HIGHLANDS-MEAD METROPOLITAN DISTRICT
MEAD, COLORADO

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

December 31, 2025

Crady, Puca & Associates
Certified Public Accountants & Consultants

HIGHLANDS-MEAD METROPOLITAN DISTRICT
MEAD, COLORADO

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Crady, Puca & Associates
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the Highlands-Mead Metropolitan District

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Highlands-Mead Metropolitan District as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Highlands-Mead 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 Highlands-Mead 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 Highlands-Mead 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.

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 Highlands-Mead Metropolitan 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 Highlands-Mead 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 Highlands-Mead 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

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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Accounting principles generally accepted in the United States of America require that budgetary comparison information for the general fund and operations fund, pages 22-23, 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 Highlands-Mead Metropolitan District's basic financial statements. The individual fund budgetary comparison schedule on page 24 is presented for the purpose 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 individual budgetary comparison schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Crady, Puca & Associates

Aurora, Colorado
April 20, 2026

GOVERNMENT-WIDE FINANCIAL STATEMENTS

HIGHLANDS-MEAD METROPOLITAN DISTRICT
Statement of Net Position
December 31, 2025

	Total Governmental Activities
Assets:	
Cash and investments	$ 39,983
Cash and investments - restricted	107,229
Accounts receivable - homeowners	37,395
Prepaids	11,963
Prepaid bond insurance	119,372
Property tax receivable	389,292
Capital assets:	
Depreciable, net	2,008,460
Total assets	2,713,694
Deferred outflows of resources:	
Deferred amount on refunding	138,954
Total deferred outflows of resources	138,954
Liabilities:	
Accounts payable and due to other governments	28,846
Accrued interest	22,417
Bonds:	
Due within one year	15,000
Due in more than one year	5,530,346
Total liabilities	5,596,609
Deferred inflows of resources:	
Unavailable revenue - prepaid assessments	16,698
Unavailable revenue - property taxes	389,292
Total deferred inflows of resources	405,990
Net position:	
Net investment in capital assets	-
Restricted for emergencies	13,530
Restricted for operations	97,345
Restricted for debt service	19,757
Unrestricted	(3,280,583)
Total net position	$ (3,149,951)

The accompanying notes are an integral part of this financial statement.

HIGHLANDS-MEAD METROPOLITAN DISTRICT
Statement of Activities
For the Year Ended December 31, 2025

		Total Governmental Activities
Expenditures:		
Governmental activities:		
District accounting	$	51,248
Audit and legal		37,706
Insurance		13,874
Election		4,602
Treasurer fees		4,997
District management		48,379
Utilities and trash		71,247
Irrigation repairs and maintenance		5,781
Landscape and maintenance		47,882
Snow removal		36,558
Billing fees		6,923
Office and administration		2,564
Trustee fees		7,191
Town IGA		13,505
Depreciation		89,265
Cost of issuance		353,832
Interest on long-term debt		315,632
Total expenditures		1,111,186
Program Revenues:		
Operation fees		276,604
Fines and fees		7,746
Total program revenues		284,350
Net program income (expense)		(826,836)
General Revenues:		
Property and specific ownership taxes		347,277
Interest income		23,292
Total general revenues before special items		370,569
Special Items:		
Forgiveness of debt		783,505
Total general revenue and special items		1,154,074
Change in net position		327,238
Net position, beginning of year		(3,477,189)
Net position, end of year	$	(3,149,951)

The accompanying notes are an integral part of this financial statement.

FUND FINANCIAL STATEMENTS

HIGHLANDS-MEAD METROPOLITAN DISTRICT
Balance Sheet
Governmental Funds
December 31, 2025

	General Fund	Operations Fund	Debt Service Fund	Total Governmental Funds
Assets:				
Cash and investments	$ 39,983	$ -	$ -	$ 39,983
Cash and investments - restricted	-	87,472	19,757	107,229
Accounts receivable - homeowners	-	37,395	-	37,395
Prepaids	11,963	-	-	11,963
Property tax receivable	80,575	-	308,717	389,292
Total assets	$ 132,521	$ 124,867	$ 328,474	$ 585,862
Liabilities:				
Accounts payable	$ 15,341	$ -	$ -	$ 15,341
Due to other governments	13,505	-	-	13,505
Total liabilities	28,846	-	-	28,846
Deferred inflows of resources:				
Unavailable revenue - prepaid assessments	-	16,698	-	16,698
Unavailable revenue - property taxes	80,575	-	308,717	389,292
Total deferred inflows of resources	80,575	16,698	308,717	405,990
Fund balance:				
Nonspendable:				
Prepaids	11,963	-	-	11,963
Restricted:				
Emergencies	2,706	10,824	-	13,530
Operations	-	97,345	-	97,345
Debt services	-	-	19,757	19,757
Unassigned	8,431	-	-	8,431
Total fund balance	23,100	108,169	19,757	151,026
Total liabilities, deferred inflows of resources, and fund balances	$ 132,521	$ 124,867	$ 328,474	$ 585,862

