HILLSIDE AT CASTLE ROCK METROPOLITAN DISTRICT

Financial Statements

Year Ended December 31, 2025

with

Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors

Hillside at Castle Rock Metropolitan District

Douglas County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities, and each major fund of Hillside at Castle Rock Metropolitan District (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 District, as of December 31, 2025, and the respective changes in financial position and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplemental Information

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

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The Supplemental information, as listed in the table of contents, is presented for purposes of legal compliance and 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 combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The continuing disclosure annual financial information as listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Castle Pines, Colorado
August 12, 2026

Hillside at Castle Rock Metropolitan District

BALANCE SHEET/STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2025

	General	Debt Service	Capital Projects	Total	Adjustments	Statement of Net Position
ASSETS						
Cash and investments - restricted	$ -	$ 587,537	$ -	$ 587,537	$ -	$ 587,537
Receivable - County Treasurer	169	847	-	1,016	-	1,016
Property taxes receivable	30,490	152,449	-	182,939	-	182,939
Developer receivable	9,321	7,264	-	16,585	(16,585)	-
Capital assets not being depreciated	-	-	-	-	5,090,564	5,090,564
Total Assets	39,980	748,097	-	788,077	5,073,979	5,862,056
LIABILITIES						
Accounts payable	$ 9,490	$ -	$ -	$ 9,490	-	9,490
Accrued interest	-	-	-	-	379,672	379,672
Long-term liabilities:						
Due in more than one year	-	-	-	-	6,363,443	6,363,443
Total Liabilities	9,490	-	-	9,490	6,743,115	6,752,605
DEFERRED INFLOWS OF RESOURCES						
Deferred property taxes	30,490	152,449	-	182,939	-	182,939
Total Deferred Inflows of Resources	30,490	152,449	-	182,939	-	182,939
FUND BALANCES/NET POSITION						
Fund Balances:						
Restricted:						
Emergencies	1,178	-	-	1,178	(1,178)	-
Debt service	-	595,648	-	595,648	(595,648)	-
Unassigned	(1,178)	-	-	(1,178)	1,178	-
Total Fund Balances	-	595,648	-	595,648	(595,648)	-
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 39,980	$ 748,097	$ -	$ 788,077		
Net Position:						
Restricted for:						
Emergencies					1,178	1,178
Debt service					215,976	215,976
Unrestricted					(1,290,642)	(1,290,642)
Total Net Position					$ (1,073,488)	$ (1,073,488)

The notes to the financial statements are an integral part of these statements.

Hillside at Castle Rock Metropolitan District

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2025

	General	Debt Service	Capital Projects	Total	Adjustments	Statement of Activities
EXPENDITURES						
Accounting/audit	$ 12,102	$ -	$ -	$ 12,102	$ -	$ 12,102
Insurance	3,055	-	-	3,055	-	3,055
Legal	15,941	-	-	15,941	-	15,941
Miscellaneous expenses	30	-	-	30	-	30
Treasurer's fees	418	2,091	-	2,509	-	2,509
Bond interest expense	-	316,875	-	316,875	118,261	435,136
Developer advance interest	-	-	-	-	13,883	13,883
Total Expenditures	31,546	318,966	-	350,512	132,144	482,656
GENERAL REVENUES						
Property taxes	26,526	132,636	-	159,162	-	159,162
Specific ownership taxes	1,855	9,278	-	11,133	-	11,133
Interest income	2,018	29,742	-	31,760	-	31,760
Total General Revenues	30,399	171,656	-	202,055	-	202,055
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,147)	(147,310)	-	(148,457)	(132,144)	(280,601)
OTHER FINANCING SOURCES (USES)						
Developer advances	1,147	-	-	1,147	(1,147)	-
Total Other Financing Sources (Uses)	1,147	-	-	1,147	(1,147)	-
NET CHANGES IN FUND BALANCES	-	(147,310)	-	(147,310)	147,310	
CHANGE IN NET POSITION					(280,601)	(280,601)
FUND BALANCES/NET POSITION:						
BEGINNING OF YEAR	-	742,958	-	742,958	(1,535,845)	(792,887)
END OF YEAR	$ -	$ 595,648	$ -	$ 595,648	$ (1,669,136)	$ (1,073,488)

The notes to the financial statements are an integral part of these statements.

