

**HESS RANCH METROPOLITAN
DISTRICT NO. 4
Douglas County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2025**



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Hess Ranch Metropolitan District No. 4
Douglas County, Colorado

Opinion

We have audited the accompanying financial statements of the governmental activities and each major fund of Hess Ranch Metropolitan District No. 4, Douglas County, Colorado, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise Hess Ranch Metropolitan District No. 4's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Hess Ranch Metropolitan District No. 4, as of December 31, 2025, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Hess Ranch Metropolitan District No. 4 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 opinion.

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 Hess Ranch

Metropolitan District No. 4'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 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 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 Hess Ranch Metropolitan District No. 4'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 Hess Ranch Metropolitan District No. 4'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 not presented 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 opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Hess Ranch Metropolitan District No. 4's basic financial statements. The supplemental information listed in the table of contents are presented for the purpose of additional analysis and was not a required part of the basic financial statements.

The supplemental schedule of Debt Service Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual 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 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 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 Debt Service Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual is fairly stated in all material respects in relation to the financial statements as a whole.

Other Information

The Schedule of Assessed Valuation, Mill Levy and Property Taxes Collected have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express any opinion or provide any assurance on them.

A handwritten signature in black ink that reads "Watson Coon Ryan, LLC". The signature is written in a cursive, flowing style.

Watson Coon Ryan, LLC
June 26, 2026
Centennial, Colorado

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HESS RANCH METROPOLITAN DISTRICT NO. 4
STATEMENT OF NET POSITION
DECEMBER 31, 2025

	<u>Governmental Activities</u>
ASSETS	
Receivable from County Treasurer	\$ 13,213
Property Tax Receivable	<u>2,447,146</u>
Total Assets	<u>2,460,359</u>
LIABILITIES	
Due to District No. 6	<u>13,213</u>
Total Liabilities	<u>13,213</u>
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	<u>2,447,146</u>
Total Deferred Inflows of Resources	<u>2,447,146</u>
NET POSITION	
Unrestricted	<u>-</u>
Total Net Position	<u><u>\$ -</u></u>

See accompanying Notes to Basic Financial Statements.

HESS RANCH METROPOLITAN DISTRICT NO. 4
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025

		Program Revenues			Net Revenues (Expenses) and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
	Expenses				
FUNCTIONS/PROGRAMS					
Primary Government:					
Governmental Activities:					
General Government	\$ 2,194,778	\$ -	\$ -	\$ -	\$ (2,194,778)
Total Governmental Activities	<u>\$ 2,194,778</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	(2,194,778)
GENERAL REVENUES					
Property Taxes					2,036,578
Specific Ownership Taxes					<u>158,200</u>
Total General Revenues and Transfers					<u>2,194,778</u>
CHANGES IN NET POSITION					
					-
Net Position - Beginning of Year					<u>-</u>
NET POSITION - END OF YEAR					
					<u>\$ -</u>

See accompanying Notes to Basic Financial Statements.

HESS RANCH METROPOLITAN DISTRICT NO. 4
BALANCE SHEET –
GOVERNMENTAL FUNDS
DECEMBER 31, 2025

	General	Debt Service	Total Governmental Funds
ASSETS			
Receivable from County Treasurer	\$ 1,716	\$ 11,497	\$ 13,213
Property Tax Receivable	<u>306,665</u>	<u>2,140,481</u>	<u>2,447,146</u>
Total Assets	<u><u>\$ 308,381</u></u>	<u><u>\$ 2,151,978</u></u>	<u><u>\$ 2,460,359</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Due to District No. 6	<u>\$ 1,716</u>	<u>\$ 11,497</u>	<u>\$ 13,213</u>
Total Liabilities	<u>1,716</u>	<u>11,497</u>	<u>13,213</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Property Tax	<u>306,665</u>	<u>2,140,481</u>	<u>2,447,146</u>
Total Deferred Inflows of Resources	<u>306,665</u>	<u>2,140,481</u>	<u>2,447,146</u>
FUND BALANCES			
Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u><u>\$ 308,381</u></u>	<u><u>\$ 2,151,978</u></u>	

There are no reconciling differences between the fund balances of governmental funds and net position of governmental activities.

