ELLSTON PARK METROPOLITAN DISTRICT

FINANCIAL STATEMENTS
With Independent Auditors' Report

For the Year Ended December 31, 2025

ELLSTON PARK METROPOLITAN DISTRICT
TABLE OF CONTENTS
DECEMBER 31, 2025

INDEPENDENT AUDITORS' REPORT

To Management and the Board of Directors
Ellston Park Metropolitan District

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 Ellston Park Metropolitan District, as of and for the year ended December 31, 2025 and the related notes to the financial statements, which collectively comprise Ellston Park Metropolitan 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 Ellston Park Metropolitan District, as of December 31, 2025 and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Ellston Park Metropolitan 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.

Economic Dependency

The District has not yet established a revenue base sufficient to meet its debt service and operational expenses. As discussed in Note 8, the District is dependent upon future growth in the District and restructuring and refinancing of the District's long-term obligations to provide funds for such expenses. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Ellston Park Metropolitan District's ability to

31 East Platte Avenue, Suite 300 • Colorado Springs, CO 80903 • (719) 630-1091 • Fax (719) 630-0522 • www.hoeltingco.com

continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Ellston Park Metropolitan 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 Ellston Park Metropolitan 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ellston Park Metropolitan District's basic financial statements. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Hoelting & Company Inc.

Colorado Springs, Colorado
July 30, 2026

ELLSTON PARK METROPOLITAN DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED DECEMBER 31, 2025

As management of Ellston Park Metropolitan District (the District) we offer readers of the District's annual financial report this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2025. Readers are encouraged to consider the information presented here in conjunction with the annual financial report.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows at the close of the 2025 fiscal year by $(819,814) (*net position*). Of this amount, $(491,677) (*unrestricted net position*) may be used to meet the District's ongoing obligations to its citizens and creditors.

- As of the close of the 2025 fiscal year, the general fund reported an ending fund balance of $(5,710).

- As of the close of the 2025 fiscal year, the debt service fund reported an ending Fund balance of $625,227. The total amount is assigned for capital projects.

- As of the close of the 2025 fiscal year, the capital projects fund reported an ending fund balance of $0. The total amount is assigned for capital projects.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances as a whole, in a manner similar to a private-sector business and includes two statements:

The *statement of net position* presents information on all of the District's assets and liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information reporting how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. Accrued interest expense is an example of this type of item.

Both government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include general and administrative activities, streets, and water and sewer. Currently, the District has no business-type activities.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. The fund financial statements provide more detailed information about the District's operations, focusing on its most significant funds, not the District as a whole. The District has three governmental funds: the General fund, Debt Service fund and the Capital Projects fund.

Governmental Funds: The District's basic services are included in three governmental funds, General Fund, Debt Service Fund and Capital Projects Fund, which focus on (1) how money flows into and out of the funds and (2) the balances left at year-end that are available for spending or reserves. Consequently, the governmental fund statements provide a detailed short-term view that helps determine the status of financial resources that can be spent in the near future to finance the District's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Thus, readers may better understand the long-term impact of the District's near-term financing decisions. To facilitate this comparison between governmental funds and governmental activities, reconciliations are provided for both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balance.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

Also, the District adopts an annual appropriated budget for the General fund. A budgetary comparison schedule has been provided to demonstrate compliance with the budget. A budgetary comparison schedule has been provided for the Capital Projects fund as well.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. In the case of the District, total assets and deferred outflows exceeded liabilities and deferred inflows by $(819,814) as of December 31, 2025. 81% of the District's assets are its investment in capital assets.

