Cottonwood Creek Metropolitan District No. 5

Financial Statements

December 31, 2025

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McMahan and Associates, L.L.C.
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Cottonwood Creek Metropolitan District No. 5
Aurora, Colorado

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Cottonwood Creek Metropolitan District No. 5 (the "District"), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

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

INDEPENDENT AUDITOR'S REPORT
To the Board of Directors
Cottonwood Creek Metropolitan District No. 5
Aurora, Colorado

Supplementary Information

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

The budgetary comparisons found in Section F 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
Avon, Colorado
July 17, 2026

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Cottonwood Creek Metropolitan District No. 5
Statement of Net Position
December 31, 2025

Assets:	
Cash and equivalents - Unrestricted	522,448
Cash and equivalents - Restricted	35,563,357
Property taxes receivable	3
Capital and service obligations	38,804,106
Capital assets, net	3,298,400
Total Assets	78,188,314
Liabilities:	
Accounts payable	581,284
Accrued payroll	6,772
Accrued interest payable	7,188
Non-current liabilities due in excess of one year:	
Bonds payable	40,846,428
Developer advances	204,500
Total Liabilities	41,646,172
Deferred Inflows of Resources:	
Property tax revenue	3
Total Deferred Inflows of Resources	3
Net Position:	
Net investment in capital assets	(1,984,671)
Restricted for debt service	4,032,241
Restricted for capital projects	31,440,095
Restricted for emergencies	6,135
Unrestricted	3,048,339
Total Net Position	36,542,139

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

Cottonwood Creek Metropolitan District No. 5
Statement of Activities
For the Year Ended December 31, 2025

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Functions/Programs:					
Governmental activities:					
General government	1,564,107	-	-	38,804,106	37,239,999
Interest on long-term debt	1,243,813	-	-	-	(1,243,813)
Total primary government	2,807,920	-	-	38,804,106	35,996,186
General revenues:					
Interest income					545,953
Total General Revenues					545,953
Change in Net Position					36,542,139
Net Position - Beginning					-
Net Position - Ending					36,542,139

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

FUND FINANCIAL STATEMENTS

Cottonwood Creek Metropolitan District No. 5
Balance Sheet
Governmental Funds
December 31, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Assets:				
Cash and equivalents - Unrestricted	522,448	-	-	522,448
Cash and equivalents - Restricted	-	4,032,241	31,531,116	35,563,357
Property taxes receivable	3	-	-	3
Total Assets	522,451	4,032,241	31,531,116	36,085,808
Liabilities:				
Accounts payable	490,263	-	91,021	581,284
Accrued payroll	6,772	-	-	6,772
Total Liabilities	497,035	-	91,021	588,056
Deferred Inflows of Resources:				
Unavailable property tax revenue	3	-	-	3
Total Deferred Inflows of Resources	3	-	-	3
Fund Balances:				
Restricted for debt service	-	4,032,241	-	4,032,241
Restricted for capital projects	-	-	31,440,095	31,440,095
Restricted for emergencies	6,135	-	-	6,135
Unassigned	19,278	-	-	19,278
Total Fund Balances	25,413	4,032,241	31,440,095	35,497,749
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	522,451	4,032,241	31,531,116	36,085,808

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

Cottonwood Creek Metropolitan District No. 5
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
December 31, 2025

Governmental Funds Total Fund Balance		35,497,749
Capital assets used in governmental activities are not considered current financial resources and, therefore, are not reported in the funds. Details of these amounts are as follows:		
Capital assets	3,298,400	
		3,298,400
Amounts due from other Districts for capital and service costs are not currently available financial resources and, therefore, are not reported in the governmental funds.		38,804,106
Long-term liabilities, including bonds payable and leases payable, are not due and payable in the current period and, therefore, are not reported in the funds. This is the amount of District long-term liabilities. Details of these amounts are as follows:		
Bonds payable	(41,455,179)	
Bond issuance discount	1,564,879	
Developer advances	(204,500)	
Accrued interest payable	(963,316)	
		(41,058,116)
Net Position of Governmental Activities		36,542,139

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

Cottonwood Creek Metropolitan District No. 5
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Revenues:				
Interest income	-	67,438	478,515	545,953
Total Revenues	-	67,438	478,515	545,953
Expenditures:				
General government	179,087	3,189	-	182,276
Debt service				
Developer repayments	-	-	372,052	372,052
Cost of issuance	-	1,381,811	-	1,381,811
Capital outlay	-	-	3,298,420	3,298,420
Total Expenditures	179,087	1,385,000	3,670,472	5,234,559
Excess (Deficiency) of Revenues over Expenditures	(179,087)	(1,317,562)	(3,191,957)	(4,688,606)
Other Financial Sources (Uses):				
Bond proceeds	-	41,195,877	-	41,195,877
Bond premium	-	(1,586,074)	-	(1,586,074)
Developer advances	204,500	-	372,052	576,552
Transfers in	-	-	34,260,000	34,260,000
Transfers (out)	-	(34,260,000)	-	(34,260,000)
Total Other Financing Sources (Uses)	204,500	5,349,803	34,632,052	40,186,355
Net Change in Fund Balances	25,413	4,032,241	31,440,095	35,497,749
Fund Balances - Beginning	-	-	-	-
Fund Balances - Ending	25,413	4,032,241	31,440,095	35,497,749

