HESS RANCH METROPOLITAN DISTRICT NO. 5
Douglas County, Colorado

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2025

HESS RANCH METROPOLITAN DISTRICT NO. 5
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Hess Ranch Metropolitan District No. 5
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. 5, 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. 5'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. 5, as of December 31, 2025, and the respective changes in financial position and, where applicable, cash flows thereof and the respective 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 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. 5 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. 5's ability to continue as a going concern for twelve months beyond the

financial statement issuance 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. 5'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. 5'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 governmental 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 the 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. 5's basic financial statements. The supplemental information listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules of Debt Service Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual and Capital Projects Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual are 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 and Capital Projects Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual are 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, Schedule of Debt Maturity – 2024A-1 Series, Schedule of Debt Maturity – 2024A-2 Series, and Schedule of Debt Maturity – 2024 Series 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.

Watson Coon Ryan, LLC

Watson Coon Ryan, LLC
Centennial, Colorado
September 29, 2026

BASIC FINANCIAL STATEMENTS

HESS RANCH METROPOLITAN DISTRICT NO. 5
STATEMENT OF NET POSITION
DECEMBER 31, 2025

	Governmental Activities
ASSETS	
Cash and Investments	$ 72,726
Cash and Investments - Restricted	36,913,695
Assessment Receivable	55,638,203
Accounts Receivable	265,931
Receivable from County Treasurer	8,559
Property Tax Receivable	1,738,512
Unamortized Bond Discount	233,389
Capital Assets:	
Capital Assets Not Being Depreciated	22,291,767
Total Assets	117,162,782
LIABILITIES	
Accounts Payable	7,414
Due to District No. 6	51,600
Unamortized Bond Premium	48,219
Accrued Interest	265,931
Noncurrent Liabilities:	
Due in More Than One Year	57,490,795
Total Liabilities	57,863,959
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	1,738,512
Total Deferred Inflows of Resources	1,738,512
NET POSITION	
Restricted for:	
Emergency Reserve	4,200
Debt Service	969,009
Capital Projects	3,459,472
Unrestricted	53,127,630
Total Net Position	$ 57,560,311

See accompanying Notes to Basic Financial Statements.

HESS RANCH METROPOLITAN DISTRICT NO. 5
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025

FUNCTIONS/PROGRAMS	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net Revenues (Expenses) and Changes in Net Position: Governmental Activities
Primary Government:					
Governmental Activities:					
General Government	$ 527,365	$ 76,925	$ -	$ 298,097	$ (152,343)
Interest on Long-Term Debt and Related Costs	3,547,954	-	-	-	(3,547,954)
Total Governmental Activities	$ 4,075,319	$ 76,925	$ -	$ 298,097	(3,700,297)
GENERAL REVENUES					
Property Taxes					433,679
Specific Ownership Taxes					33,381
Interest Income					1,980,430
Other Revenue					1
Total General Revenues and Transfers					2,447,491
CHANGES IN NET POSITION					(1,252,806)
Net Position - Beginning of Year (as restated)					58,813,117
NET POSITION - END OF YEAR					$ 57,560,311

See accompanying Notes to Basic Financial Statements.

HESS RANCH METROPOLITAN DISTRICT NO. 5
BALANCE SHEET –
GOVERNMENTAL FUNDS
DECEMBER 31, 2025

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and Investments	$ 72,726	$ -	$ -	$ 72,726
Cash and Investments - Restricted	4,200	8,156,975	28,752,520	36,913,695
Receivable from County Treasurer	1,110	7,449	-	8,559
Assessment Receivable	-	55,638,203	-	55,638,203
Accounts Receivable	-	265,931	-	265,931
Property Tax Receivable	225,770	1,512,742	-	1,738,512
Total Assets	$ 303,806	$ 65,581,300	$ 28,752,520	$ 94,637,626
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	$ -	$ -	$ 7,414	$ 7,414
Due to District No. 6	23,236	9,925	18,439	51,600
Total Liabilities	23,236	9,925	25,853	59,014
DEFERRED INFLOWS OF RESOURCES				
Deferred Property Tax	225,770	1,512,742	-	1,738,512
Deferred Assessment Revenue	-	55,638,203	-	55,638,203
Total Deferred Inflows of Resources	225,770	57,150,945	-	57,376,715
FUND BALANCES				
Restricted for:				
Emergency Reserves	4,200	-	-	4,200
Debt Service	-	8,420,430	-	8,420,430
Capital Projects	-	-	28,726,667	28,726,667
Unassigned	50,600	-	-	50,600
Total Fund Balances	54,800	8,420,430	28,726,667	37,201,897
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 303,806	$ 65,581,300	$ 28,752,520	

Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	22,291,767
Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds.	
Assessment Receivable	55,638,203
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Accrued Bond Interest	(265,931)
Bonds Payable	(56,116,637)
Developer Advance Payable - SID1 Capital	(128,421)
Developer Advance Payable - SID2 Capital	(1,245,737)
Unamortized Bond Premium	(48,219)
Unamortized Bond Discount	233,389
Net Position of Governmental Activities	$ 57,560,311

See accompanying Notes to Basic Financial Statements.