Condensed Statement of Net Position

	2025	2024
Current and other assets	$ 672,430	$ 61
Capital assets, net depreciation	2,908,090	-
Total assets	3,580,520	61
Current liabilities	395,946	2,359
Long Term Liabilities	3,980,277	-
Total liabilities	4,376,223	2,359
Deferred inflows of resources:		
Unavailable property tax revenue	24,111	-
Net position:		
Net investment in capital assets	(955,764)	-
Restricted	627,627	-
Unrestricted	(491,677)	(2,298)
Total net position	$ (819,814)	$ (2,298)

Condensed Statement of Activities

	2025	2024
Revenues:		
General revenues:		
Other	$ -	$ 38,425
Total revenues	-	38,425
Expenses:		
General government	58,015	40,623
Infrastructure operations and maintenance	13,155	100
Interest and fiscal charges	589,720	-
Total expenses	660,890	40,723
Change in net position	(660,890)	(2,298)
Net position, beginning, as restated	(158,924)	-
Net position, ending	$ (819,814)	$ (2,298)

ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The General fund is the operating fund of the District. The fund balance for the General fund was $(5,710) at the end of the 2025 fiscal year.

The Debt Service fund accounts for the accumulation of resources for and the payment of principal, interest and related expenses on long-term general obligation debt fund of the District. The Fund balance for the Debt Service fund was $625,227 at the end of the 2025 fiscal year.

The Capital Projects fund is the special revenue fund of the District. The fund balance for the Capital Projects fund was $0 at the end of the 2025 fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's General fund budget is prepared in accordance with state law. An amended budget was adopted in the General Fund budget during the 2025 fiscal year.

CAPITAL PROJECTS FUND BUDGETARY HIGHLIGHTS

The District's Capital Projects fund budget is prepared in accordance with state law. No changes were made to the Capital Projects fund budget during the 2025 fiscal year.

DEBT SERVICE FUND BUDGETARY HIGHLIGHTS

The District's Debt Service fund budget is prepared in accordance with state law. An amended budget was adopted in the Debt Service fund budget during the 2025 fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets for its governmental activities at the end of the 2025 fiscal year was as follows:

	2025	2024
Construction in process	$ -	$ 2,887,124
Water improvements	1,044,433	-
Storm improvements	602,520	-
Sanitation improvements	908,962	-
Street improvements	361,900	-
Accumulated depreciation	(9,725	-
Capital assets, net	$ 2,908,090	$ 2,887,124

Major capital asset activities during the 2025 fiscal year included the completion of upgrades to the water, storm, sanitation and street improvements in the amount of $2,908,090.

Long-Term Liabilities
In 2025 the District issued $2,530,000 in General Obligation Bonds. The District has also entered into funding agreements for the acquisition and maintenance of infrastructure.

BUDGETARY AND ECONOMIC/ENVIRONMENTAL FACTORS

Budgetary Highlights- Both the General Fund and Debt Service Fund 2025 budgets needed to be amended. The 2025 original budgeted expenses in the general fund were $50,159 and the actual expenses were $61,445. The budgeted expenses for the debt service fund were $16,701 and the actual expenses were $1,924,470. This was due to the issuance of the bond.
Economic and Environmental Factors – The District does not anticipate any economic or environmental factors will have significant impact on the District's financial position and operations. However, various factors, namely potential regulatory policy and inflation and cost pressures will continue to shape long-term operations and financial stability.

REQUESTS FOR INFORMATION

This financial report is designed to provide the District's taxpayers with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact an official at the District's administration office, Wisdom Management, 3204 N Academy Blvd., Suite 100, Colorado Springs, CO 80917, 719-447-1777.

BASIC FINANCIAL STATEMENTS

ELLSTON PARK METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2025

ASSETS		
Cash and cash equivalents	$	689
Restricted cash and cash equivalents		625,227
Accounts receivable		20,000
Property taxes receivable		24,111
Prepaid expenses		2,403
Capital assets, net of accumulated depreciation and amortization		2,908,090
Total assets		3,580,520
LIABILITIES		
Accounts payable and other accrued liabilities		28,802
Accrued interest		367,144
Long-term liabilities:		
Due in more than one year		3,980,277
Total liabilities		4,376,223
DEFERRED INFLOWS OF RESOURCES		
Unavailable property tax revenue		24,111
NET POSITION		
Net investment in capital assets		(955,764)
Restricted for:		
TABOR		2,400
Debt service		625,227
Unrestricted		(491,677)
Total net position (deficit)	$	(819,814)