Hillside at Castle Rock Metropolitan District

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND
For the Year Ended December 31, 2025

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	$ 26,353	$ 26,526	$ 173
Specific ownership taxes	2,108	1,855	(253)
Interest income	-	2,018	2,018
Total Revenues	28,461	30,399	1,938
EXPENDITURES			
Accounting/audit	15,500	12,102	3,398
Insurance	3,100	3,055	45
Legal	20,000	15,941	4,059
Miscellaneous expenses	100	30	70
Treasurer's fees	395	418	(23)
Contingency	9,732	-	9,732
Emergency reserve	1,173	-	1,173
Total Expenditures	50,000	31,546	18,454
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(21,539)	(1,147)	20,392
OTHER FINANCING SOURCES (USES)			
Developer advances	21,539	1,147	(20,392)
Total Other Financing Sources (Uses)	21,539	1,147	(20,392)
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE:			
BEGINNING OF YEAR	-	-	-
END OF YEAR	$ -	$ -	$ -

The notes to the financial statements are an integral part of these statements.

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Hillside at Castle Rock Metropolitan District ("District"), located in Douglas County, Colorado, conform to the accounting principles generally accepted in the United States of America ("GAAP") as applicable to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District was organized on December 13, 2016, as a quasi-municipal corporation established under the State of Colorado Special District Act. The District operates pursuant to a service plan approved by the Town of Castle Rock (the "Town") on May 3, 2016 and as amended on July 17, 2018. (the "Service Plan"). The District was established to provide for the design, acquisition, construction, installation and operations and maintenance of a part or all of the public improvements for the use and benefit of the residents and property owners within the service area. The District is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. The pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

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

Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 - Special Purpose Governments.

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the governmental funds statement of revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are collected.

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

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

Debt Service 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.

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other assets.

Budgetary Accounting

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

On September 10, 2026, the District amended its total appropriations in the Debt Service Fund from $318,853 to $319,076 due to the payment of treasurer fees above the amount budgeted.

Assets, Liabilities and Net Position

Fair Value of Financial Instruments

The District's financial instruments include cash and investments, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2025, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

The District's cash and short-term investments with maturities of three months or less from the date of acquisition are considered to be cash on hand. Investments for the government are reported at net asset value.

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

Estimates

The preparation of these financial statements in conformity with GAAP requires District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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. The District does not have any items that qualify for reporting in this category.

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. The District has one item that qualifies for reporting in this category. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. No depreciation expense was recognized during 2025.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 30 or if in equal installments, at the taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

Fund Equity

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact.

Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of $1,178 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of $595,648 is restricted for the payment of the debt service costs associated with the Series 2022A and Series 2022B Bonds (see Note 4).

Committed Fund Balance
The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by a formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

Assigned Fund Balance
Assigned fund balance includes amounts the District intends to use for a specific purpose. Intent can be expressed by the District's Board of Directors or by an official or body to which the Board of Directors delegates the authority.

Unassigned Fund Balance
Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

Net Position
Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District reports three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets. As of December 31, 2025, the District had no amount to report in this category.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District will use the most restrictive net position first.

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

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

Note 2: Cash and Investments

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

Statement of Net Position:	
Cash and investments - restricted	$ 587,537

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

Deposits with financial institutions	$ 50,510
COLOTRUST	537,027
	$ 587,537

Deposits

Custodial Credit Risk

The Colorado Public Deposit Protection Act, ("PDPA") requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

The District follows state statutes for deposits. None of the District's deposits were exposed to custodial credit risk.

Investments

Certain investments are measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's investment is not required to be categorized within the fair value hierarchy. This investment's value for COLOTRUST is calculated using the net asset value method (NAV) per share.

Credit Risk
The District has not adopted a formal investment policy; however the District follows state statutes regarding investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

Custodial and Concentration of Credit Risk
None of the District's investments are subject to custodial or concentration of credit risk.

Interest Rate Risk
Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

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

COLOTRUST
The local government investment pool, Colorado Local Government Liquid Asset Trust ("COLOTRUST") is rated AAAm by Standard & Poor's with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing COLOTRUST. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. COLOTRUST operates similarly to a money market fund with each share maintaining a value of $1.00. COLOTRUST offers shares in three portfolios, one of which is COLOTRUST PLUS+. COLOTRUST PLUS+ may invest in U.S. Treasuries, government agencies, the highest-rated commercial paper, certain corporate securities, certain money market funds, and certain repurchase agreements, and limits its investments to those allowed by State statutes. Purchases and redemptions are available daily at a net asset value (NAV) of $1.00. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal function of COLOTRUST. The custodian's internal records identify the investments owned by participating governments. There are no unfunded commitments and there is no redemption notice period. At December 31, 2025, the District had $537,027 invested in COLOTRUST, of which $397,142 was held in trust accounts with UMB Bank.