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

Cottonwood Creek Metropolitan District No. 5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2025

Net change in fund balances for total governmental funds		35,497,749
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of the assets is allocated over their estimated useful lives as depreciation expense. This is the net difference between depreciation and capital additions during the year. Details of these differences are as follows:		
Capital additions	3,298,400	
Depreciation expense	-	
		3,298,400
Changes in the amount of capital and service obligations due from other Districts do not represent current financial resources and, therefore, are not reported in governmental funds.		38,804,106
The repayment of the principal of long-term debt consumes current financial resources of governmental funds. This transaction, however, has no effect on net position. This amount is the net effect of these differences in the treatment of long-term debt repayments.		
Principal payments - Developer advances	372,052	
Amortization of discount on bonds payable	(21,195)	
Bond proceeds	(41,195,877)	
Discount on bonds	1,586,074	
Developer advances	(576,552)	
		(39,835,498)
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 the governmental funds.		
Accretion on bonds	(1,215,430)	
Accrued interest	(7,188)	
		(1,222,618)
Change in Net Position of Governmental Activities		36,542,139

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

NOTES TO THE FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

The Cottonwood Creek Metropolitan District No. 5 (the "District") was established on June 16, 2015, as a quasi-municipal corporation and political subdivision of the State of Colorado. The District was originally formed pursuant to the Service Plan for Cottonwood Creek Metropolitan District Nos. 1-5, and is currently governed by the Amended and Restated Service Plan for Cottonwood Creek Metropolitan District Nos. 3-5 and Service Plan for Cottonwood Creek Metropolitan District Nos. 6-10.

The District was formed to serve the public improvement needs of the Cottonwood Creek development. The District has the authority to finance, design, construct, and install public improvements, including streets, landscaping, storm drainage, park and recreation facilities and related infrastructure, within the Service Area of approximately 661 acres located in the City of Aurora, Colorado.

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

A. Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

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

1. Government-wide Financial Statements

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

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

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

I. Summary of Significant Accounting Policies (continued)

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

2. Fund Financial Statements

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

The District reports the following governmental funds:

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

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

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

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

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

1. Long-term Economic Focus and Accrual Basis

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

2. Current Financial Focus and Modified Accrual Basis

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

I. Summary of Significant Accounting Policies (continued)

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

3. Financial Statement Presentation

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

D. Financial Statement Accounts

1. Cash and Cash Equivalents

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

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

2. Receivables

Receivables are reported net of an allowance for uncollectible accounts. There was no allowance as of December 31, 2025. Cottonwood Creek Metropolitan District No. 3 and No. 4 are obligated under the Capital Pledge Agreement (Note V.B) to reimburse the District over time for the cost of the infrastructure constructed by the District.

3. Prepaid Expenses

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

4. Property Taxes

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

5. Capital Assets

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

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

5. Capital Assets (continued)

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

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

6. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items to report under this category.

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

7. Long-term Obligations

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

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

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

Debt issuance costs, excluding prepaid bond insurance, are expensed as incurred in accordance with applicable accounting standards. The bond discount is reported as a reduction of the face amount of the bonds payable and is amortized over the life of the bonds using the effective interest method.

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

8. Fund Balance

The District classifies governmental fund balances as follows:

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

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

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

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

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

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

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

E. Use of Estimates

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

II. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

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

(1) A public hearing on the proposed budget and capital program was held by the Board no later than 45 days prior to the close of the fiscal year.
(2) For the 2025 budget, prior to December 15, 2024, the District computed and certified to the County Commissioners a rate of levy that derived the necessary property taxes as computed in the proposed budget.
(3) For the 2025 budget, the final budget and appropriating resolution was adopted prior to December 31, 2024.

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

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

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

II. Stewardship, Compliance, and Accountability (continued)

B. TABOR Amendment & Statutory Mill Levy Limitation Exemption

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

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

TABOR also requires local governments to establish an emergency reserve to be used for declared emergencies only. The reserve is calculated at 3% of fiscal year spending. Fiscal year spending excludes bonded debt service and enterprise spending. The District has reserved $6,135, which is the approximate required reserve, at December 31, 2025.

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

Pursuant to C.R.S. 29-1-1702 and 29-1-1704 a District has a limitation on annual property tax revenue growth, commonly referred to as the 5.25% limit. This limitation generally restricts annual increases in property tax revenues to no more than 5.25% over the prior year, exclusive of revenues attributable to new construction, annexation, or valuation changes resulting from reassessment.

Pursuant to these statutes, local governments may be exempt from the 5.25% limitation upon approval by the electorate. Once approved, the exemption allows the local government to levy property taxes without regard to the statutory revenue growth limitation in future years, unless otherwise restricted by voter authorization.