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

ELLSTON PARK METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2025

		Program Revenues			Net (Expense)
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Change in Net Position
Governmental activities:					
General government	$ 58,015	$ -	$ -	$ -	$ (58,015)
Infrastructure operations and	13,155	-	-	-	(13,155)
Interest and fiscal charges	589,720	-	-	-	(589,720)
Total governmental activities	$ 660,890	$ -	$ -	$ -	(660,890)
	Change in net position				(660,890)
	Net position - beginning, as restated (deficit)				(158,924)
	Net position - ending (deficit)				$ (819,814)

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

ELLSTON PARK METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total
ASSETS				
Cash and cash equivalents	$ 689	$ -	$ -	$ 689
Restricted cash and cash equivalents	-	625,227	-	625,227
Accounts receivable	20,000	-	-	20,000
Property taxes receivable	6,028	18,083	-	24,111
Prepaid expenses	2,403	-	-	2,403
Total assets	$ 29,120	$ 643,310	$ -	$ 672,430
LIABILITIES				
Accounts payable and other accrued liabilities	$ 28,802	$ -	$ -	$ 28,802
DEFERRED INFLOWS OF RESOURCES				
Unavailable property tax revenue	6,028	18,083	-	24,111
FUND BALANCES				
Nonspendable	2,403	-	-	2,403
Restricted for:				
TABOR	2,400	-	-	2,400
Debt service	-	625,227		625,227
Unassigned	(10,513)	-	-	(10,513)
Total fund balances	(5,710)	625,227	-	619,517
Total liabilities, deferred inflows of resources, and fund balances	$ 29,120	$ 643,310	$ -	$ 672,430

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

ELLSTON PARK METROPOLITAN DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2025

Total Fund Balance of Governmental Funds		$ 619,517
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.		2,908,090
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in governmental funds:		
Accrued interest	$ (367,144)	
Funding agreement payable	(1,450,277)	
General obligation bonds payable	(2,530,000)	(4,347,421)
Net position of governmental activities		$ (819,814)

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

ELLSTON PARK METROPOLITAN DISTRICT
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
EXPENDITURES				
General administration	$ 48,290	$ -	$ -	$ 48,290
Infrastructure operations and maintenance	13,155	-	-	13,155
Debt service:				
Principal	-	1,583,962	-	1,583,962
Issuance costs	-	340,778	-	340,778
Capital outlay	-	-	30,691	30,691
Total expenditures	61,445	1,924,740	30,691	2,016,876
Excess (deficiency) of revenues over expenditures	(61,445)	(1,924,740)	(30,691)	(2,016,876)
OTHER FINANCING (USES) SOURCES				
Transfers (out) in	(19,967)	19,967	-	-
Bond Proceeds	-	2,530,000	-	2,530,000
Developer advances	78,000	-	30,691	108,691
Total other financing (uses) sources	58,033	2,549,967	30,691	2,638,691
Net change in fund balances	(3,412)	625,227	-	621,815
Fund balance - beginning	(2,298)	-	-	(2,298)
Fund balance - ending	$ (5,710)	$ 625,227	$ -	$ 619,517

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

ELLSTON PARK METROPOLITAN DISTRICT
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 - Total Governmental Funds		$ 621,815
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures, but in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:		
Capital outlays	$ 30,691	
Depreciation expense	(9,725)	20,966
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		
Issuance of long-term debt	$ (2,530,000)	
Developer advances	(108,691)	
Interest expense	(248,942)	
Debt principal payments	1,583,962	(1,303,671)
Change in net position of governmental activities		$ (660,890)

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Ellston Park Metropolitan District (the "District") is a quasi-municipal corporation and political subdivision of the State of Colorado organized to develop and provide certain services to the residents of the District. The District was formed by order of the District Court for the County of El Paso, Colorado on December 21, 2021. The District, as a metropolitan district, derives its power from state statutes. Among the express statutory powers of the District are the powers of taxation and eminent domain, and the power to borrow money and issue both general obligation and revenue bonds.

The financial statements of the District have been 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 in GAAP and used by the District are discussed below.

A. REPORTING ENTITY

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is both legally and substantively separate from the government.

Based on the application of these criteria, the District does not include additional organizations within its reporting entity.