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance - governmental funds	$ 151,026
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	2,008,460
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.	(5,402,417)
Governmental funds report the effect of premiums, discounts, and refundings and similar items when debt is first issued, these amounts are deferred and amortized in the statement of activities.	92,980
Net position of governmental activities	$ (3,149,951)

The accompanying notes are an integral part of this financial statement.

HIGHLANDS-MEAD METROPOLITAN DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2025

	General Fund	Operations Fund	Debt Service Fund	Total Governmental Funds
Revenues:				
Property tax	$ 59,410	$ -	$ 274,372	$ 333,782
Specific ownership tax	2,402	-	11,093	13,495
Operation fees	-	276,604	-	276,604
Fees and fines	-	7,746	-	7,746
Interest income	3,384	1,459	18,449	23,292
Total revenues	65,196	285,809	303,914	654,919
Expenditures:				
Current:				
General government:				
District accounting	25,624	25,624	-	51,248
Audit and legal	20,316	17,390	-	37,706
Insurance	4,119	8,291	-	12,410
Election	4,602	-	-	4,602
Treasurer fees	889	-	4,108	4,997
District management	-	48,379	-	48,379
Utilities	-	32,910	-	32,910
Trash	-	38,337	-	38,337
Irrigation repairs and maintenance	-	5,781	-	5,781
Landscape and maintenance	-	47,882	-	47,882
Snow removal	-	36,558	-	36,558
Billing fees	-	6,923	-	6,923
Office and administration	2,564	-	-	2,564
Trustee fees	-	-	7,191	7,191
Town IGA	13,505	-	-	13,505
Debt service:				
Cost of issuance	-	-	474,668	474,668
Developer principal payment	-	-	456,428	456,428
Interest	-	-	191,522	191,522
Total expenditures	71,619	268,075	1,133,917	1,473,611
Excess (deficiency) of revenues over Expenditures	(6,423)	17,734	(830,003)	(818,692)
Other financing sources (uses):				
Transfers in (out)	25,000	75,000	(100,000)	-
Refunding bonds Issued	-	-	5,380,000	5,380,000
Premium on refunding bonds	-	-	171,048	171,048
Payment to refunded bond escrow agent	-	-	(5,131,106)	(5,131,106)
Total other financing sources (uses)	25,000	75,000	319,942	419,942
Net change in fund balance	18,577	92,734	(510,061)	(398,750)
Fund balance, beginning of year	4,523	15,435	529,818	549,776
Fund balance, end of year	$ 23,100	$ 108,169	$ 19,757	$ 151,026

The accompanying notes are an integral part of this financial statement.

HIGHLANDS-MEAD METROPOLITAN DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2025

	Total Governmental Funds
Net change in fund balance of the governmental funds	$ (398,750)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlay.	(89,265)
Some special items in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	783,505
Bonds and debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduces long-term debt in the statement of net position.	36,486
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.	(4,738)
Change in net position of governmental activities	$ 327,238

The accompanying notes are an integral part of this financial statement.

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The accounting policies of the Highlands-Mead Metropolitan District (the District) conform to accounting principles generally accepted in the United States of America as applicable to governments (US GAAP). 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 such significant policies consistently applied in the preparation of the financial statements.

Reporting Entity

The District was organized in November 2019, under State of Colorado Statutes as a quasi-municipal corporation and is governed by a five-member elected Board of Directors pursuant to the provisions of the Colorado Special District Act (Title 32, Article I, Colorado Revised Statutes). The District's service area is located in Mead, Colorado (the "Town"). The District was formed to provide for the planning, design, acquisition, construction, installation, relocation, redevelopment, and financing of public improvements as defined in the Service Plan. The District is to convey the completed public improvements, other than certain landscaping, to the Town or other governmental entities.