II. Stewardship, Compliance, and Accountability (continued)

B. TABOR Amendment & Statutory Mill Levy Limitation Exemption (continued)

On November 4, 2014, the District's electorate approved the following:

SHALL COTTONWOOD CREEK METROPOLITAN DISTRICT NO. 5 BE AUTHORIZED TO COLLECT, RETAIN, AND SPEND ANY AND ALL AMOUNTS ANNUALLY FROM ANY REVENUE SOURCES, INCLUDING BUT NOT LIMITED TO TAXES, TAX INCREMENT REVENUES, TAP FEES, PARK FEES, FACILITY FEES, SERVICE CHARGES, INSPECTION CHARGES, ADMINISTRATIVE CHARGES, GIFTS, GRANTS OR ANY OTHER FEE, RATE, TOLL, PENALTY, INCOME OR CHARGE AUTHORIZED BY LAW OR CONTRACT TO BE IMPOSED, COLLECTED OR RECEIVED BY THE DISTRICT IN EACH FISCAL YEAR 2014 AND IN EACH FISCAL YEAR THEREAFTER, SUCH AMOUNTS TO CONSTITUTE A VOTER-APPROVED REVENUE CHANGE AND BE COLLECTED, RETAINED AND SPENT BY THE DISTRICT WITHOUT REGARD TO ANY SPENDING, REVENUE-RAISING, OR OTHER LIMITATION CONTAINED WITHIN ARTICLE X, SECTION 20 OF THE COLORADO CONSTITUTION, INCLUDING ANY FUTURE AMENDMENTS TO ARTICLE X, SECTION 20 OF THE COLORADO CONSTITUTION IMPOSING TAX CUTS, THE LIMITS IMPOSED ON INCREASES IN PROPERTY TAXATION BY SECTION 29-1-301, C.R.S. IN ANY SUBSEQUENT YEAR, OR ANY OTHER LAW WHICH PURPORTS TO LIMIT THE DISTRICT'S REVENUES OR EXPENDITURES AS IT CURRENTLY EXISTS OR AS IT MAY BE AMENDED IN THE FUTURE, AND WITHOUT LIMITING IN ANY YEAR THE AMOUNT OF OTHER REVENUES THAT MAY BE COLLECTED, RETAINED AND SPENT BY THE DISTRICT?

On May 6, 2025, the District's electorate approved the following:

SHALL COTTONWOOD CREEK METROPOLITAN DISTRICT NO. 5 WAIVE THE 5.25% PROPERTY TAX LIMIT IMPOSED ON INCREASES IN PROPERTY TAXATION BY SECTION 29-1-1702, C.R.S., IN ALL FUTURE PROPERTY TAX YEARS AS PROVIDED BY SECTION 29-1-1704, C.R.S. AND BE AUTHORIZED TO COLLECT, RETAIN, AND SPEND THE FULL AMOUNT OF ALL TAXES, TAX INCREMENT REVENUES, TAP FEES, PARK FEES, FACILITY FEES, SERVICE CHARGES, INSPECTION CHARGES, ADMINISTRATIVE CHARGES, GIFTS, GRANTS OR ANY OTHER FEE, RATE, TOLL, PENALTY, INCOME OR CHARGE AUTHORIZED BY LAW OR CONTRACT TO BE IMPOSED, COLLECTED OR RECEIVED BY THE DISTRICT IN FISCAL YEAR 2025 AND IN ALL FISCAL YEARS THEREAFTER, SUCH AMOUNTS TO CONSTITUTE A VOTER APPROVED REVENUE CHANGE AND BE COLLECTED, RETAINED AND SPENT BY THE DISTRICT WITHOUT REGARD TO ANY SPENDING, REVENUE-RAISING, OR OTHER LIMITATION CONTAINED WITHIN ARTICLE X, SECTION 20 OF THE COLORADO CONSTITUTION, THE LIMITS IMPOSED ON INCREASES IN PROPERTY TAXATION BY SECTION 29-1-301, C.R.S. IN ANY SUBSEQUENT YEAR, OR ANY OTHER LAW WHICH PURPORTS TO LIMIT THE DISTRICT'S REVENUES OR EXPENDITURES AS IT CURRENTLY EXISTS OR AS IT MAY BE AMENDED IN THE FUTURE, AND WITHOUT LIMITING IN ANY YEAR THE AMOUNT OF OTHER REVENUES THAT MAY BE COLLECTED, RETAINED AND SPENT BY THE DISTRICT?

II. Stewardship, Compliance, and Accountability (continued)

B. TABOR Amendment & Statutory Mill Levy Limitation Exemption (continued)

On November 4, 2025, the District's electorate approved the following:

SHALL COTTONWOOD CREEK METROPOLITAN DISTRICT NO. 5 WAIVE THE 5.25% PROPERTY TAX LIMIT IMPOSED ON INCREASES IN PROPERTY TAXATION BY SECTION 29-1-1702, C.R.S., IN ALL FUTURE PROPERTY TAX YEARS AS PROVIDED BY SECTION 29-1-1704, C.R.S. AND BE AUTHORIZED TO COLLECT, RETAIN, AND SPEND THE FULL AMOUNT OF ALL TAXES, TAX INCREMENT REVENUES, TAP FEES, PARK FEES, FACILITY FEES, SERVICE CHARGES, INSPECTION CHARGES, ADMINISTRATIVE CHARGES, GIFTS, GRANTS OR ANY OTHER FEE, RATE, TOLL, PENALTY, INCOME OR CHARGE AUTHORIZED BY LAW OR CONTRACT TO BE IMPOSED, COLLECTED OR RECEIVED BY THE DISTRICT IN FISCAL YEAR 2025 AND IN ALL FISCAL YEARS THEREAFTER, SUCH AMOUNTS TO CONSTITUTE A VOTER APPROVED REVENUE CHANGE AND BE COLLECTED, RETAINED AND SPENT BY THE DISTRICT WITHOUT REGARD TO ANY SPENDING, REVENUE-RAISING, OR OTHER LIMITATION CONTAINED WITHIN ARTICLE X, SECTION 20 OF THE COLORADO CONSTITUTION, THE LIMITS IMPOSED ON INCREASES IN PROPERTY TAXATION BY SECTION 29-1-301, C.R.S. IN ANY SUBSEQUENT YEAR, OR ANY OTHER LAW WHICH PURPORTS TO LIMIT THE DISTRICT'S REVENUES OR EXPENDITURES AS IT CURRENTLY EXISTS OR AS IT MAY BE AMENDED IN THE FUTURE, AND WITHOUT LIMITING IN ANY YEAR THE AMOUNT OF OTHER REVENUES THAT MAY BE COLLECTED, RETAINED AND SPENT BY THE DISTRICT?

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

C. Authorized But Unissued Debt

Pursuant to C.R.S. 32-1-1101(2) a District is only authorized to issue bonds for a period up to twenty years following the date of the election at which such bonds were authorized by the District's voters.

The Amended and Restated Service Plan limits the aggregate outstanding principal amount of Debt that Districts Nos. 3-10 may issue to $330,000,000 (exclusive of refundings, refinancings, and ARI-related debt). At elections held on November 4, 2014, May 6, 2025, and November 4, 2025, the District's eligible electors authorized the issuance of debt in accordance with State Law. As of December 31, 2025, the District had $41,195,877 of Debt outstanding under those authorizations.

III. Detailed Notes on all Funds

A. Deposits and Investments

The District's deposits are entirely covered by federal depository insurance ("FDIC") or by collateral held under Colorado's Public Deposit Protection Act ("PDPA"). The FDIC insures the first $250,000 of the District's deposits at each financial institution. Deposit balances over $250,000 are collateralized as required by PDPA. The carrying amount of the District's demand deposits was $32,053,564 at year end.

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

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

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

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

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

III. Detailed Notes on all Funds (continued)

A. Deposits and Investments (continued)

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

	Standard & Poors Rating	Carrying Amounts	Term to Maturity: Less than one year	Term to Maturity: More than one year
Deposits:				
Checking and savings	Not rated	32,053,564	32,053,564	-
Investments:				
Investment pool	AAAm	4,032,241	4,032,241	-
		36,085,805	36,085,805	-

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

Investments Measured at Net Asset Value	Total
Colotrust Plus+	4,032,241
	4,032,241

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

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

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

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

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

III. Detailed Notes on all Funds (continued)

A. Deposits and Investments (continued)

At December 31, 2025, District had invested $4,032,241 in the Colorado Local Government Liquid Asset Trust (the “Trust”) an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commission administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to $1. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. COLOTRUST PRIME invests only in U.S. Treasury and government agencies. COLOTRUST PLUS+ can invest in U.S. Treasury, government agencies, and in the highest-rate commercial paper. A designated custodial bank serves as custodian for the Trust’s portfolios pursuant to a custodian agreement. The custodian acts as a safekeeping agent for the Trust’s investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian’s internal records segregate investments owned by the Trust. The Trust is rated AAAm by Standard and Poor’s and is measured at net asset value. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

The District had the following restricted cash and equivalents as of December 31, 2025:

Project Fund	31,531,116
Surplus Fund	4,025,109
Bond Fund	7,132
	35,563,357

III. Detailed Notes on all Funds (continued)

B. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Construction in progress	-	3,298,400	-	3,298,400
Capital assets, being depreciated:				
Infrastructure	-	-	-	-
Total capital assets	-	3,298,400	-	3,298,400
Less accumulated depreciation for:				
Infrastructure	-	-	-	-
Total accumulated depreciation	-	-	-	-
Net Capital Assets	-	3,298,400	-	3,298,400

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

	Capital Outlay	Depreciation Expense
General Government	3,298,400	-
	3,298,400	-

C. Long-term Obligations

1. Limited Tax General Obligation Convertible Capital Appreciation Bonds, Series 2025

On August 5, 2025, the District issued $41,195,877 (value at issuance) Limited Tax General Obligation Convertible Capital Appreciation Bonds, Series 2025 (the "Series 2025 Bonds"), with a value at the Current Interest Conversion Date of $56,045,000, to finance a portion of the public improvements necessary to support development within and around the District, fund the initial deposit to the Surplus Fund, and pay costs of issuance.

The Series 2025 Bonds were issued at an original issue discount of $1,586,073, resulting in net proceeds of $39,609,804.