HESS RANCH METROPOLITAN DISTRICT NO. 4
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2025

	General	Debt Service	Total Governmental Funds
REVENUES			
Property Taxes	\$ 264,485	\$ -	\$ 264,485
Property Taxes - Capital Pledge	-	1,507,629	1,507,629
Property Taxes - Regional Infrastructure	-	132,232	132,232
Property Taxes - Town Infrastructure	-	132,232	132,232
Specific Ownership Taxes	20,545	-	20,545
Specific Ownership Tax - Capital Pledge	-	117,111	117,111
Specific Ownership Tax - Regional Infrastructure	-	10,272	10,272
Specific Ownership Tax - Town Infrastructure	-	10,272	10,272
Total Revenues	285,030	1,909,748	2,194,778
EXPENDITURES			
Current:			
County Treasurer's Fee	3,970	-	3,970
County Treasurer's fee - Capital Pledge	-	22,627	22,627
County Treasurer's fee - Regional infrastructure	-	1,985	1,985
County Treasurer's fee - Town infrastructure	-	1,985	1,985
Miscellaneous	234	1,571	1,805
Transfers To District No. 6	280,826	1,881,580	2,162,406
Total Expenditures	285,030	1,909,748	2,194,778
NET CHANGE IN FUND BALANCES	-	-	-
Fund Balances - Beginning of Year	-	-	-
FUND BALANCES - END OF YEAR	\$ -	\$ -	\$ -

There are no reconciling differences between the net change in fund balances of governmental funds and the change in net position of governmental activities.

**HESS RANCH METROPOLITAN DISTRICT NO. 4
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	\$ 266,924	\$ 264,485	\$ (2,439)
Specific Ownership Taxes	24,023	20,545	(3,478)
Other Revenue	17,553	-	(17,553)
Total Revenues	308,500	285,030	(23,470)
EXPENDITURES			
Contingency	17,553	-	17,553
County Treasurer's Fee	4,004	3,970	34
Miscellaneous	-	234	(234)
Transfers To District No. 6	286,943	280,826	6,117
Total Expenditures	308,500	285,030	23,470
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.

HESS RANCH METROPOLITAN DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 1 DEFINITION OF REPORTING ENTITY

Hess Ranch Metropolitan District No. 4 a quasi-municipal corporation and political subdivision of the state of Colorado, was organized by order and decree of the District Court on May 23, 2016 and is governed pursuant to provisions of Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located south of Hess Road and west of Motsenbocker Road in the Town of Parker in Douglas County, Colorado. The District was established to provide construction, installation, financing, and operation of public improvements, including street improvements, park and recreation, water, sanitation, public transportation, mosquito control, traffic and safety control, fire protection, television relay and translation, and security. Under the amended service plan, the District was organized in conjunction with four other related districts, Hess Ranch No. 5, Hess Ranch No. 6, Hess Ranch No. 7, and Hess Ranch No. 8. The District serves as a Taxing District for Hess Ranch Metropolitan District No. 6.

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

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

HESS RANCH METROPOLITAN DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and specific ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental fund:

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

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

HESS RANCH METROPOLITAN DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

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

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, sale 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 a deferred inflow of resources in the year they are levied and measurable. The deferred 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 position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Equity

Net Position

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

HESS RANCH METROPOLITAN DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

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.

Certain Risk Disclosures

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

HESS RANCH METROPOLITAN DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 3 DEBT AUTHORIZATION

Pursuant to the Service Plan, together with Hess Ranch Metropolitan District No. 4, Hess Ranch Metropolitan District No. 5, Hess Ranch Metropolitan District No. 6 Hess Ranch Metropolitan District No. 7, and Hess Ranch Metropolitan District No. 8, (Collectively the District's) are permitted to issue bond indebtedness of up to \$254,368,750. In no event is the District authorized to issue debt in excess of the Service Plan Limited, with the exception that such limit is not applicable to refundings of the debt authorized to be issued under the Service Plan.

The Districts have voter authorization in excess of the Service Plan Debt Issuance Limit as at the time of 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 November 3, 2025, a majority of the qualified electors of District authorized the issuance of indebtedness in an amount not to exceed \$1,589,380,000 at an interest rate not to exceed 12% per annum. At December 31, 2025, the District had authorized but unissued indebtedness of \$165,520,122.

NOTE 4 RELATED PARTIES

The Developer of the property which constitutes the District is JEN Colorado 18 LLC. (the Developer). The majority members of the Board of Directors are employees of, owners of, or otherwise associated with the Developer, and may have conflicts of interest in dealing with the District.