B. BASIS OF PRESENTATION—GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the non-fiduciary activities of the government. Governmental activities are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

C. BASIS OF PRESENTATION—FUND FINANCIAL STATEMENTS

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements.

The District reports the following major governmental funds:

The *General Fund* is the general operating fund of the District, used for all financial resources except those required to be accounted for in another fund.

The *Debt Service Fund* is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The *Capital Projects Fund* is used to account for the accumulation of resources for, and the addition and replacement of, capital assets and infrastructure.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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 the related cash flow. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue in the fiscal year in which all eligibility requirements imposed by the provider have been met.

The 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 period or soon enough thereafter to pay liabilities of the current fiscal 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, specific ownership taxes, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants recognize revenue when the qualifying expenditures have been incurred and all other grant requirements have been met, and the amount is received during the period or within the availability period of this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE

Cash and cash equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, and other nonparticipating investments are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

Local government investment pools in Colorado must be organized under Colorado Revised Statutes, which allows certain types of governments within the state to pool their funds for investment purposes. Investments in such pools are valued at the pool's share price, the price at which the investment could be sold.

Receivables

All receivables are reported at their gross values and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital assets

Capital assets include tangible and intangible assets that are reported in the governmental activities column in the government-wide financial statements. Capital assets, except for lease assets, are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. For lease assets, only those intangible lease assets that cost more than $15,000 are reported as capital assets.

As the District constructs or acquires capital assets each period they are capitalized and reported at historical cost (except for intangible right-to-use lease assets). The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset's capacity or efficiency or increase its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Construction in progress is not depreciated. The other tangible and intangible assets of the District are depreciated/amortized using the straight-line method over the following estimated useful lives:

Water improvements	25 - 40 years
Storm and sanitation improvements	25 - 40 years
Street improvements	25 - 40 years

Deferred outflows/inflows of resources

In addition to assets, the statement of financial 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 financial 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 position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. Bonds payable are reported net of the applicable premium or discount.

In the fund financial statements, governmental fund types recognize premiums and discounts, as well as issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net position flow assumption

The District may fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted—net position and unrestricted—net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted—net position to have been depleted before unrestricted—net position is applied.

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications available to be used in the governmental fund financial statements are as follows:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action that was used when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors or through the Board of Directors delegating this responsibility to management through the budgetary process. This classification also includes the remaining positive fund balance for any governmental funds except for the General Fund.

Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The District would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

F. REVENUES AND EXPENDITURES/EXPENSES

Program revenues

Amounts reported as *program revenues* include 1) fees and charges to customers 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. Revenues that are not classified as program revenues, including all taxes, are reported as general revenues.

Property taxes

Property taxes are levied and collected one year in arrears, meaning that property taxes collected in fiscal year 2025 were generated from the mill levy the District assessed on taxable property within its jurisdiction on January 1, 2025. Property taxes attach as an enforceable lien on real property at the time they are levied. The tax levy is payable in two installments due February 28 and June 15, or in one installment due April 30. The County Treasurer bills and collects the District's property tax. District property tax revenues are recognized when levied to the extent they result in current receivables.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGET INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds. All annual appropriations lapse at fiscal year-end. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the preceding year.

Budgets are required by Colorado State Statutes for all funds. During October, management submits to the Board of Directors a proposed budget for all funds for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them. Prior to December 15, the budget is adopted by formal resolution.

Formal budgetary integration is employed as a management control device during the year for the Governmental funds. The appropriated budget is prepared by fund. The legal level of control is the fund level.

Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures of any fund must be approved by the Board of Directors.

Appropriations are based on total funds expected to be available in each budget year, including beginning fund balances and reserves as established by the Board of Directors. Variances between budget and actual are the result of the non-expenditure of reserves, nonoccurrence of anticipated events, and normal operating variances.

The Board of Directors may authorize supplemental appropriations during the year. For budgetary management purposes, funds are appropriated for capital outlays.

Deficit Fund Balance

The General Fund reported a deficit in the fund financial statements as of December 31, 2025. This deficit will be eliminated with the receipt of property taxes and future developer advances.