III. Detailed Notes on all Funds (continued)

C. Long-term Obligations (continued)

1. Limited Tax General Obligation Convertible Capital Appreciation Bonds, Series 2025 (continued)

The Series 2025 Bonds mature on December 1, 2055, and have a Current Interest Conversion Date of December 1, 2029. Prior to the Current Interest Conversion Date, the Series 2025 Bonds pay no current interest and accrete in value at 7.25% per annum, compounding semiannually on each June 1 and December 1, commencing December 1, 2025. On the Current Interest Conversion Date, the Series 2025 Bonds will automatically convert to current interest bonds bearing interest at 7.25% per annum, payable semiannually on June 1 and December 1 of each year, commencing June 1, 2030. Accreted interest prior to the Current Interest Conversion Date is recognized as interest expense in the government-wide statements as it accrues and is added to the carrying amount of the bonds payable; the resulting accreted value at conversion ($56,045,000) becomes the principal amount upon which current interest is calculated thereafter.

Security and Pledged Revenue – The Bonds are limited tax general obligations of the District secured by and payable from the Pledged Revenue, which consists of:

(i) all Property Tax Revenues derived from the Required Mill Levy;
(ii) all Specific Ownership Tax Revenues;
(iii) all Capital Facilities Fees;
(iv) all PILT Revenues, if any; and
(v) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Bond Fund.

The "Required Mill Levy" is generally defined in the Pledge Agreement as a mill levy imposed each year on all taxable property of each Taxing District in an amount equal to the lesser of (i) 50 mills (subject to adjustment for changes in the ratio of actual to assessed valuation) or (ii) such lesser amount as is necessary to pay the Series 2025 Bonds. The "Capital Facilities Fees" are imposed at $2,500 per single-family detached or attached home and $500 per apartment unit pursuant to resolutions adopted by the Taxing Districts on March 21, 2025 and April 24, 2025.

Surplus Fund - The Bonds are additionally secured by amounts on deposit in the Surplus Fund, which was initially funded with proceeds of the Series 2025 Bonds in the Minimum Surplus Amount of $3,960,980. Prior to the Surplus Fund Partial Release Date, the Surplus Fund is to be additionally funded with excess Pledged Revenue, if any, up to the Maximum Surplus Amount of $8,239,175. The "Surplus Fund Partial Release Date" is defined as the earlier of (i) the first September 1 on which the Preliminary Actual Valuation of the Taxing Districts is at least $1,694,592,267, or (ii) the first September 1 on which the Preliminary Senior Debt to Assessed Ratio is 50% or less. On and after the Surplus Fund Partial Release Date, amounts in excess of the Minimum Surplus Amount are to be transferred to the Excess Proceeds Special Redemption Account of the Bond Fund and applied to redemption of the Series 2025 Bonds.

III. Detailed Notes on all Funds (continued)

C. Long-term Obligations (continued)

1. Limited Tax General Obligation Convertible Capital Appreciation Bonds, Series 2025 (continued)

Optional Redemption - The Bonds are subject to optional redemption on September 1, 2030, and on any date thereafter, upon payment of par (or Accreted Value, as applicable), accrued interest, and a redemption premium of 3.00% (declining to 0.00% on or after September 1, 2035).

Mandatory Sinking Fund Redemption - The Bonds are subject to mandatory sinking fund redemption beginning December 1, 2035, in annual amounts ranging from $185,000 (2035) to $5,255,000 (2054), with final maturity on December 1, 2055, in the amount of $5,640,000.

2. Operating Advances

On April 4, 2025, the District entered into a Funding and Reimbursement Agreement (the "Agreement") with BOAC Cottonwood Property LLC ("BOAC"). Under the Agreement, BOAC has agreed to advance funds to the District, from time to time, to pay the District's general administrative, operating, and maintenance costs in an aggregate amount not to exceed $100,000 per annum (the "Annual Loan Cap"), up to a total Maximum Loan Amount of $200,000 over the initial two-year period. BOAC's obligation to advance funds terminates on December 31, 2026, subject to automatic one-year extensions unless BOAC delivers written termination notice to the District at least thirty (30) days prior to December 31 of each year. Upon each automatic extension, the Maximum Loan Amount increases by the Annual Loan Cap.

Advances bear simple interest at the Municipal Market Data (MMD) "AAA" General Obligation Yield Curve, 30-year constant maturity, plus 325 basis points, from the date of each advance until the earlier of repayment in full or the date a Reimbursement Obligation is issued to evidence such advance. The District intends to repay advances from ad valorem property taxes, fees, or other legally available revenues, net of debt service obligations and annual operations and maintenance costs. Any mill levy certified by the District for repayment of advances under the Agreement is limited to 10.000 mills and is further subject to the District's Service Plan, outstanding debt instruments, electoral authorization, and applicable law.

There is no fixed amortization schedule for repayment; therefore, these advances are not included in the following amortization schedule.