NOTE 5 AGREEMENTS

The Taxing Districts

The District was organized simultaneously with Hess Ranch Metropolitan District No. 5 (District No. 5), Hess Ranch Metropolitan District No. 6 (District No. 6), Hess Ranch Metropolitan District No. 7 (District No. 7), and Hess Ranch Metropolitan District No. 8 (District No. 8). District No. 6 is the Operating District. The District, District No. 5, District No. 7, and District No. 8, together with District No. 6, are referred to herein as the Taxing Districts. The District, District No. 5, District No. 6, and District No. 7 are residential districts and District No. 8 is a commercial district. The District, District No. 5, District No. 7, and District No. 8 are required to transfer proceeds from their debt service mill levies to District No. 6, or to the Trustee in accordance with the Pledge Agreements, to be applied to debt service.

HESS RANCH METROPOLITAN DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 5 AGREEMENTS (CONTINUED)

Town Intergovernmental Agreements

Each of the Taxing Districts has entered into a separate intergovernmental agreement with the Town of Parker (collectively, the Town IGAs). The Town IGAs provide that the Taxing Districts impose the Infrastructure Capital Mill Levy (5.000 mills, subject to adjustment) and use the proceeds for Regional Infrastructure. The Town IGAs require that the proceeds of the Infrastructure Capital Mill Levy be paid by the Taxing Districts to the Town; however, the Taxing Districts are permitted to retain revenues from the Infrastructure Capital Mill Levy to the extent needed to pay debt service on obligations repayable in whole or in part from such mill levy (which includes the Bonds). The Town IGAs also provide that the Districts impose the Town Capital and Maintenance Mill Levy (5.000 mills, subject to adjustment) and use the proceeds for the planning, design, constructions and/or maintenance of Town infrastructure. The Town IGAs require that the proceeds of the Infrastructure Capital Mill Levy be paid by the Districts to the Town.

NOTE 6 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, workers' compensation, 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 7 TAX, SPENDING, AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, referred to as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue, and debt limitations which apply to the state of Colorado and all local governments.

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

HESS RANCH METROPOLITAN DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 7 TAX, SPENDING, AND DEBT LIMITATIONS (CONTINUED)

On November 3, 2015, a majority of the District's electors authorized the District to collect and spend or retain any revenue from fees other than ad valorem property taxes of the District without regard to any limitations under TABOR.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The District'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.

SUPPLEMENTARY INFORMATION

**HESS RANCH METROPOLITAN DISTRICT NO. 4
DEBT SERVICE 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 - Capital Pledge	\$ 1,521,533	\$ 1,507,629	\$ (13,904)
Property Taxes - Regional Infrastructure	133,451	132,232	(1,219)
Property Taxes - Town Infrastructure	133,451	132,232	(1,219)
Specific Ownership Tax - Capital Pledge	136,938	117,111	(19,827)
Specific Ownership Tax - Regional Infrastructure	12,011	10,272	(1,739)
Specific Ownership Tax - Town Infrastructure	12,011	10,272	(1,739)
Other Revenue	30,605	-	(30,605)
Total Revenues	<u>1,980,000</u>	<u>1,909,748</u>	<u>(70,252)</u>
EXPENDITURES			
County Treasurer's fee - Capital Pledge	22,823	22,627	196
County Treasurer's fee - Regional infrastructure	2,002	1,985	17
County Treasurer's fee - Town infrastructure	2,002	1,985	17
Miscellaneous	-	1,571	(1,571)
Contingency	30,605	-	30,605
Transfers To District No. 6	1,922,568	1,881,580	40,988
Total Expenditures	<u>1,980,000</u>	<u>1,909,748</u>	<u>70,252</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

HESS RANCH METROPOLITAN DISTRICT NO. 4
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2025

Year Ended December 31,	Assessed Valuation	Total Mills Levied			Total Property Taxes		Percent Collected to Levied
		General Operations	Debt Service	Total	Levied	Collected	
2021	\$ 4,050	10.000	67.000	77.000	\$ 312	\$ 312	100.00 %
2022	10,250,110	10.000	67.000	77.000	789,259	731,920	92.74 %
2023	11,190,240	10.000	67.000	77.000	861,648	861,650	100.00 %
2024	20,968,920	10.767	72.144	82.911	1,738,554	1,744,519	100.34 %
2025	21,956,380	12.157	81.454	93.611	2,055,358	2,036,578	99.09 %
Estimated for Year Ending December 31, 2026	\$ 28,178,310	10.883	75.962	86.845	\$ 2,447,146		

Note:

Property taxes collected in any one year include collection of delinquent

Source: Douglas County Assessor and Treasurer.