NOTE 3 – DEPOSITS AND INVESTMENTS

A summary of deposits and restricted cash as of December 31, 2025 is as follows:

Deposits	$ 689
Restricted cash	625,227
Total	$ 625,916

Cash deposits with financial institutions

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

At December 31, 2025 the carrying amount of the District's deposits was $625,916 and the bank balances were $625,916. Of the bank balances, $250,689 were covered by federal deposit insurance, and the remaining balance was uninsured but collateralized in accordance with the provisions of the PDPA.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2025 was as follows:

	Beginning Balance (as restated)	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Construction in process	$ 2,887,124	$ 30,691	$ (2,917,815)	$ -
Total capital assets not being depreciated	2,887,124	30,691	(2,917,815)	-
Capital assets being depreciated:				
Water improvements	-	1,044,433	-	1,044,433
Storm improvements	-	602,520	-	602,520
Sanitation improvements	-	908,962	-	908,962
Street Improvements	-	361,900	-	361,900
Total capital assets being depreciated	-	2,917,815	-	2,917,815
Less accumulated depreciation for:				
Water improvements	-	(3,481)	-	(3,481)
Storm improvements	-	(2,008)	-	(2,008)
Sanitation improvements	-	(3,030)	-	(3,030)
Street improvements	-	(1,206)	-	(1,206)
Total accumulated depreciation	-	(9,725)	-	(9,725)
Total capital assets being depreciated, net	-	2,908,090	-	2,908,090
Capital assets, net of accumulated depreciation and amortization	-	2,908,090	-	2,908,090
Total governmental activities capital assets	$ 2,887,124	$ 2,938,781	$ (2,917,815)	$ 2,908,090

Depreciation/amortization expense was charged to the functions/programs of the governmental activities of the primary government as follows:

Governmental Activities

General administrative	$ 9,725

NOTE 5 - LONG-TERM OBLIGATIONS

Limited tax and subordinate limited tax general obligation bonds

In December 2025, the District issued $2,235,000 Limited Tax General Obligation Bonds, Series 2025A, and $295,000 Subordinate Limited Tax General Obligation Bonds, Series 2025B through Wells Fargo. Bond Proceeds were used to fund infrastructure improvements in the district. Interest accrues on the bonds at rates ranging from 6% to 8% per annum and is payable semi-annually on January 15 and July 15. Principal payments are due annually on January 15, from 2031 through 2055.

Funding agreements

The District has entered into Funding and Reimbursement Agreements with the Melody Homes, Inc. (the Developer) (see Note 7) to advance funds to the District for capital and operations and maintenance expenses to enable the District to provide services. The District will repay the Developer to the extent that the funds are available or, at the discretion of the District, from available bond proceeds. Simple interest accrues from the date each developer advance is received at 8% per annum.

Annual debt service requirements to maturity for general obligation bonds are as follows:

Fiscal Year	Governmental Activities	
Ending December 31	Principal	Interest
2026	$ -	$ 158,438
2027	-	158,438
2028	-	158,438
2029	-	158,438
2030	-	158,438
2031-2035	140,000	785,738
2036-2040	230,000	765,038
2041-2045	360,000	738,188
2046-2051	530,000	704,888
2052-2055	1,270,000	662,733
Total	$ 2,530,000	$ 4,448,775

Changes in Long-term Obligations

The following is a summary of long-term debt transactions of the District for the year ended December 31, 2025:

	Beginning Balance (as restated) 12/31/24	Debt issued and additions	Reductions	Balance 12/31/25	Due Within One Year
GO bonds payable	$ -	$ 2,530,000	$ -	$ 2,530,000	$ -
Developer advances	2,925,548	108,691	(1,583,962)	1,450,277	-
Total bonds payable	$ 2,925,548	$ 2,638,691	$ (1,583,962)	$ 3,980,277	$ -

NOTE 6 – RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District carries commercial insurance for these risks of loss, including worker's compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage during any of the last three fiscal years.

NOTE 7 – AGREEMENTS

On March 6, 2024, the District entered into an Infrastructure Acquisition and Funding Agreement and an Operation Reimbursement Agreement to repay advances made by the Developer for infrastructure acquisition and for operations and maintenance (O&M) costs.