3. Capital Advances

On April 4, 2025, the District entered into a Public Improvements Acquisition and Reimbursement Agreement (the "Agreement") with BOAC Cottonwood Property LLC ("BOAC"). Under the Agreement, the District will acquire certain public infrastructure, improvements, facilities, and services (the "Public Improvements") financed, constructed, and installed by BOAC, and reimburse BOAC for District Eligible Costs incurred in connection with construction. District Eligible Costs include the costs of labor, materials, furnishings and equipment; insurance premiums and indemnity or fidelity bonds; surveys, appraisals, plans, designs, and estimates; the fees and expenses of engineers, architects, construction managers, financial consultants, accountants, and legal advisors; demolition, removal, and relocation; District organizational costs; and other lawful costs determined by the Board.

III. Detailed Notes on all Funds (continued)

C. Long-term Obligations (continued)

3. Capital Advances (continued)

District acquisition of any Public Improvements is conditioned upon BOAC's delivery of customary closeout documentation, including certified record drawings, lien waivers, an indemnification agreement, a bill of sale (and special warranty deed for any real property), and a two-year warranty agreement. Reimbursement of District Eligible Costs requires the District's adoption of an Acceptance Resolution following review of an Application for Acceptance, an Engineer's Cost Certification, and an Accountant's Cost Certification. Upon acceptance, Certified District Eligible Costs bear simple interest at the Municipal Market Data (MMD) "AAA" General Obligation Yield Curve, 30-year constant maturity, plus 350 basis points per annum from the effective date of the related Acceptance Resolution. Payment Advances made by BOAC to or on behalf of the District for District Eligible Costs accrue simple interest at the same rate from the date of advance.

The District anticipates reimbursing BOAC from the proceeds of bonds, loans, or other obligations (the "Bonds") to be issued by the District. In the event Bonds have not been issued in an amount sufficient to reimburse BOAC by December 31, 2030, the District shall use commercially reasonable efforts, upon BOAC's request, to issue a promissory note or other privately placed debt instrument to BOAC for the unreimbursed Certified District Eligible Costs (a "Reimbursement Obligation").

There is no fixed amortization schedule for repayment; therefore, these advances are not included in the following amortization schedule.

4. Changes in Long-term Obligations

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
Limited Tax G.O. Bonds Convertible					
Capital Appreciation Bonds, Series 2025	-	42,411,307	-	42,411,307	-
Discount on Series 2025	-	(1,586,074)	21,195	(1,564,879)	-
Total bonds payable:	-	40,825,233	21,195	40,846,428	-
Developer advances:					
Operating advances	-	204,500	-	204,500	-
Capital advances	-	372,052	(372,052)	-	-
Total developer advances:	-	576,552	(372,052)	204,500	-
Total	-	41,401,785	(350,857)	41,050,928	-

III. Detailed Notes on all Funds (continued)

D. Long-term Obligations (continued)

5. Annual Debt Service Requirements

Annual debt service requirements to maturity for the Series 2025 Bonds are as follows:

	Principal	Interest	Total
2026	-	-	-
2027	-	-	-
2028	-	-	-
2029	-	-	-
2030	-	4,063,263	4,063,263
2031 - 2035	185,000	20,316,313	20,501,313
2036 - 2040	5,640,000	19,583,338	25,223,338
2041 - 2045	10,075,000	16,883,438	26,958,438
2046 - 2050	15,940,000	12,442,088	28,382,088
2051 - 2055	24,205,000	5,551,688	29,756,688
Total	56,045,000	78,840,125	134,885,125

IV. Other Information

A. Risk Management

Colorado Special Districts Property and Liability Pool

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; and general liability. The District is a member of the Colorado Special District Property and Liability Pool (“Pool”) for property and liability insurance.

The Pool was formed by an intergovernmental agreement to provide public officials, property, general and automobile liability coverage for claims up to $1,000,000, except if the claim falls within the government immunity statute, then the coverage is $150,000 per person and a $600,000 aggregate claim. The Pool is reinsured for 80% of the first $250,000 of all claims and 100% for claims in excess of $250,000. The District may be required to make additional contributions in the event aggregate losses incurred by the Pool exceed amounts recoverable from reinsurance contracts. 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. Any settled claims are not expected to exceed coverage. A summary of audited statutory basis financial information for the Pool can be found here: https://www.csdpool.org/financials

IV. Other Information (continued)

B. Commitments and Contingencies

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

C. Related Parties

The Developer's representatives make up the members of the Board of Directors. The Developer operating and capital advances through December 31, 2025 aggregated $204,500, and construction management payments totaled $79,478 with $7,504 payable at year end.

V. Agreements

A. Intergovernmental Agreement with the City of Aurora

On July 14, 2025, the District entered into an Intergovernmental Agreement (the "IGA") with the City of Aurora and Cottonwood Creek Metropolitan Districts Nos. 3, 4 and 6 –10. The IGA, required by the District's Service Plan and Aurora City Code, governs operations and maintenance of Public Improvements (dedicated to the City or other appropriate entities), imposes limitations on fire protection, television relay, and golf course activities, and establishes construction standards, debt issuance procedures (including External Financial Advisor certification for privately placed debt), an aggregate debt issuance limit of $330,000,000 (exclusive of refundings and ARI-related debt), property inclusion/overlap restrictions, fee limitations, and the imposition and conveyance of the Aurora Regional Improvement (ARI) Mill Levy for regional street and transportation improvements.