Note 3: Capital Assets

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

Governmental Type Activities:	Balance 1/1/2025	Additions	Deletions	Balance 12/31/2025
Capital assets not being depreciated:				
Construction in progress	$ 5,090,564	$ -	$ -	$ 5,090,564
depreciated	5,090,564	-	-	5,090,564
Government type assets, net	$ 5,090,564	$ -	$ -	$ 5,090,564

Note 4: Long Term Debt

A description of the long-term obligations as of December 31, 2025, is as follows:

$5,070,000 Limited Tax General Obligation Bonds, Series 2022A and $1,079,000 Subordinate Limited Tax General Obligation Bonds, Series 2022B

On September 20, 2022, the District issued $5,070,000 Limited Tax General Obligation Bonds, Series 2022A ("Series 2022A Bonds") and $1,079,000 Subordinate Limited Tax General Obligation Bonds, Series 2022B ("Series 2022B Bonds") for the purpose of funding and reimbursing a portion of the costs of acquiring, constructing and installing certain public improvements, paying capitalized interest on the Series 2022A Bonds, funding the Series 2022A Reserve Fund, and paying the cost of issuance of the Series 2022A and Series 2022B Bonds. The Series 2022A Bonds bear interest at the rate of 6.25%, payable semiannually on each June 1 and December 1, commencing on December 1, 2022. The Series 2022B Bonds bear interest at the rate of 9.000%, payable annually on December 15, commencing on December 15, 2022, to the extent that Subordinate Pledged Revenue is available. The Series 2022A Bonds are subject to a mandatory sinking fund redemption commencing on December 1, 2026 and are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of $1,000, in any order of maturity and in whole or partial maturities, commencing on September 1, 2027, upon payment of par, accrued interest, and a redemption premium that ranges between 0% and 3%. The Series 2022B Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of $1,000, in any order of maturity and in whole or partial maturities, commencing on September 1, 2027, upon payment of par, accrued interest, and a redemption premium that ranges between 0% and 3%.

The Series 2022A Bonds are secured by the Senior Required Mill Levy, the portion of the Specific Ownership Tax which is collected as a result of the Senior Required Mill Levy, and any other legally available moneys as determined by the District. The Series 2022A Bonds are also secured by the Senior Reserve Fund, the capitalized interest, and the Surplus Fund which has not been funded. The Series 2022B Bonds are secured by the Subordinate Required Mill Levy, the portion of the Specific Ownership Tax which is collected as a result of the Subordinate Required Mill Levy and any other legally available moneys as determined by the District. In the event that any amount of the Series 2022A and Series 2022B Bonds remains unpaid on September 15, 2052, the Series 2022A and Series 2022B Bonds and the lien on the Series 2022A and Series 2022B Bonds securing payment shall be deemed discharged. Upon such discharge the Series 2022A and Series 2022B Bonds owners will have no recourse to the District of any amount of principal and interest remaining unpaid.

Events of Default as defined in the Series 2022A Bond Indenture are 1) the failure of the District to impose the Senior Required Mill levy, or to apply the Pledged Revenue as required by the Indenture, 2) the default by the District in the performance or observance of any other of the covenants, agreements, or conditions of the Indenture or the Bond Resolution, and failure to remedy the same after notice thereof pursuant to the Indenture and 3) the filing of a petition under the federal bankruptcy laws or other applicable laws seeking to adjust the obligations represented by the Bonds. Failure to pay the principal of or interest on the Series 2022A Bonds when due shall not, of itself, constitute an Event of Default under the Indenture. Remedies available in the Event of Default include 1) receivership, 2) suit for judgment, and 3) other suits. Acceleration of the Series 2022A Bonds is not an available remedy for an Event of Default.

Events of Default as defined in the Series 2022B Bond Indenture are 1) the failure of the District, to impose the Subordinate Required Mill levy, or to apply the Subordinate Pledged Revenue as required by the Indenture, 2) the default by the District in the performance or observance of any other of the covenants, agreements, or conditions of the Subordinate Indenture or the Subordinate Bond Resolution, and failure to remedy the same after notice thereof pursuant to the Indenture and 3) the filing of a petition under the federal bankruptcy laws or other applicable laws seeking to adjust the obligations represented by the Bonds. Failure to pay the principal of or interest on the Series 2022B Bonds when due shall not, of itself, constitute an Event of Default under the Indenture. Remedies available in the Event of Default include 1) receivership, 2) suit for judgment, and 3) other suits. Acceleration of the Series 2022B Bonds is not an available remedy for an Event of Default.

