

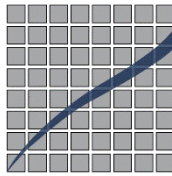
**UPPER COTTONWOOD CREEK METROPOLITAN DISTRICT NO. 5
El Paso County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2025

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BiggsKofford

INDEPENDENT AUDITOR'S REPORT

Board of Directors

Upper Cottonwood Creek Metropolitan District No. 5

El Paso County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Upper Cottonwood Creek Metropolitan District No. 5 ("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
September 29, 2026

BASIC FINANCIAL STATEMENTS

UPPER COTTONWOOD CREEK METROPOLITAN DISTRICT NO. 5
STATEMENT OF NET POSITION
DECEMBER 31, 2025

	<u>Governmental Activities</u>
ASSETS	
Due from Other Districts - Old Ranch MD	\$ 938
Receivable from County Treasurer	708
Property Tax Receivable	<u>499,762</u>
Total Assets	501,408
LIABILITIES	
Due to Other Districts - Old Ranch MD	202
Noncurrent Liabilities:	
Due in More Than One Year	<u>58,466,083</u>
Total Liabilities	58,466,285
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	<u>499,762</u>
Total Deferred Inflows of Resources	<u>499,762</u>
NET POSITION	
Unrestricted	<u>(58,464,639)</u>
Total Net Position	<u><u>\$ (58,464,639)</u></u>

See accompanying Notes to Basic Financial Statements.

UPPER COTTONWOOD CREEK METROPOLITAN DISTRICT NO. 5
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025

		Program Revenues			Net Revenues (Expenses) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
FUNCTIONS/PROGRAMS	<u>Expenses</u>				
Primary Government:					
Governmental Activities:					
General Government	\$ 397	\$ -	\$ -	\$ -	\$ (397)
Intergovernmental Expenditures - Old Ranch MD	54,666,139	-	-	-	(54,666,139)
Interest on Long-Term Debt and Related Costs	<u>3,901,849</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,901,849)</u>
Total Governmental Activities	<u>\$ 58,568,385</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(58,568,385)</u>
GENERAL REVENUES					
Property Taxes					92,729
Specific Ownership Taxes					8,890
Interest Income					<u>2,127</u>
Total General Revenues and Transfers					<u>103,746</u>
CHANGES IN NET POSITION					(58,464,639)
Net Position - Beginning of Year					<u>-</u>
NET POSITION - END OF YEAR					<u>\$ (58,464,639)</u>

See accompanying Notes to Basic Financial Statements.

UPPER COTTONWOOD CREEK METROPOLITAN DISTRICT NO. 5
BALANCE SHEET –
GOVERNMENTAL FUNDS
DECEMBER 31, 2025

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Receivable from County Treasurer	\$ 202	\$ 506	\$ -	\$ 708
Due from Other Districts - Old Ranch MD	-	938	-	938
Property Tax Receivable	142,789	356,973	-	499,762
Total Assets	<u>\$ 142,991</u>	<u>\$ 358,417</u>	<u>\$ -</u>	<u>\$ 501,408</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Due to Other Districts - Old Ranch MD	\$ 202	\$ -	\$ -	\$ 202
Total Liabilities	202	-	-	202
DEFERRED INFLOWS OF RESOURCES				
Deferred Property Tax	142,789	356,973	-	499,762
Total Deferred Inflows of Resources	142,789	356,973	-	499,762
FUND BALANCES				
Restricted for:				
Debt Service	-	1,444	-	1,444
Total Fund Balances	-	1,444	-	1,444
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 142,991</u>	<u>\$ 358,417</u>	<u>\$ -</u>	
Amounts reported for governmental activities in the statement of net position are different because:				
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.				
Accrued Interest				(3,766,083)
Bonds Payable				<u>(54,700,000)</u>
Net Position of Governmental Activities				<u>\$ (58,464,639)</u>

See accompanying Notes to Basic Financial Statements.

**UPPER COTTONWOOD CREEK METROPOLITAN DISTRICT NO. 5
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	\$ 26,493	\$ 66,236	\$ -	\$ 92,729
Specific Ownership Taxes	2,540	6,350	-	8,890
Interest Income	3	2,124	-	2,127
Total Revenues	<u>29,036</u>	<u>74,710</u>	<u>-</u>	<u>103,746</u>
EXPENDITURES				
Current:				
County Treasurer's Fee	397	994	-	1,391
Intergovernmental Expenditures	28,639	-	54,637,500	54,666,139
Debt Service:				
Bond Interest	-	72,272	-	72,272
Bond Issue Costs	-	-	62,500	62,500
Total Expenditures	<u>29,036</u>	<u>73,266</u>	<u>54,700,000</u>	<u>54,802,302</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	1,444	(54,700,000)	(54,698,556)
OTHER FINANCING SOURCES (USES)				
Bond Issuance Proceeds	-	-	54,700,000	54,700,000
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>54,700,000</u>	<u>54,700,000</u>
NET CHANGE IN FUND BALANCES	-	1,444	-	1,444
Fund Balances - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ 1,444</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,444</u></u>

See accompanying Notes to Basic Financial Statements.