The IGA also addresses the Maximum Debt Mill Levy, disclosure to purchasers, annual reporting, dissolution, and remedies for default. Bonded indebtedness was not authorized until the IGA was executed. The District is subject to these ongoing covenants and limitations.

B. Capital Pledge Agreement

In connection with the issuance of its Limited Tax General Obligation Convertible Capital Appreciation Bonds, Series 2025 (the "2025 Bonds"), the District (as the Issuing District) entered into a Capital Pledge Agreement dated August 1, 2025 (the "Pledge Agreement") with Cottonwood Creek Metropolitan District No. 3, Cottonwood Creek Metropolitan District No. 4, and any future Joined Taxing Districts. Under the Pledge Agreement, each Taxing District pledges its Pledged Revenue to the Issuing District for the payment of the 2025 Bonds and any Additional Issuing District Obligations issued to finance or refinance the Financed Public Improvements. Pledged Revenue consists of (i) Property Tax Revenues derived from the Required Mill Levy, (ii) Specific Ownership Tax Revenues attributable thereto, (iii) Capital Facilities Fees, and (iv) PILT Revenues, if any.

V. Agreements (continued)

B. Capital Pledge Agreement (continued)

The Required Mill Levy is an ad valorem mill levy equal to the lesser of (a) 50 mills (subject to adjustment for changes in the method of calculating assessed valuation or constitutionally mandated tax credits, cuts, or abatements occurring on or after January 1, 2004, and further reduced by any mills required for unlimited mill levy debt) or (b) such lesser amount that, if imposed by all Taxing Districts, would generate sufficient Property Tax Revenues to pay the 2025 Bonds and any Additional Issuing District Obligations in full in the year of collection (subject to each Taxing District's electoral authorization). Each Taxing District's Payment Obligation is a limited tax general obligation payable solely from, and secured by an irrevocable lien on, its Pledged Revenue.

Imposition of the Required Mill Levy begins in each Taxing District's Mill Levy Commencement Year (2025 for District No. 4; the first year in which property within the applicable district is transferred to an Unrelated Party, but no later than 2033, for the Issuing District and District No. 3; and analogous rules for Joined Taxing Districts). Each Taxing District's obligation to impose the Required Mill Levy terminates on the earlier of (i) defeasance or payment in full of the 2025 Bonds and any Additional Issuing District Obligations or (ii) December 31 of the 40th calendar year following its Mill Levy Commencement Year.

C. Construction Management Agreement

On August 1, 2025, the District entered into an Independent Contractor Agreement for Construction Management Services (the "Agreement") with Westside Property Investment Company, Inc., a Colorado corporation (the "Contractor"). Under the Agreement, the Contractor provides pre-construction and construction-phase management services in connection with the District's public infrastructure projects. Compensation under the Agreement is equal to one (1%) of the total contract price of each construction contract entered into by the District, payable monthly upon submission of a detailed invoice.

The Agreement is effective August 1, 2025 and terminates on the earliest of (i) termination by either party upon thirty (30) days' written notice for convenience or for an uncured cause, (ii) completion of the Services, or (iii) December 31, 2025. The Agreement automatically renews for additional one-year terms on January 1 of each succeeding year unless previously terminated or unless the District determines not to appropriate funds for the next succeeding year.

V. Agreements (continued)

D. District Coordinating Services Agreement

On April 24, 2025, the District entered into a District Coordinating Services Agreement (the "Agreement") with Cottonwood Creek Metropolitan District Nos. 3 and 4 (collectively, the "Financing Districts"). The Districts were organized pursuant to the Service Plan for Cottonwood Creek Metropolitan District Nos. 1-5 approved by the City of Aurora, and are part of an integrated mixed-use development.

Under the Agreement, the District serves as the Coordinating District and is responsible for providing administrative services (including records custody, board meeting coordination, accounting and budget preparation, election administration, insurance administration, and engagement of professional consultants) and operations and maintenance services (including operation and maintenance of Public Improvements not dedicated to another governmental entity or owners association, maintenance of common areas, parks, landscaping, open space, and recreational amenities, and, as applicable, trash service, architectural review, and covenant enforcement) for the benefit of itself and the Financing Districts. The District owns, operates, and maintains all Public Improvements within the boundaries of the Districts that are not otherwise dedicated to the City of Aurora, Arapahoe County, another public entity, or an owners association.

Service costs incurred by the District in performing the services are reimbursed by the Financing Districts in accordance with an annual budget process. The Coordinating District submits a Preliminary Budget to the Financing Districts on or before October 15 each year, with comments due back by November 1 and a Final Budget approved on or before December 10. Absent agreement, the default Final Budget is capped at the greater of 120% of the prior year's appropriated expenditures or 120% of amounts otherwise agreed for the budget year. The Financing Districts are obligated to remit 1/12 of their annual share of service costs by the 15th of each month, subject to deferral during periods in which ad valorem property tax collections have not yet been received. It is the intent of the Districts that service costs be funded primarily through the imposition of ad valorem mill levies by each Financing District against taxable property within its boundaries.