The following is a summary of the annual long-term debt principal and interest requirements for the Series 2022A Bonds.

	Principal	Interest	Total
2026	$ 30,000	$ 316,875	$ 346,875
2027	75,000	315,000	390,000
2028	90,000	310,313	400,313
2029	95,000	304,688	399,688
2030	110,000	298,750	408,750
2031-2035	705,000	1,379,063	2,084,063
2036-2040	1,080,000	1,115,000	2,195,000
2041-2045	1,590,000	717,813	2,307,813
2046-2047	1,295,000	137,188	1,432,188
	$ 5,070,000	$4,894,689	$ 9,964,689

Because of the uncertainty of the timing of the principal and interest payment on the Series 2022B Bonds, no schedule of principal and interest payments is presented.

The following is an analysis of changes in long-term debt for the period ending December 31, 2025:

	Balance 1/1/2025	Additions	Deletions	Balance 12/31/2025	Current Portion
General Obligation Bonds					
Series 2022A Bonds	$ 5,070,000	$ -	$ -	$ 5,070,000	$ -
Series 2022B Bonds	1,079,000	-	-	1,079,000	-
	6,149,000	-	-	6,149,000	-
Other					
Developer advance - operations	3,380	-	-	3,380	-
Developer advance interest - operations	405	237	-	642	-
Developer advance - capital	194,943	-	-	194,943	-
Developer advance interest - capital	1,832	13,646	-	15,478	-
Total	200,560	13,883	-	214,443	-
Total	$ 6,349,560	$ 13,883	$ -	$ 6,363,443	$ -

Debt Authorization

On November 8, 2016, a majority of the qualified electors of the District authorized the issuance of indebtedness in the amount not to exceed $38,500,000. Pursuant to the Service Plan, the District is permitted to issue bond indebtedness of up to $6,441,000. As of December 31, 2025, the District did not have any remaining authority under the Service Plan. The District has not budgeted to issue new debt during 2026.

Note 5: Other Agreements

Advance and Reimbursement Agreement for Operation and Maintenance Costs

The District and BLVD Hillside, LLC (the "Developer") entered into an Advance and Reimbursement Agreement on November 5, 2021 (collectively, the "Operations Agreement"). Pursuant to the Operations Agreement, the Developer agrees to advance funds to the District for certain operation and maintenance expenses. The District agrees to repay these advances, together with accrued interest at the rate of 7% per annum. As of December 31, 2025, the principal amount of the reimbursement obligation under the Operations Agreement was $3,380 along with accrued interest in the amount of $642

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Infrastructure Acquisition Agreement

The District and the Developer entered into an Infrastructure Acquisition Agreement dated November 5, 2021. Pursuant to the Infrastructure Agreement, the Developer agrees to make advances to the District for the purpose of funding organization expenses, construction of public improvements and the acquisition of public improvements constructed by the Developer. The District agrees to repay these advances, together with accrued interest at a rate of 7% per annum. The Infrastructure Agreement is not a multiple fiscal year obligation. As of December 31, 2025,the principal amount of the reimbursement obligation under the Infrastructure Acquisition Agreement was $194,943 along with accrued interest in the amount of $15,478.

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Note 6: Related Party

All of the Board of Directors are employees, owners or are otherwise associated with the Developer and may have conflicts of interest in dealing with the District. Management believes that all potential conflicts, if any, have been disclosed to the Board.

Note 7: Tax, Spending and Debt Limitations

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer Bill of Rights ("TABOR"), contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

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

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

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

On November 8, 2016, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

Note 8: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., C.R.S., the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool ("Pool") which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials' liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

Note 9: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

The Government Funds Balance Sheet/Statement of Net Position includes an adjustments column. The adjustments have the following elements:

1) Capital improvements used in government activities are not financial resources and, therefore are not reported in the funds; and

2) long-term liabilities such as bonds/developer advances payable and accrued interest on bonds/developer advances are not due and payable in the current period and, therefore, are not in the funds.

The Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities includes an adjustments column. The adjustments have the following elements:

1) Governmental funds report capital outlays as expenditures, however, in the statement of activities, the costs of those assets are held as construction in process pending transfer to other governmental entities or depreciated over their useful lives;

2) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities;

3) governmental funds report developer advances as revenue; and,

4) governmental funds report long-term debt payments as expenditures, however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.