**UPPER COTTONWOOD CREEK METROPOLITAN DISTRICT NO. 5
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025**

Net Change in Fund Balances - Total Governmental Funds	\$ 1,444
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Amounts reported for governmental activities in the statement of activities are different because:

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net position.

Bond Issuance	(54,700,000)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued Interest Payable - Change in Liability	<u>(3,766,083)</u>
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Changes in Net Position of Governmental Activities	<u><u>\$ (58,464,639)</u></u>
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**UPPER COTTONWOOD CREEK METROPOLITAN DISTRICT NO. 5
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	\$ 26,497	\$ 26,493	\$ (4)
Specific Ownership Taxes	2,650	2,540	(110)
Interest Income	50	3	(47)
Other Revenue	1,000	-	(1,000)
Total Revenues	30,197	29,036	(1,161)
EXPENDITURES			
Contingency	1,000	-	1,000
County Treasurer's Fee	397	397	-
Intergovernmental Expenditures	28,800	28,639	161
Total Expenditures	30,197	29,036	1,161
NET CHANGE IN FUND BALANCE	-	-	-
Fund Balance - Beginning of Year	-	-	-
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Notes to Basic Financial Statements.

UPPER COTTONWOOD CREEK METROPOLITAN DISTRICT NO. 5
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 1 DEFINITION OF REPORTING ENTITY

Upper Cottonwood Creek Metropolitan District No. 5 (the District), a quasi-municipal corporation and political subdivision of the state of Colorado, was organized by order and decree of the District Court of El Paso County on May 22, 2006, concurrently with Upper Cottonwood Creek Metropolitan District Nos. 2, 3, and 4, and the previously formed Old Ranch Metropolitan District and Upper Cottonwood Creek Metropolitan District (collectively, the Districts). The Districts were formed under a Joint Service Plan approved by the City of Colorado Springs (the City) on February 6, 2006 and amended on March 16, 2016 and October 26, 2021. On November 22, 2022 Upper Cottonwood Creek Metropolitan District No. 5 Amended and Restated the Service Plan, which fully amends and supersedes in its entirety the Original Service Plan as it relates to Upper Cottonwood Creek Metropolitan District No. 5 only. Upper Cottonwood Creek Metropolitan District Nos. 2-4 continue to be governed by the Original Service Plan. The Districts are governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The Districts' service area is located entirely within the City. Old Ranch Metropolitan District (the Operating District) is responsible for managing the construction of certain public facilities and improvements and for operation and maintenance of the limited list of public improvements which were not conveyed to the City. The District, Upper Cottonwood Creek Metropolitan District, and Upper Cottonwood Creek Metropolitan District Nos. 2 – 4 (collectively, the Financing Districts) are responsible for providing the funding and tax base needed to support the financing plan for capital improvements and to fund limited ongoing operations. Under the Service Plan, the Districts provide the following services: parks and recreation, sanitary sewer, storm drainage, streets, traffic safety protection, water, and mosquito control.

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

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

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

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.

UPPER COTTONWOOD CREEK METROPOLITAN DISTRICT NO. 5
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by property taxes and intergovernmental revenues.

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and specific ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. The District has determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred, or the long-term obligation due.

The District reports the following major governmental funds:

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

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

UPPER COTTONWOOD CREEK METROPOLITAN DISTRICT NO. 5
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Capital Projects Fund was established to account for financial resources to be used for the acquisition and construction of capital infrastructure and facilities.

Budgets

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

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.

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

Deferred Inflows of Resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has 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.

UPPER COTTONWOOD CREEK METROPOLITAN DISTRICT NO. 5
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

UPPER COTTONWOOD CREEK METROPOLITAN DISTRICT NO. 5
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards

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

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

NOTE 3 CASH AND INVESTMENTS

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 had no deposits with financial institutions.

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.

UPPER COTTONWOOD CREEK METROPOLITAN DISTRICT NO. 5
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

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

As of December 31, 2025, the District had no investments.