HESS RANCH 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	$ 56,320	$ -	$ -	$ 56,320
Property Taxes - Capital Pledge	-	321,039	-	321,039
Property Taxes - Regional Infrastructure	-	28,160	-	28,160
Property Taxes - Town Infrastructure	-	28,160	-	28,160
Specific Ownership Taxes	4,328	-	-	4,328
Specific Ownership Taxes - Capital Pledge	-	24,669	-	24,669
Specific Ownership Taxes - Regional Infrastructure	-	2,220	-	2,220
Specific Ownership Taxes - Town Infrastructure	-	2,164	-	2,164
Interest Income	2	395,056	1,585,372	1,980,430
Administration Fees	76,925	-	-	76,925
Assessment Revenue	-	5,909,894	-	5,909,894
Other Revenue	1	-	-	1
Total Revenues	137,576	6,711,362	1,585,372	8,434,310
EXPENDITURES				
Current:				
Accounting	-	-	18,439	18,439
County Treasurer's Fee	845	-	-	845
County Treasurer's fee - Capital Pledge	-	4,816	-	4,816
County Treasurer's fee - Regional Infrastructure	-	422	-	422
County Treasurer's fee - Town Infrastructure	-	422	-	422
Collection agent fees	22,127	-	-	22,127
Engineering	-	-	25,392	25,392
Debt Service:				
Bond Interest - Series 2024	-	2,318,250	-	2,318,250
Bond Interest - Series 2024A-1	-	496,000	-	496,000
Bond Interest - Series 2024A-2	-	537,333	-	537,333
Bond Principal - Series 2024A-1	-	2,566,682	-	2,566,682
Bond Principal - Series 2024A-2	-	2,566,681	-	2,566,681
Bond Issue Costs	-	2,476	-	2,476
Trustee Fee	-	8,000	-	8,000
Transfers To District No. 6	59,804	400,758	-	460,562
Capital Projects:				
Capital Outlay	-	-	18,638,666	18,638,666
Repay Developer Advance	-	-	18,497,364	18,497,364
Total Expenditures	82,776	8,901,840	37,179,861	46,164,477
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	54,800	(2,190,478)	(35,594,489)	(37,730,167)
OTHER FINANCING SOURCES (USES)				
Developer Advance	-	-	18,638,666	18,638,666
Total Other Financing Sources	-	-	18,638,666	18,638,666
NET CHANGE IN FUND BALANCES	54,800	(2,190,478)	(16,955,823)	(19,091,501)
Fund Balances - Beginning of Year	-	10,610,908	45,682,490	56,293,398
FUND BALANCES - END OF YEAR	$ 54,800	$ 8,420,430	$ 28,726,667	$ 37,201,897

See accompanying Notes to Basic Financial Statements.

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

Net Change in Fund Balances - Total Governmental Funds	$ (19,091,501)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. In the statement of activities capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset. Therefore, this is the amount of capital outlay, depreciation and dedication of capital assets to other governments, in the current period.	
Capital Outlay	18,638,666
Special assessment revenue was recognized in the governmental funds in the current year because it became available. Since the underlying assessment receivable was recognized in a prior year in the government-wide statements, the current-year fund revenue must be eliminated in the reconciliation.	
Assessment Receivable	(5,611,797)
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 Principal	5,133,363
Developer Advance	(18,638,666)
Repay Developer Advance	18,299,581
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	26,736
Accrued Interest Payable Developer Advance - Change in Liability	3,716
Amortization of Bond Discount	(19,341)
Amortization of Bond Premium	6,437
Changes in Net Position of Governmental Activities	$ (1,252,806)

See accompanying Notes to Basic Financial Statements.

HESS RANCH METROPOLITAN DISTRICT NO. 5
GENERAL FUND –
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2025

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	$ 56,320	$ 56,320	$ -
Specific Ownership Taxes	5,069	4,328	(741)
Administration Fees	76,925	76,925	-
Interest Income	-	2	2
Other Revenue	5,611	1	(5,610)
Total Revenues	143,925	137,576	(6,349)
EXPENDITURES			
Auditing	10,000	-	10,000
Contingency	5,611	-	5,611
County Treasurer's Fee	845	845	-
Legal	24,000	-	24,000
Collection Agent Fees	24,000	22,127	1,873
Transfers To District No. 6	60,544	59,804	740
Total Expenditures	125,000	82,776	42,224
NET CHANGE IN FUND BALANCE	18,925	54,800	35,875
Fund Balance - Beginning of Year	-	-	-
FUND BALANCE - END OF YEAR	$ 18,925	$ 54,800	$ 35,875

See accompanying Notes to Basic Financial Statements.

NOTE 1 DEFINITION OF REPORTING ENTITY

Hess Ranch Metropolitan District No. 5, 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. 4, 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 inter-governmental 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.

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 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes 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 is due.

The District reports the following major governmental funds:

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

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

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

The District has amended its annual budget for the year ended December 31, 2025.

Pooled Cash and Investments

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

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.

Capital Assets

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Original Issue Discount and Premium

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

Deferred Outflows/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 position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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.

Special Assessments

Certain properties within the District specially benefits from certain public improvements financed by Special Assessment Revenue Bonds (discussed in Note 5). The Special Assessment Revenue Bonds are secured and payable from Special Assessments levied by the District pursuant to a Resolution Assessing a Share of the Whole Cost of Certain Improvements Made in the Special Improvements District No. 1 Within The Boundaries of Hess Ranch Metropolitan District ("Assessment Resolution"). The Assessment Resolution, which was adopted by the Board and recorded with Douglas County, apportioned the costs of the public improvements to benefitted lots/parcels within the assessment area ("Special Assessments").

The Special Assessments, together with all interest and penalties for default in payment, constitute a perpetual lien against each lot. Upon payment in full of the Special Assessments with respect to an individual lot, the lien on such lot is fully satisfied and released.

In the governmental fund financial statements, special assessments are recorded initially as deferred inflows of resources in the year they are levied. The deferred special assessment revenues are recorded as revenue in the year they are available or collected. In the government-wide financial statements, special assessments are reported as program revenues as they are derived from parties who directly benefit from the related infrastructure improvements.