A Financing District may terminate the Agreement as to administrative services upon ninety (90) days' written notice. Termination of O&M services requires a written Termination Agreement approved by each of the Financing Districts addressing the allocation and transfer of Public Improvements, payment of outstanding obligations of the Coordinating District, and disposition of outstanding contracts.

During the year ended December 31, 2025, the District did not receive any payments under the terms of this agreement. The District has capital and service obligations receivable under this agreement of $28,184,035 and $10,620,071, from District No. 3 and District No. 4, respectively.

V. Agreements (continued)

E. Capital Facilities Fees

The District's Board of Directors adopted an Amended and Restated Resolution Concerning the Imposition of a Capital Facilities Fee on August 1, 2025 which amended, restated, and replaced a prior fee resolution adopted March 21, 2025. The Fee Resolution imposes a one-time Capital Facilities Fee on each Apartment Unit, Residential Unit, and Commercial Unit within the District, due on the earlier of the initial transfer of a Lot to an End User or the issuance of a certificate of occupancy. The fee is $2,500 per single family detached or attached Residential Unit (including town home, patio home, duplex, Type I, and Type II) and $500 per apartment or other multi-family Residential Unit, subject to adjustment by the Board.

Capital Facilities Fee revenues are accounted for separately and restricted solely to the payment of Capital Facility Costs, including the repayment of related indebtedness, and may not be used for general administrative costs of the District.

During the year ended December 31, 2025, the District did not receive any Capital Facilities Fee revenue.

VI. Commitments

The District had the following contractual commitments as of December 31, 2025:

Project	Vendor	Contract Commitment	Completed	Retainage	Remaining
Phase 1A, 1B, and 1C	Hudick Excavating, Inc.	2,764,857	(1,820,428)	91,021	1,035,450

REQUIRED SUPPLEMENTARY INFORMATION

Cottonwood Creek Metropolitan District No. 5
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Governmental Funds - General Fund
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Final Budget Variance Positive (Negative)
Revenues:				
Interest income	-	-	-	-
Total Revenues	-	-	-	-
Expenditures:				
General government:				
Insurance	2,500	-	2,025	(2,025)
Accounting and auditing	2,500	40,000	44,142	(4,142)
Legal	9,500	100,000	70,403	29,597
Management	-	20,000	17,211	2,789
Elections	-	10,000	29,817	(19,817)
Director fees	-	-	14,386	(14,386)
Other	-	2,500	1,103	1,397
Contingency	500	127,500	-	127,500
Total Expenditures	15,000	300,000	179,087	120,913
Excess (Deficiency) of Revenues over Expenditures	(15,000)	(300,000)	(179,087)	(120,913)
Other Financing Sources (Uses):				
Developer advances	15,000	310,000	204,500	(105,500)
Total Other Financing Sources (Uses)	15,000	310,000	204,500	(105,500)
Net Change in Fund Balance	-	10,000	25,413	15,413
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	-	10,000	25,413	15,413

SUPPLEMENTARY INFORMATION

Cottonwood Creek Metropolitan District No. 5
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Governmental Funds - Debt Service Fund
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Final Budget Variance Positive (Negative)
Revenues:				
Interest income	-	90,000	67,438	(22,562)
Total Revenues	-	90,000	67,438	(22,562)
Expenditures:				
General government:				
Bank and trustee fees	-	-	3,189	(3,189)
Indirect Cost Allocation	-	-	-	-
Contingency	-	6,747,337	-	6,747,337
Debt service:				
Cost of issuance	-	1,286,003	1,381,811	(95,808)
Total Expenditures	-	8,033,340	1,385,000	6,648,340
Excess (Deficiency) of Revenues over Expenditures	-	(7,943,340)	(1,317,562)	(6,670,902)
Other Financing Sources (Uses):				
Bond proceeds	-	44,300,162	41,195,877	(3,104,285)
Bond premium	-	5,000,000	(1,586,074)	(6,586,074)
Transfers (out)	-	(37,011,540)	(34,260,000)	2,751,540
Total Other Financing Sources (Uses)	-	12,288,622	5,349,803	(6,938,819)
Net Change in Fund Balance	-	4,345,282	4,032,241	(313,041)
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	-	4,345,282	4,032,241	(313,041)

Cottonwood Creek Metropolitan District No. 5
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Governmental Funds - Capital Projects Fund
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Final Budget Variance Positive (Negative)
Revenues:				
Interest income	-	627,000	478,515	(148,485)
Total Revenues	-	627,000	478,515	(148,485)
Expenditures:				
Contingency	-	10,000,000	-	10,000,000
Debt Service:				
Developer repayments	-	-	372,052	(372,052)
Capital outlay	-	37,638,540	3,298,420	34,340,120
Total Expenditures	-	47,638,540	3,670,472	43,968,068
Excess (Deficiency) of Revenues over Expenditures	-	(47,011,540)	(3,191,957)	(44,116,553)
Other Financing Sources (Uses):				
Developer advances	-	10,000,000	372,052	(9,627,948)
Transfers in	-	37,011,540	34,260,000	(2,751,540)
Total Other Financing Sources (Uses)	-	47,011,540	34,632,052	(12,379,488)
Net Change in Fund Balance	-	-	31,440,095	31,440,095
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	-	-	31,440,095	31,440,095