NOTE 4 LONG-TERM OBLIGATIONS

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

	Balance at December 31, 2024	Additions	Reductions	Balance at December 31, 2025	Due Within One Year
Bonds Payable:					
Limited Tax GO Bonds:					
Series 2025	\$ -	\$ 54,700,000	\$ -	\$ 54,700,000	\$ -
Total Bonds Payable	<u>\$ -</u>	<u>\$ 54,700,000</u>	<u>\$ -</u>	<u>\$ 54,700,000</u>	<u>\$ -</u>
Accrued Interest on:					
Series 2025 Bond Payable	\$ -	\$ 3,838,355	\$ 72,272	\$ 3,766,083	\$ -
Total Accrued Interest	<u>\$ -</u>	<u>\$ 3,838,355</u>	<u>\$ 72,272</u>	<u>\$ 3,766,083</u>	<u>\$ -</u>
Total Long-Term Obligations	<u>\$ -</u>	<u>\$ 58,538,355</u>	<u>\$ 72,272</u>	<u>\$ 58,466,083</u>	<u>\$ -</u>

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

\$54,700,000 Limited Tax General Obligation Bonds, Series 2025

On January 2, 2025, the District issued \$54,700,000 in Limited Tax General Obligation Bonds (the 2025 Bonds) for public improvements. The 2025 Bonds bear interest at a rate of 7%, maturing on December 1, 2055. The interest payments are due December 1, principal payments are due annually on December 1. Any accrued and unpaid interest will compound on December 1 of each year. To the extent principal of the 2025 Bond is not paid when due, such principal shall remain outstanding until paid.

UPPER COTTONWOOD CREEK METROPOLITAN DISTRICT NO. 5
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

\$54,700,000 Limited Tax General Obligation Bonds, Series 2025 (Continued)

The 2025 Bonds are secured by and payable from the Pledged Revenue, consisting of monies derived by the District from: 1) the Required Mill Levy, after costs of collection; 2) the portion of the specific ownership taxes remitted to the District pursuant to Section 42-3-107, C.R.S., or any successor statute, allocable to the amount of the Required Mill Levy; and 3) any other legally available monies that the Board determines in its sole discretion to credit to the Debt Service Fund. The Required Mill Levy means an ad valorem property tax imposed upon all taxable property of the District each year in an amount sufficient to pay the principal of, premium, if any, and interest on the 2025 Bonds as the same becomes due and payable. The Required Mill Levy is limited to a maximum of 50.000 mills, provided however, that such limitation shall be adjusted to compensate for changes in the rate of assessed valuation of the property within the District occurring after January 1, 2006, so that to the extent possible, the actual tax revenues generated by the Required Mill Levy, as adjusted, are neither diminished nor enhanced as a result of such changes. As of collection year 2025, the adjusted maximum mill levy is 52.166 mills. So long as the District imposes the Required Mill Levy and applies the Pledged Revenue as required, the insufficiency of Pledged Revenue available to pay the principal and interest on the 2025 Bonds does not constitute an event of default

The 2025 Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, and without premium, on December 1, 2029, and on any date thereafter, upon payment of the redemption price (expressed as a percentage of the principal amount of the Bond being redeemed) of 100%, plus accrued interest to the redemption date.

Events of Default for the Bonds

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:

- i. The District fails or refuses to impose the required mill levy or to apply the pledged revenue as provided in the bond resolution.
- ii. The District defaults in the performance or observance of any other of the covenants in the bond resolution, and such default continues for 60 days after written notice specifying such default and requiring the same to be remedied is given to the District by the Owner.
- iii. The District files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the 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 shall not, of itself, constitute an event of Default under the Indenture.

UPPER COTTONWOOD CREEK METROPOLITAN DISTRICT NO. 5
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Remedies on Occurrence of Event of Default

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

- i. Mandamus or Other Suit: The Owner may proceed by mandamus or any other suit, action, or proceeding at law or in equity, to enforce its rights.

No Acceleration

Notwithstanding the foregoing or anything else herein to the contrary, acceleration shall not be an available remedy for an Event of Default.

As of December 31, 2025, the District was not in default.

The District's long-term obligations will mature as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ -	\$ 3,829,000	\$ 3,829,000
2027	-	3,829,000	3,829,000
2028	-	3,829,000	3,829,000
2029	-	3,829,000	3,829,000
2030	-	3,829,000	3,829,000
2031-2035	365,000	19,104,050	19,469,050
2036-2040	3,050,000	18,704,350	21,754,350
2041-2045	8,015,000	17,002,300	25,017,300
2046-2050	15,925,000	13,179,950	29,104,950
2051-2055	27,345,000	6,132,350	33,477,350
Total	<u>\$ 54,700,000</u>	<u>\$ 93,268,000</u>	<u>\$ 147,968,000</u>

The table above does not include past due interest on 2025 Bond of \$3,766,083.