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.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards (Continued)

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.

Restatement of Previously Issued Financial Statements

Upon issuance of the District's Series 2024A-1 on March 28, 2024 and Series 2024A-2 on September 27, 2024 and Series 2024 on August 8, 2024 SID Bonds, a board resolution assessing special assessments against certain benefiting lots was recorded with Douglas County. The special assessments constitute perpetual lien against each lot. Since, upon recordation, the District receives the right to collect the special assessments, generally accepted accounting principle provides that receivable be recorded in both funds and government-wide financial statements, with corresponding deferred revenue and revenue in the funds (modified accrual) and government-wide (accrual) financial statements, respectively. The District did not record receivable and deferred revenue/revenue for the year ended December 31, 2024. The current year's beginning net position was adjusted to reflect such accounting.

Recognize Special Assessment Revenue on Fund Financials	
Assessment Receivable	$ 61,250,000
Deferred Assessment Revenue	(61,250,000)
Recognize Special Assessment Revenue on Government Wide Financials	
Deferred Assessment Revenue	$ 61,250,000
Special Assessment Revenue	(61,250,000)

The net effect of this adjustment is as follows:

	Net Position
Ending Balance, December 31, 2024 (as previously reported)	$ (2,436,883)
Adjustments:	
Assessment Receivable	61,250,000
Ending Balance, December 31, 2024 (as restated)	$ 58,813,117

NOTE 3 CASH AND INVESTMENTS

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

Statement of Net Position:	
Cash and Investments	$ 72,726
Cash and Investments - Restricted	36,913,695
Total Cash and Investments	$ 36,986,421

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

Deposits with Financial Institutions	$ 91,875
Investments	36,894,546
Total Cash and Investments	$ 36,986,421

Deposits with Financial Institutions

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

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

At December 31, 2025, the District's deposits with financial institutions had a bank balance and a carrying balance of $91,875.

Investments

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate risk, and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

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

- Obligations of the United States, certain U.S. government agency securities and securities of the World Bank
- General obligation and revenue bonds of U.S. local government entities
- Certain certificates of participation
- Certain securities lending agreements
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
* Local government investment pools

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

Investment	Maturity	Amount
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted-Average Under 60 Days	$ 13,545,097
Treasury Notes	Weighted-Average 234 Days	23,349,449
		$ 36,894,546

COLOTRUST

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

COLOTRUST PRIME and COLOTRUST PLUS+, which operate similarly to a money market fund and each share is equal in value to $1.00, offer daily liquidity. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

COLOTRUST EDGE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a $10.00 transactional share price. COLOTRUST EDGE may invest in securities authorized by Section 24-75-601.1, C.R.S., including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, and highest rated commercial paper.

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

COLOTRUST (Continued)

A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST PRIME and COLOTRUST PLUS+ are rated AAAm by Standard & Poor's. COLOTRUST EDGE is rated AAAf/S1 by FitchRatings. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily or weekly, and there is no redemption notice period.

U.S. Treasury Notes, Money Market Securities, and Municipal Bonds

Funds held in trust by US Bank were invested in U.S. Treasury Notes (Aa1 ratings) and Municipal Bonds (Aa2 and Aaa ratings). The District has engaged the services of a registered Investment Advisor (providing financial advisory and asset management services) to receive financial advice and to assist in the management of these funds, including the buying and selling of securities held in such portfolio. The District records its investments at market value.

Fair Value Measurements

We report certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that we can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset. In these situations, we develop inputs using the best information available in the circumstances.

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Fair Value Measurements (Continued)

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset.

A significant portion of our investment assets are classified within Level 1 because they comprise open-end US Treasury Notes with readily determinable fair values based on daily redemption values.

	December 31, 2025			
	Level 1	Level 2	Level 3	Total
U.S. Treasury Notes	$ 23,349,449	$ -	$ -	$ 23,349,449
Total Assets at Fair Value	$ 23,349,449	$ -	$ -	$ 23,349,449

NOTE 4 CAPITAL ASSETS

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

	Balance at December 31, 2024	Increases	Decreases	Balance at December 31, 2025
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Construction in Progress	$ 3,653,101	$18,638,666	$ -	$ 22,291,767
Total Capital Assets, Not Being Depreciated	3,653,101	18,638,666	-	22,291,767
Governmental Activities Capital Assets, Net	$ 3,653,101	$18,638,666	$ -	$ 22,291,767

NOTE 5 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:					
Special Assessment Revenue Bonds					
Series 2024A-1	$ 9,550,000	$ -	$ 2,566,682	$ 6,983,318	$ -
Original Issue Premium - Series 2024A-1	27,800	-	3,509	24,291	-
Special Assessment Revenue Bonds					
Series 2024A-2	9,550,000	-	2,566,681	6,983,319	-
Original Issue Premium - Series 2024A-2	26,856	-	2,928	23,928	-
Special Assessment Revenue Bonds					
Series 2024	42,150,000	-	-	42,150,000	-
Original Issue Discount - Series 2024	(252,730)	-	(19,341)	(233,389)	-
Subtotal Bonds Payable	61,051,926	-	5,120,459	55,931,467	-
Other Debts:					
Developer Advance - SID1 Capital	332,192	10,051,064	10,254,835	128,421	-
Developer Advance - SID2 Capital	702,881	8,587,602	8,044,746	1,245,737	-
Accrued Interest on:					
Developer Advance - SID1 Capital	-	98,018	98,018	-	-
Developer Advance - SID2 Capital	3,716	96,049	99,765	-	-
Subtotal Other Debts	1,038,789	18,832,733	18,497,364	1,374,158	-
Total Long-Term Obligations	$ 62,090,715	$ 18,832,733	$ 23,617,823	$ 57,305,625	$ -

