures	(1,060,000)	(781,629)	(626,510)	155,119
Other Financing Sources:				
Developer advances	310,000	-	-	-
Transfers in	750,000	700,000	522,865	(177,135)
Total Other Financing Sources	1,060,000	700,000	522,865	(177,135)
Net Change in Fund Balance	-	(81,629)	(103,645)	(22,016)
Fund Balance - Beginning	31,787	371,811	371,811	-
Restatement Due to Error Correction	-	-	(268,166)	(268,166)
Fund Balances - Beginning as Restated	31,787	371,811	103,645	(268,166)
Fund Balance - Ending	31,787	290,182	-	(290,182)