Authorized Debt

Pursuant to the Service Plan, the District is permitted to issue bond indebtedness of up to \$72,000,000 (Service Plan Debt Issuance Limit). In no event is the District authorized to issue debt in excess of the Service Plan Debt Issuance Limit, with the exception that such limit is not applicable to refundings of the debt authorized to be issued under the Service Plan.

The District has voter authorization in excess of the 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 Service Plan Debt Issuance Limit by power (such as water, sewer or streets). Therefore, the Service Plan Debt Issuance Limit was voted in every power relative to debt for public improvements. With that understanding, on May 2, 2023, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$1,224,000,000 at an interest rate not to exceed 18% per annum. At December 31, 2025, the District had authorized but unissued indebtedness of \$1,169,300,000.

UPPER COTTONWOOD CREEK METROPOLITAN DISTRICT NO. 5
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 5 NET POSITION

The District has net position consisting of one component – unrestricted net position.

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the restricted component of net position.

The District has a deficit in unrestricted net position. This deficit amount was a result of the District being responsible for the repayment of bonds, the proceeds of which were transferred to the Operating District for the purpose of financing public improvements.

NOTE 6 RELATED PARTIES

The Developer of the property which constitutes the District is Nor'wood Development Group and its affiliated entities: Development Management, Inc.; Villages at Wolf Ranch, LLC; and Westcreek at Wolf Ranch, LLC (see Note 7). The members of the Board of Directors are officers of, employees of, or associated with, the Developer, and may have conflicts of interest in dealing with the District.

NOTE 7 AGREEMENTS AND COMMITMENTS

District Facilities Construction and Service Agreement

On June 1, 2006, the District entered into a District Facilities Construction and Service Agreement (IGA) with the Operating District, Upper Cottonwood Creek Metropolitan District, and Upper Cottonwood Creek Metropolitan District Nos. 2 - 4. The IGA provides that the Operating District is to construct, own, maintain, and operate the facilities benefiting the aforementioned Districts. The Financing Districts have agreed to finance such activities by either issuing bonds and/or pledging certain revenues collected within the boundaries of the Financing Districts.

Joint Financing and Reimbursement Agreement

Effective July 1, 2006, and amended on March 30, 2011, the District entered into a Joint Financing and Reimbursement Agreement between the Developer, Old Ranch Metropolitan District, Upper Cottonwood Creek Metropolitan District, Upper Cottonwood Creek Metropolitan District Nos. 2 - 4, Development Management Inc. (DMI), Villages at Wolf Ranch, LLC (Villages), and Westcreek at Wolf Ranch, LLC (Westcreek). In accordance with the agreement the aforementioned parties are to repay advances made by the Developer for operation and maintenance and capital improvement costs.

Intergovernmental Agreement

On October 9, 2025, the District entered into an Intergovernmental Agreement (IGA) regarding the imposition of fees, with the Operating District, Upper Cottonwood Creek Metropolitan District, and Upper Cottonwood Creek Metropolitan District Nos. 2, 3, 4, and 5. The IGA provides that the Operating District is constructing a new recreational facility. The units within the Wolf Ranch Community will be subject to service area assessments.

UPPER COTTONWOOD CREEK METROPOLITAN DISTRICT NO. 5
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 8 RISK MANAGEMENT

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

The District is a member of the Colorado Special Districts Property and Liability Pool (the Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery, and workers' compensation coverage to its members. Settled claims have not exceeded this coverage in 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 9 TAX, SPENDING, AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue, and debt limitations 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 3.00% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. The District transfers its net operating revenue to the Operating District. Therefore, the Emergency Reserves related to the District's revenues are reported in Old Ranch Metropolitan District.

On May 2, 2023, the District's voters authorized the District to increase property taxes \$10,000,000 annually, without limitation of rate and without regard to any spending, revenue raising, or other limitations contained within Article X, Section 20 of the Colorado Constitution (TABOR) or Section 29-1-301, C.R.S., to pay the District's operations, maintenance, and other expenses. Additionally, the District's electors authorized the District to collect, spend, or retain all revenue 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.

UPPER COTTONWOOD CREEK METROPOLITAN DISTRICT NO. 5
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 9 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.

On May 6, 2025, the qualified electors of the District approved an election question to waive the 5.25% property tax limit established under Section 29-1-1702, C.R.S for 2026 and all future budget years.