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

The detail of the District's long-term obligation is as follows:

Special Improvement District No. 1 Special Assessment Revenue Bonds, Series 2024A-1 (the 2024A-1 Bonds) **and Special Improvement District No. 1 Special Assessment Revenue Bonds, Series 2024A-2** (the 2024A-2 Bonds)

Bond Details

On March 28, 2024, the District issued 2024A-1 Bonds in the par amount of $9,550,000 and on September 27, 2024, the District issued 2024A-2 Bonds in the par amount of $9,550,000. The proceeds from the sale of the 2024A-1 Bonds and the 2024A-2 Bonds were used to: (i) finance a portion of the SID Improvements; (ii) fund capitalized interest on the Bonds; (iii) fund the Reserve Fund; and (iv) pay other costs in connection with the issuance of the Bonds.

The 2024A-1 Bonds bear interest at 6.00%, payable semi-annually on June 1 and December 1, beginning June 1, 2024. The 2024A-2 Bonds bear interest at 6.50%, payable semi-annually on June 1 and December 1, beginning December 1, 2024. The Bonds are subject to annual mandatory sinking fund principal payments due on December 1, commencing on December 1, 2028. The Bonds mature on December 1, 2043.

Optional Redemption

The 2024A-1 Bonds and 2024A-2 Bonds are subject to redemption prior to maturity, at the option of the District, on March 1, 2029, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed as follows:

Date of Redemption	Redemption Premium
March 1, 2029, to February 28, 2030	3.00%
March 1, 2030, to February 29, 2031	2.00
March 1, 2031, to February 28, 2032	1.00
March 1, 2032, and thereafter	0.00

Extraordinary Mandatory Redemption

With respect to Assessment Prepayments and Assessment Lien Sale Proceeds (both as defined herein), the portion thereof constituting Assessment Principal (including the portion thereof constituting the Assessment Principal Installment due in the applicable calendar year with respect to the applicable lot(s)) shall be credited to the Extraordinary Redemption Account of the Bond Fund, and the portion thereof constituting Assessment Interest shall be credited to the Interest Account of the Bond Fund.

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Extraordinary Mandatory Redemption (Continued)

The 2024A-1 Bonds and 2024A-2 Bonds are each subject to mandatory redemption in part by lot on March 1, June 1, September 1, and December 1 of each year (each an Extraordinary Mandatory Redemption Date), commencing on June 1, 2024, equal to the principal amount thereof (with no redemption premium), plus accrued interest to the redemption date, from and to the extent of the applicable pro rata portion of moneys on deposit, if any, in the Extraordinary Redemption Account of the Bond Fund on the applicable Redemption Determination Date as defined in the Indenture.

Pledge Revenue

The 2024A-1 Bonds and 2024A-2 Bonds are special limited revenue obligations of the District and are secured by and payable solely from and to the extent of Pledged Revenue, consisting of: (i) all proceeds of the Special Assessments (including prepayments thereof), including Assessment Lien Sale Proceeds; and (ii) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Bond Fund.

Special Assessments

"Special Assessments" are defined in the Indenture as all assessments levied against all 225 lots in the SID pursuant to the Assessment Resolution, including Assessment Principal and Assessment Interest, but excluding Annual Administrative Charges.

In accordance with the Service Plan and as required by the Assessment Resolution, the Special Assessments shall be due and payable at or prior to issuance of a certificate of occupancy for any unit.

The 2024A-1 Assessment Principal with respect to each Lot paying in installments will bear interest at the same rate as the 2024A-1 Bonds, and the 2024A-2 Assessment Principal with respect to each Lot paying in installments will bear interest at the same rate as the 2024A-2 Bonds, accruing from the respective Delivery Dates to the applicable Interest End Date (the Interest).

Assessment Principal installments and the final payment of Assessment Principal due with respect to any Lot shall be reduced by the amount on deposit in the Reserve Fund permitted to be released in connection with such payments and credited to the Assessment Principal. In addition, Interest payable with respect to a Lot on any date shall be reduced by the amount of capitalized interest allocable to such Lot and available for such purpose.

If payment of Assessment Principal in installments is elected by the property owner, assessments shall be paid in principal installments (over a 20 year period corresponding with the term of the Bonds, such payments being referred to as Assessment Principal Installments) on each October 25, commencing October 25, 2028, in the amounts required for each lot set forth in the Assessment Resolution.

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Pledge Revenue (Continued)

Special Assessments (Continued)

The property owner's ability to elect payment of Assessment Principal in Assessment Principal Installments is subject to: (i) the payment on each April 25 and October 25, commencing April 25, 2024, of accrued Interest on the outstanding Assessment Principal for the applicable lot to the immediately succeeding June 1 and December 1, respectively; and (ii) the payment on each April 25, commencing April 25, 2024, of the amount of $85 per lot comprising the "Annual Administrative Charge" for the purposes of defraying the District's administrative costs associated with the implementation of the assessment set forth in the Assessment Resolution, including but not limited to the costs associated with paying the Collection Agent.

The Assessment Principal, Interest and the Annual Administrative Charge together comprise the assessment imposed on each lot. Annual Administrative Charges are not pledged to the Bonds.

Pursuant to the Assessment Resolution, the Special Assessments may be prepaid at any time upon payment of the entire unpaid Assessment Principal, plus accrued Assessment Interest on such Assessment Principal to the applicable Interest End Date. The District is required to apply such prepaid amounts to the extraordinary redemption of the Bonds.