Under the Funding Agreements, the District received advances from the Developer as of December 31, 2025 totaling $1,450,277 (see Note 5). Accrued interest on the Funding Agreements as of December 31, 2025 totaled $355,843.

NOTE 8 – ECONOMIC DEPENDENCY

The District has not yet established a revenue base sufficient to meet its operational expenses and is dependent upon future growth in the District and advances from the Developer for funding operational and capital expenses.

NOTE 9 – AMENDMENT TO COLORADO CONSTITUTION

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations including revenue raising, spending abilities and other specific requirements of state and local governments.

The amendment requires emergency reserves be established. These reserves must be at least 3% of fiscal year spending. The District is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary and benefit increases. At December 31, 2025 there is a $2,400 reservation of fund balance in the General Fund for the amendment.

Fiscal year spending and revenue limits are determined based on the prior years' spending adjusted for inflation and local growth. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue.

The amendment requires, with certain exceptions, voter approval prior to imposing new taxes, increasing tax rate, increasing a mill levy above that for the prior year, extending an expiring tax, or implementing a tax policy change directly causing a net tax revenue gain to any local government.

The amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment. However, the District has made certain interpretations of the amendment's language in order to determine its compliance.

NOTE 10 – RESTATEMENT OF BEGINNING BALANCES

During the fiscal year ended December 31, 2024 the district did not record fixed assets, developer advances liabilities, and the associated accrued interest. Therefore, total assets and liabilities were understated by $2,887,124 and $3,043,750 respectively in the governmental activities by a net amount of $156,626. Restatements of beginning balances are as follows:

	Reporting Units Affected by Restatements of Beginning Balances
	Government-Wide Governmental Activities
December 31, 2024, as previously reported	$ (2,298)
Error correction	(156,626)
December 31, 2024, as restated	$ (158,924)

REQUIRED SUPPLEMENTARY INFORMATION

ELLSTON PARK METROPOLITAN DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Property taxes	$ 3,902	$ -	$ -	$ -
Specific ownership taxes	273	-	-	-
Total revenues	4,175	-	-	-
EXPENDITURES				
General administration	50,159	48,290	48,290	-
Operations and Maintenance	-	13,155	13,155	-
Total expenditures	50,159	61,445	61,445	-
Excess (deficiency) of revenues over expenditures	4,016	(61,445)	(61,445)	-
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	-	(19,967)	(19,967)	-
Developer advance	50,000	78,000	78,000	-
Total other financing sources (uses)	50,000	58,033	58,033	-
Net change in fund balance	4,016	(3,412)	(3,412)	-
Fund balance - beginning	2,050	(2,298)	(2,298)	-
Fund balance - ending	$ 6,066	$ (5,710)	$ (5,710)	$ -

See the accompanying Independent Auditors' Report.

SUPPLEMENTARY INFORMATION

ELLSTON PARK METROPOLITAN DISTRICT
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2025

	Final Budget	Actual	Variance with Final Budget
EXPENDITURES			
Debt service:			
Principal	$ 1,583,962	$ 1,583,962	$ -
Issuance cost	340,778	340,778	-
Total expenditures	1,924,740	1,924,740	-
Excess (deficiency) of revenues over expenditures	(1,924,740)	(1,924,740)	-
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	19,967	19,967	-
Bond proceeds	2,530,000	2,530,000	-
Total other financing sources (uses)	2,549,967	2,549,967	-
Net change in fund balance	625,227	625,227	-
Fund balance - beginning	-	-	-
Fund balance - ending	$ 625,227	625,227	$ -

See the accompanying Independent Auditors' Report.

ELLSTON PARK METROPOLITAN DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2025

	Final Budget	Actual	Variance with Final Budget
EXPENDITURES			
Capital Outlay	$ 2,500,000	$ 30,691	$ 2,469,309
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	2,500,000	-	(2,500,000)
Developer advances	-	30,691	30,691
Total other financing sources (uses)	2,500,000	30,691	(2,469,309)
Net change in fund balance	-	-	-
Fund balance - beginning	-	-	-
Fund balance - ending	$ -	$ -	$ -

See the accompanying Independent Auditors' Report.