SUPPLEMENTAL INFORMATION

Hillside at Castle Rock Metropolitan District

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
DEBT SERVICE FUND
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Property taxes	$ 131,771	$ 131,771	$ 132,636	$ 865
Specific ownership taxes	10,542	10,542	9,278	(1,264)
Interest income	40,000	40,000	29,742	(10,258)
Total Revenues	182,313	182,313	171,656	(10,657)
EXPENDITURES				
Bond interest expense	316,876	316,876	316,875	1
Treasurer's fees	1,977	2,200	2,091	109
Total Expenditures	318,853	319,076	318,966	110
NET CHANGE IN FUND BALANCE	(136,540)	(136,763)	(147,310)	(10,547)
FUND BALANCE:				
BEGINNING OF YEAR	755,918	742,958	742,958	-
END OF YEAR	$ 619,378	$ 606,195	$ 595,648	$ (10,547)

The notes to the financial statements are an integral part of these statements.

Hillside at Castle Rock Metropolitan District

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
CAPITAL PROJECTS FUND
For the Year Ended December 31, 2025

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Interest income	$ 75,000	$ -	$ (75,000)
Total Revenues	75,000	-	(75,000)
EXPENDITURES			
Capital improvements	1,567,946	-	1,567,946
Total Expenditures	1,567,946	-	1,567,946
NET CHANGE IN FUND BALANCE	(1,492,946)	-	1,492,946
FUND BALANCE:			
BEGINNING OF YEAR	1,492,946	-	(1,492,946)
END OF YEAR	$ -	$ -	$ -

The notes to the financial statements are an integral part of these statements.

Hillside at Castle Rock Metropolitan District

SUMMARY OF ASSESSED VALUATION, MILL LEVY
AND PROPERTY TAXES COLLECTED
December 31, 2025

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied		Total Property Tax		Percent Collected to Levied
		General Fund	Debt Service	Levied	Collected	
2022	$ 1,267,390	0.000	0.000	$ -	$ -	0.00%
2023	$ 1,267,390	11.132	55.664	$ 84,657	$ 84,657	100.00%
2024	$ 1,635,070	11.880	59.403	$ 116,553	$ 119,761	102.75%
2025	$ 2,218,250	11.880	59.403	$ 158,124	$ 159,162	100.66%
Estimated for year ending December 31, 2026	$ 2,393,980	12.736	63.680	$ 182,939		

NOTE

Property taxes collected in any one year include collection of delinquent property taxes levied and/or abatements or valuations in prior years. Information received from the County Treasurer does not permit identification of specific year assessment.

CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION – UNAUDITED

Hillside at Castle Rock Metropolitan District

CONTINUING DISCLOSURE ANNUAL
FINANCIAL INFORMATION
December 31, 2025
(Unaudited)

History of Assessed Valuations and Mill Levies

		Assessed Valuation		Mill Levies		
Levy Year	Collection Year	Assessed Valuation	Percent Change	General Fund	Bond Redemption	Total
2018	2019	$ 210,220	0.00%	0.000	0.000	-
2019	2020	$ 153,510	-26.98%	0.000	0.000	-
2020	2021	$ 732,680	377.28%	0.000	0.000	-
2021	2022	$ 1,267,390	72.98%	0.000	0.000	-
2022	2023	$ 1,267,390	0.00%	11.132	55.664	66.796
2023	2024	$ 1,635,070	29.01%	11.880	59.403	71.283
2024	2025	$ 2,218,250	35.67%	11.880	59.403	71.283
2025	2026	$ 2,393,980	7.92%	12.736	63.680	76.416

(1) Figures are through December 31, 2025

Property Tax collections in the District

Levy Year	Collection Year	Taxes Levied	Current Tax Collections	Collection Rate
2017	2018	$ -	$ -	N/A
2018	2019	$ -	$ -	N/A
2019	2020	$ -	$ -	N/A
2020	2021	$ -	$ -	N/A
2021	2022	$ -	$ -	N/A
2022	2023	$ 84,657	$ 84,657	100.00%
2023	2024	$ 116,553	$ 119,761	102.75%
2024	2025	$ 158,124	$ 159,162	100.66%

Source: County Assessor's Office

Assessed and "Actual" Valuation of Classes of Property in the District

Property Class	"Actual" Valuation	Assessed Valuation	Percentage of Total Assessed Valuation
State Assessed	$ 184,448	$ 49,800	2.08%
Residential	7,036,653	439,800	18.37%
Vacant Land	7,053,079	1,904,380	79.55%
	$ 14,274,180	$ 2,393,980	100.00%

Source: County Assessor's Office