Interest End Date means: (i) with respect to any final payment of Assessment Principal received by the Collection Agent from October 26 through and including January 25, the immediately succeeding March 1; (ii) with respect to any final payment of Assessment Principal received by the Collection Agent from January 26 through and including April 25, the immediately succeeding June 1; (iii) with respect to any final payment of Assessment Principal received by the Collection Agent from April 26 through and including July 25, the immediately succeeding September 1; and (iv) with respect to any final payment of Assessment Principal received by the Collection Agent from July 26 through and including October 25, the immediately succeeding December 1. The Assessment Principal portion of any Assessment Prepayments are to be applied to the extraordinary mandatory redemption of the Bonds on the next succeeding March 1, June 1, September 1, or December 1, as applicable.

The District has pledged special assessment revenues, including assessment principal, assessment interest, prepayments, and assessment lien sale proceeds, to repay the Series 2024A-1, Series 2024A-2, and Series 2024 Bonds. The pledge remains in effect until the bonds are paid or defeased, with final scheduled maturities through December 1, 2043 for the Series 2024A-1 and Series 2024A-2 Bonds and December 1, 2044 for the Series 2024 Bonds. During 2025, pledged special assessment revenues recognized were $5,909,894, compared with related principal and interest requirements of $8,750,877.

Assessment Lien Sale Proceeds

"Assessment Lien Sale Proceeds" refers to the proceeds of any assessment lien sale conducted by the County Treasurer, in the event of a default in the payment of any Special Assessment, plus interest, penalties, and costs of collection related to such property due and owing by any property owner in the SID.

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Additional Security for the Bonds

The Bonds are additionally secured by: (i) capitalized interest, which will be funded with proceeds of the Bonds in the amount of $885,099; and (ii) by amounts in the Reserve Fund, which will be funded with proceeds of the Bonds in the amount of the Reserve Fund Requirement of $1,910,000.

Reserve Fund

Moneys in the Reserve Fund shall be used solely for the purpose of paying the principal of and interest on the Bonds to the extent the moneys in the Bond Fund are insufficient for such purpose.

On each Redemption Determination Date, the Reserve Requirement shall be re-calculated as of the next succeeding Principal Payment Date, taking into account the principal amount of Bonds to be redeemed on such date. On each Principal Payment Date, there shall be released from the Reserve Fund and transferred to the Principal Account or Extraordinary Redemption Account a pro rata portion of the Reserve Fund equal to the applicable Reserve Release Amount, based upon the principal amount of Bonds to be redeemed on the applicable Principal Payment Date from amounts on deposit in the Principal Account or Extraordinary Redemption Account.

Amounts on deposit in the Reserve Fund on the final maturity dates of the Bonds shall be applied to the payment of the Bonds on such date.

Special Improvement District No. 2 Special Assessment Revenue Bonds, Series 2024
(the 2024 Bonds)

Bond Details

On August 8, 2024, the District issued 2024 Bonds in the par amount of $42,150,000. The proceeds from the sale of the 2024 Bonds were used to: (i) finance a portion of the SID No. 2 Improvements; (ii) fund capitalized interest on the Bonds; (iii) fund the Reserve Fund; and (iv) pay other costs in connection with the issuance of the Bonds.

The 2024A-1 Bonds bear interest at 5.50%, payable semi-annually on June 1 and December 1, beginning December 1, 2024. The Bonds are subject to annual mandatory sinking fund principal payments due on December 1, commencing on December 1, 2027. The Bonds mature on December 1, 2044.

To the extent principal of any Bond is not paid when due, such principal shall remain outstanding until paid. To the extent interest on any Bond is not paid when due, such interest shall compound semiannually on each Interest Payment Date, at the rate then borne by the Bond. The District shall not be obligated to pay more than the amount permitted by law and the electoral authorization in repayment of the Bonds, including all payments of principal, premium, if any, and interest.

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Optional Redemption

The Bonds are subject to redemption prior to maturity, at the option of the District, on September 1, 2029, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed as follows:

Date of Redemption	Redemption Premium
September 1, 2029, to August 30, 2030	3.00%
September 1, 2030, to August 30, 2031	2.00
September 1, 2031, to August 30, 2032	1.00
September 1, 2032, and thereafter	0.00

Extraordinary Mandatory Redemption

With respect to Assessment Prepayments and Assessment Lien Sale Proceeds (both as defined herein), the portion thereof constituting Assessment Principal (including the portion thereof constituting the Assessment Principal Installment due in the applicable calendar year with respect to the applicable lot(s)) shall be credited to the Extraordinary Redemption Account of the Bond Fund, and the portion thereof constituting Assessment Interest shall be credited to the Interest Account of the Bond Fund.

The Bonds are subject to mandatory redemption in part by lot on March 1, June 1, September 1, and December 1 of each year (each an Extraordinary Mandatory Redemption Date), commencing on December 1, 2024, equal to the principal amount thereof (with no redemption premium), plus accrued interest to the redemption date, from and to the extent of the applicable pro rata portion of moneys on deposit, if any, in the Extraordinary Redemption Account of the Bond Fund on the applicable Redemption Determination Date as defined in the Indenture.

Pledge Revenue

The Bonds are special limited revenue obligations of the District and are secured by and payable solely from and to the extent of Pledged Revenue, consisting of: (i) all proceeds of the SID No. 2 Special Assessments (including prepayments thereof), including, without limitation, SID No. 2 Assessment Lien Sale Proceeds and any other amounts received from any other proceeding of the District to effect collection of the SID No. 2 Special Assessments; and (ii) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Bond Fund.