SUPPLEMENTARY INFORMATION

**UPPER COTTONWOOD CREEK METROPOLITAN DISTRICT NO. 5
DEBT SERVICE FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2025**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 66,242	\$ 66,236	\$ (6)
Specific Ownership Taxes	6,624	6,350	(274)
Interest Income	200	2,124	1,924
Other Revenue	5,075	-	(5,075)
Total Revenues	<u>78,141</u>	<u>74,710</u>	<u>(3,431)</u>
EXPENDITURES			
County Treasurer's Fee	994	994	-
Bond Interest	72,072	72,272	(200)
Contingency	5,075	-	5,075
Total Expenditures	<u>78,141</u>	<u>73,266</u>	<u>4,875</u>
NET CHANGE IN FUND BALANCE	-	1,444	1,444
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ 1,444</u></u>	<u><u>\$ 1,444</u></u>

**UPPER COTTONWOOD CREEK METROPOLITAN DISTRICT NO. 5
CAPITAL FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2025**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES	\$ -	\$ -	\$ -
EXPENDITURES			
Intergovernmental Expenditures	54,625,000	54,637,500	(12,500)
Bond Issue Costs	75,000	62,500	12,500
Total Expenditures	<u>54,700,000</u>	<u>54,700,000</u>	<u>-</u>
EXCESS OF REVENUES UNDER EXPENDITURES	(54,700,000)	(54,700,000)	-
OTHER FINANCING SOURCES (USES)			
Bond Issuance Proceeds	54,700,000	54,700,000	-
Total Other Financing Sources	<u>54,700,000</u>	<u>54,700,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	-	-
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

OTHER INFORMATION

UPPER COTTONWOOD CREEK METROPOLITAN DISTRICT NO. 5
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2025

Bonds/Loans and Interest Maturing in the Year Ending December 31,	\$54,700,000 Limited Tax General Obligation Bonds		
	Series 2025, Dated January 2, 2025		
	Interest Rate 7%		
	Interest Payable on June 1		
	Principal and Interest Due December 1		
	Principal	Interest	Total
2026	\$ -	\$ 3,829,000	\$ 3,829,000
2027	-	3,829,000	3,829,000
2028	-	3,829,000	3,829,000
2029	-	3,829,000	3,829,000
2030	-	3,829,000	3,829,000
2031	50,000	3,829,000	3,879,000
2032	50,000	3,825,500	3,875,500
2033	70,000	3,822,000	3,892,000
2034	95,000	3,817,100	3,912,100
2035	100,000	3,810,450	3,910,450
2036	345,000	3,803,450	4,148,450
2037	370,000	3,779,300	4,149,300
2038	645,000	3,753,400	4,398,400
2039	690,000	3,708,250	4,398,250
2040	1,000,000	3,659,950	4,659,950
2041	1,070,000	3,589,950	4,659,950
2042	1,425,000	3,515,050	4,940,050
2043	1,525,000	3,415,300	4,940,300
2044	1,930,000	3,308,550	5,238,550
2045	2,065,000	3,173,450	5,238,450
2046	2,520,000	3,028,900	5,548,900
2047	2,700,000	2,852,500	5,552,500
2048	3,220,000	2,663,500	5,883,500
2049	3,445,000	2,438,100	5,883,100
2050	4,040,000	2,196,950	6,236,950
2051	4,325,000	1,914,150	6,239,150
2052	5,000,000	1,611,400	6,611,400
2053	5,350,000	1,261,400	6,611,400
2054	6,120,000	886,900	7,006,900
2055	6,550,000	458,500	7,008,500
Total	<u>\$ 54,700,000</u>	<u>\$ 93,268,000</u>	<u>\$ 147,968,000</u>

UPPER COTTONWOOD CREEK METROPOLITAN DISTRICT NO. 5
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2025

Year Ended December 31,	Assessed Valuation	Percent Change	Total Mills Levied			Total Property Taxes		Percent Collected to Levied
			General Operations	Contractual Obligations	Total	Levied	Collected	
2021	\$ 89,550	0.0%	20.000	-	20.000	\$ 1,791	\$ 1,791	100.00 %
2022	30	-100.0%	20.000	-	20.000	1	1	100.00 %
2023	179,850	599400.0%	20.059	-	20.059	3,608	3,608	100.00 %
2024	251,420	39.8%	20.834	-	20.834	5,238	5,238	100.00 %
2025	1,269,840	405.1%	20.866	52.166	73.032	92,739	92,729	99.99 %
Estimated for Year Ending December 31, 2026	\$ 6,485,700	410.7%	22.016	55.040	77.056	\$ 499,762		

NOTE: Property taxes shown as collected in any one year include collection of delinquent property taxes levied in prior years. This presentation does not attempt to identify specific years of assessments.

Source: El Paso County Assessor and Treasurer.