Special Assessments

“Special Assessments” are defined in the Indenture as all assessments levied against all 534 lots in the SID pursuant to the Assessment Resolution, including Assessment Principal and Assessment Interest, but excluding Annual Administrative Charges.

In accordance with the Service Plan and as required by the Assessment Resolution, the Special Assessments shall be due and payable at or prior to issuance of a certificate of occupancy for any unit.

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Pledge Revenue (Continued)

Special Assessments (Continued)

The Bonds Assessment Principal with respect to each Lot paying in installments will bear interest at the same rate as the Bonds, accruing from the Delivery Date to the applicable Interest End Date (the Interest).

Assessment Principal installments and the final payment of Assessment Principal due with respect to any Lot shall be reduced by the amount on deposit in the Reserve Fund permitted to be released in connection with such payments and credited to the Assessment Principal. In addition, Interest payable with respect to a Lot on any date shall be reduced by the amount of capitalized interest allocable to such Lot and available for such purpose.

If payment of Assessment Principal in installments is elected by the property owner, assessments shall be paid in principal installments (over a 20 year period corresponding with the term of the Bonds, such payments being referred to as "SID No. 2 Assessment Principal Installments") on each October 25, commencing October 25, 2027, in the amounts required for each lot set forth in the Assessment Resolution.

The property owner's ability to elect payment of Assessment Principal in Assessment Principal Installments is subject to: (i) the payment on each April 25 and October 25, commencing October 25, 2024, of accrued Interest on the outstanding SID No. 2 Assessment Principal for the applicable lot to the immediately succeeding June 1 and December 1, respectively; and (ii) the payment on each April 25, commencing April 25, 2025, of the amount of $85 per lot comprising the "Annual Administrative Charge" for the purposes of defraying the District's administrative costs associated with the implementation of the assessment set forth in the Assessment Resolution, including but not limited to the costs associated with paying the Collection Agent.

The Assessment Principal, Interest and the Annual Administrative Charge together comprise the assessment imposed on each lot. Annual Administrative Charges are not pledged to the Bonds.

Pursuant to the Assessment Resolution, the Special Assessments may be prepaid at any time upon payment of the entire unpaid Assessment Principal, plus accrued Assessment Interest on such Assessment Principal to the applicable Interest End Date. The District is required to apply such prepaid amounts to the extraordinary redemption of the Bonds.

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Pledge Revenue (Continued)

Special Assessments (Continued)

Interest End Date means: (i) with respect to any final payment of Assessment Principal received by the Collection Agent from October 26 through and including January 25, the immediately succeeding March 1; (ii) with respect to any final payment of Assessment Principal received by the Collection Agent from January 26 through and including April 25, the immediately succeeding June 1; (iii) with respect to any final payment of Assessment Principal received by the Collection Agent from April 26 through and including July 25, the immediately succeeding September 1; and (iv) with respect to any final payment of Assessment Principal received by the Collection Agent from July 26 through and including October 25, the immediately succeeding December 1. The Assessment Principal portion of any Assessment Prepayments are to be applied to the extraordinary mandatory redemption of the Bonds on the next succeeding March 1, June 1, September 1, or December 1, as applicable.

SID Assessment Lien Sale Proceeds

"SID Assessment Lien Sale Proceeds" refers to the proceeds of any assessment lien sale conducted by the Douglas County Treasurer (the County Treasurer), in the event of a default in the payment of any SID No. 2 Special Assessment, plus interest, penalties, and costs of collection related to such property due and owing by any property owner in the SID.

Additional Security of the Bonds

The Bonds are additionally secured by: (i) capitalized interest, which will be funded with proceeds of the Bonds in the amount of $4,636,500; and (ii) by amounts in the Reserve Fund, which will be funded with proceeds of the Bonds in the amount of the Reserve Fund Requirement of $4,215,000.

Reserve Fund

Moneys in the Reserve Fund shall be used solely for the purpose of paying the principal of and interest on the Bonds to the extent the moneys in the Bond Fund are insufficient for such purpose.

On each Redemption Determination Date, the Reserve Requirement shall be re-calculated as of the next succeeding Principal Payment Date, taking into account the principal amount of Bonds to be redeemed on such date. On each Principal Payment Date, there shall be released from the Reserve Fund and transferred to the Principal Account or Extraordinary Redemption Account a pro rata portion of the Reserve Fund equal to the applicable Reserve Release Amount, based upon the principal amount of Bonds to be redeemed on the applicable Principal Payment Date from amounts on deposit in the Principal Account or Extraordinary Redemption Account,

Amounts on deposit in the Reserve Fund on the final maturity dates of the Bonds shall be applied to the payment of the Bonds on such date.

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Additional Security of the Bonds (Continued)

Reserve Fund (Continued)

The District's long-term obligations relating to the 2024A-1 Bonds will mature as follows:

Year Ending December 31,	Principal	Interest	Total
2026	$ -	$ 418,999	$ 418,999
2027	-	418,999	418,999
2028	2,000	418,999	420,999
2029	390,000	418,879	808,879
2030	416,000	395,479	811,479
2031-2035	2,533,000	1,568,255	4,101,255
2036-2040	3,499,000	699,815	4,198,815
2041	143,318	8,599	151,917
Total	$ 6,983,318	$ 4,348,025	$ 11,331,343

The District's long-term obligations relating to the 2024A-2 Bonds will mature as follows:

Year Ending December 31,	Principal	Interest	Total
2026	$ -	$ 453,916	$ 453,916
2027	-	453,916	453,916
2028	2,000	453,916	455,916
2029	390,000	453,786	843,786
2030	416,000	428,436	844,436
2031-2035	2,533,000	1,698,944	4,231,944
2036-2040	3,499,000	758,134	4,257,134
2041	143,319	9,316	152,635
Total	$ 6,983,319	$ 4,710,362	$ 11,693,681

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Additional Security of the Bonds (Continued)

Reserve Fund (Continued)

The District's long-term obligations relating to the 2024 Bonds will mature as follows:

Year Ending December 31,	Principal	Interest	Total
2026	$ -	$ 2,318,250	$ 2,318,250
2027	1,350,000	2,318,250	3,668,250
2028	1,432,000	2,244,000	3,676,000
2029	1,520,000	2,165,240	3,685,240
2030	1,612,000	2,081,640	3,693,640
2031-2035	9,666,000	8,964,780	18,630,780
2036-2040	13,004,000	5,961,010	18,965,010
2041-2043	13,566,000	1,920,710	15,486,710
Total	$ 42,150,000	$ 27,973,880	$ 70,123,880

Developer Advances

Special Improvement District No. 1 – Public Improvements Funding and Acquisition Agreement

On February 21, 2024, the District and VPDF LG LLC (Dream Finders) entered into a Public Improvements Funding and Acquisition Agreement effective February 21, 2024 to repay advances made by the Developer for capital infrastructure costs. The District agreed to repay the prior Developer for such capital advances plus accrued interest at the rate of 6.00%. As of December 31, 2025, outstanding advances under the agreement totaled $128,421 and accrued interest totaled $0.

Special Improvement District No. 2 – Public Improvements Funding and Acquisition Agreement

On July 17, 2024, the District and VPDF LG LLC (Dream Finders) entered into a Public Improvements Funding and Acquisition Agreement effective July 17, 2024 to repay advances made by the Developer for capital infrastructure costs. The District agreed to repay the prior Developer for such capital advances plus accrued interest at the rate of 6.00%. As of December 31, 2025, outstanding advances under the agreement totaled $1,245,737 and accrued interest totaled $0.

Authorized Debt

On November 3, 2015, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed $1,589,380,000 at an interest rate not to exceed 18% per annum. At December 31, 2025, the District had authorized but unissued indebtedness of $1,589,380,000.

NOTE 6 RELATED PARTIES

The Developer of the property which constitutes the District is JEN Colorado 18 LLC. (the Developer). Some of the 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.

The home builder of the property which constitutes the District is Dream Finders Homes, LLC (Dream Finders). Some of the members of the Board of Directors are employees of, owners of, or otherwise associated with the home builder, and may have conflicts of interest in dealing with the District. Dream Finders owns most of the District lots and is responsible for the payment of the Special Assessments under the 2024A-1, 2024A-2, and the 2024 Bonds.

NOTE 7 AGREEMENTS

The Taxing Districts

The District was organized simultaneously with Hess Ranch Metropolitan District No. 4 (District No. 4), 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 Issuing District. District No. 4, District No. 5, District No. 7, and District No. 8, together with District No. 6, are referred to herein as the Taxing Districts. District No. 4, District No. 5, District No. 6, and District No. 7 are residential districts and District No. 8 is a commercial district. District No. 4, 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.

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 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, 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 9 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.

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. 5
DEBT SERVICE FUND –
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2025

	Budget		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Property Taxes - Capital Pledge	$ 322,000	$ 322,000	$ 321,039	$ (961)
Property Taxes - Regional Infrastructure	29,000	29,000	28,160	(840)
Property Taxes - Town Infrastructure	29,000	29,000	28,160	(840)
Specific Ownership Taxes - Capital Pledge	25,000	25,000	24,669	(331)
Specific Ownership Taxes - Regional Infrastructure	3,000	3,000	2,220	(780)
Specific Ownership Taxes - Town Infrastructure	3,000	3,000	2,164	(836)
Interest Income	350,000	396,000	395,056	(944)
Assessment revenue	2,091,417	5,700,000	5,909,894	209,894
Total Revenues	2,852,417	6,507,000	6,711,362	204,362
EXPENDITURES				
County Treasurer's fee - Capital Pledge	5,000	5,000	4,816	184
County Treasurer's fee - Regional Infrastructure	500	500	422	78
County Treasurer's fee - Town Infrastructure	500	500	422	78
Bond Issue Costs	-	-	2,476	(2,476)
Trustee Fee	-	8,000	8,000	-
Transfers To District No. 6	405,725	500,000	400,758	99,242
Bond Interest - Series 2024	2,318,250	2,500,000	2,318,250	181,750
Bond Interest - Series 2024A-1	573,000	500,000	496,000	4,000
Bond Interest - Series 2024A-2	620,750	700,000	537,333	162,667
Bond Principal - Series 2024A-1	-	2,700,000	2,566,682	133,318
Bond Principal - Series 2024A-2	-	2,700,000	2,566,681	133,319
Contingency	11,615	1,000	-	1,000
Total Expenditures	3,935,340	9,615,000	8,901,840	713,160
NET CHANGE IN FUND BALANCE	(1,082,923)	(3,108,000)	(2,190,478)	917,522
Fund Balance - Beginning of Year	11,108,932	10,610,908	10,610,908	-
FUND BALANCE - END OF YEAR	$ 10,026,009	$ 7,502,908	$ 8,420,430	$ 917,522

HESS RANCH METROPOLITAN DISTRICT NO. 5
CAPITAL PROJECTS FUND –
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2025

	Budget		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Interest Income	$ 1,500,000	$ 1,600,000	$ 1,585,372	$ (14,628)
Total Revenues	1,500,000	1,600,000	1,585,372	(14,628)
EXPENDITURES				
Accounting	-	20,000	18,439	1,561
Engineering	-	30,000	25,392	4,608
Capital Outlay	5,000,000	20,000,000	18,638,666	1,361,334
Repay Developer Advance	20,000,000	20,000,000	18,497,364	1,502,636
Total Expenditures	25,000,000	40,050,000	37,179,861	2,870,139
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(23,500,000)	(38,450,000)	(35,594,489)	2,855,511
OTHER FINANCING SOURCES (USES)				
Developer Advance	5,000,000	20,000,000	18,638,666	(1,361,334)
Developer Advance - Interest Expense	(5,000,000)	-	-	-
Total Other Financing Sources (Uses)	-	20,000,000	18,638,666	(1,361,334)
NET CHANGE IN FUND BALANCE	(23,500,000)	(18,450,000)	(16,955,823)	1,494,177
Fund Balance - Beginning of Year	41,747,640	45,682,490	45,682,490	-
FUND BALANCE - END OF YEAR	$ 18,247,640	$ 27,232,490	$ 28,726,667	$ 1,494,177

OTHER INFORMATION

HESS RANCH 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	Debt Service	Total	Levied	Collected	
2020/2021	$ 7,930	792900.0%	10.000	-	10.000	$ 79	$ 79	100.00 %
2021/2022	7,980	0.6%	10.000	-	10.000	80	80	100.00 %
2022/2023	7,260	-9.0%	10.984	-	10.984	80	80	100.00 %
2023/2024	47,570	555.2%	10.487	70.262	80.749	3,841	3,859	100.47 %
2024/2025	5,418,540	11290.7%	10.394	69.642	80.036	433,678	433,679	100.00 %
Estimated for Year Ending December 31, 2026	$ 21,021,400	288.0%	10.740	71.962	82.702	$ 1,738,512		

Note:
Property taxes collected in any one year include collection of delinquent property taxes levied in

Source: Douglas Assessor and Treasurer.

HESS RANCH METROPOLITAN DISTRICT NO. 5
SCHEDULE OF DEBT MATURITY – 2024A-1 SERIES
DECEMBER 31, 2025

$9,550,000
Special Improvement District No. 1
Special Assessment Revenue Bonds
Series 2024A-1
Dated March 28, 2024
Interest Rate at 6.0%
Due June 1 and December 1
Principal Due December 1

Year	Principal	Interest	Total
2026	$ -	$ 418,999	$ 418,999
2027	-	418,999	418,999
2028	2,000	418,999	420,999
2029	390,000	418,879	808,879
2030	416,000	395,479	811,479
2031	443,000	370,519	813,519
2032	473,000	343,939	816,939
2033	505,000	315,559	820,559
2034	538,000	285,259	823,259
2035	574,000	252,979	826,979
2036	613,000	218,539	831,539
2037	653,000	181,759	834,759
2038	697,000	142,579	839,579
2039	743,000	100,759	843,759
2040	793,000	56,179	849,179
2041	143,318	8,599	151,917
Total	$ 6,983,318	$ 4,348,025	$ 11,331,343

HESS RANCH METROPOLITAN DISTRICT NO. 5
SCHEDULE OF DEBT MATURITY – 2024A-2 SERIES
DECEMBER 31, 2025

$9,550,000
Special Improvement District No. 1
Special Assessment Revenue Bonds
Series 2024A-2
Dated September 27, 2024
Interest Rate at 6.50%
Due June 1 and December 1
Principal Due December 1

Year	Principal	Interest	Total
2026	$ -	$ 453,916	$ 453,916
2027	-	453,916	453,916
2028	2,000	453,916	455,916
2029	390,000	453,786	843,786
2030	416,000	428,436	844,436
2031	443,000	401,396	844,396
2032	473,000	372,601	845,601
2033	505,000	341,856	846,856
2034	538,000	309,031	847,031
2035	574,000	274,061	848,061
2036	613,000	236,751	849,751
2037	653,000	196,906	849,906
2038	697,000	154,461	851,461
2039	743,000	109,156	852,156
2040	793,000	60,861	853,861
2041	143,319	9,316	152,635
Total	$ 6,983,319	$ 4,710,362	$ 11,693,681

HESS RANCH METROPOLITAN DISTRICT NO. 5
SCHEDULE OF DEBT MATURITY – 2024 SERIES
DECEMBER 31, 2025

$42,150,000
Special Improvement District No. 2
Special Assessment Revenue Bonds
Series 2024
Dated August 8, 2024
Interest Rate at 5.50%
Due June 1 and December 1
Principal Due December 1

Year	Principal	Interest	Total
2026	$ -	$ 2,318,250	$ 2,318,250
2027	1,350,000	2,318,250	3,668,250
2028	1,432,000	2,244,000	3,676,000
2029	1,520,000	2,165,240	3,685,240
2030	1,612,000	2,081,640	3,693,640
2031	1,710,000	1,992,980	3,702,980
2032	1,816,000	1,898,930	3,714,930
2033	1,926,000	1,799,050	3,725,050
2034	2,044,000	1,693,120	3,737,120
2035	2,170,000	1,580,700	3,750,700
2036	2,302,000	1,461,350	3,763,350
2037	2,442,000	1,334,740	3,776,740
2038	2,592,000	1,200,430	3,792,430
2039	2,750,000	1,057,870	3,807,870
2040	2,918,000	906,620	3,824,620
2041	3,096,000	746,130	3,842,130
2042	3,284,000	575,850	3,859,850
2043	3,486,000	395,230	3,881,230
2044	3,700,000	203,500	3,903,500
Total	$ 42,150,000	$ 27,973,880	$ 70,123,880