The District complies with GASB accounting pronouncements, which provide guidance for determining which governmental activities, organizations, and functions should be included within the financial reporting entity. It defines component units as legally separate entities for which the elected officials of the primary government are financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens, and fiscal dependency. The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity as defined by GASB.

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

Basis of Presentation

While separate government-wide and fund financial statements are presented, they are interrelated. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the governmental activities of the District which are financed primarily by property taxes and operation fees.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by general and program revenues. Direct expenses are those that are clearly identifiable within a specific function or program. Program revenues include 1) fees or charges to citizens and other governmental entities that receive or directly benefit from services provided by a given function or program, and 2) grants, contributions and other revenues that are restricted to use in the operational or capital requirements of a specific function or program. Other revenues not directly related to a particular function or program, if any, are reported separately as general revenues. The District does not have proprietary or fiduciary funds.

The fund financial statements provide information about the government's funds.

1. Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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 flows. Property taxes are recognized as revenues in the year for which they are collected. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 *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 available if they are collected within 60 days of the end of the current fiscal year except for operations fees. Operation fees are recognized as revenues when the assessment is incurred. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. The exceptions to this general rule are that principal and interest on general long-term debt are recognized when due. General capital asset acquisitions are reported as expenditures in governmental funds.

The District reports the following major governmental funds:

General Fund – the District's primary operating fund. It accounts for all financial resources of the District not accounted for in another fund.

Operations Fund – a special revenue fund that accounts for fees received from property owners in the District and the expenditure of those fees to fund operation costs as defined in the enabling legislation adopted by the District's Board of Directors.

Debt Service Fund – accounts for the accumulation of resources for, and payment of, the District's long-term bonds and developer advances.

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

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Deposits and Investments

Investments held in local government investment pools are reported at net asset value as allowed under US GAAP.

1. Summary of Significant Accounting Policies (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Deposits and Investments (continued)

The District may at times follow the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by regulations or other agreements, all cash is deposited and disbursed from a minimum number of bank accounts. Cash in excess of immediate operating requirements may be pooled for deposit and flexibility. As applicable, investment earnings are allocated periodically.

Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The District categorizes its fair value within the fair value hierarchy established by US GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; level 2 inputs are significant other observable inputs; and level 3 inputs are significant unobservable inputs. At December 31, 2025, the District did not hold any investments required to be reported under fair value.

Receivables

Accounts receivable consist of operation fees earned as of December 31, 2025. The District considers all receivables collectible at December 31, 2025.

Prepaids

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 such prepaid items is recorded as an expenditure/expense when consumed rather than when purchased.

Property Taxes

Property taxes are levied annually and attach as an enforceable lien on property as of January 1. At the option of the taxpayer, property taxes may be paid in full or in two equal installments. The first of such installment is to be paid as of February 28 and the second installment is to be paid no later than June 15. If elected to be paid in full, the amount is to be paid no later than April 30. If payments are not made timely, delinquent interest accrues. If the taxes are not paid within subsequent statutory periods, the property tax lien will be sold at public auction. The County bills and collects the property taxes and remits collections to the District on a monthly basis. No provision has been made for uncollected taxes, as all taxes are deemed collectible.

Property 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. These amounts are recorded as revenue in the subsequent year when they are available or collected.

1. Summary of Significant Accounting Policies (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Capital Assets

Capital assets, which include parks and recreation are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial cost of $5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair value at the date of donation. Capital expenditures for projects are capitalized as constructed.

Normal maintenance and repairs that do not add value to assets or materially extend the life of assets are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the capital assets. Depreciation is reported as a current charge in the statement of activities. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Parks and recreation	25

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. In the current year, the District has one item that qualifies for reporting in this category, deferred amount on refunding which resulted from the difference between the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time frame. The District has two items that qualify for reporting in this category, *unavailable revenue - property taxes* and *unavailable revenue – prepaid assessments*. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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 activity.

Fund Balance

In the fund financial statements, governmental funds report aggregate amounts for five classes of fund balances on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not spendable in form which includes items such as prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

1. Summary of Significant Accounting Policies (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Fund Balance (continued)

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the District's Board of Directors, the District's highest level of decision-making authority.

Assigned fund balance. This classification reflects the amounts constrained by the District's intent to be used for specific purposes but are neither restricted nor committed. The District has not adopted a formal policy designating personnel to determine amounts that may be assigned, therefore, only the Board of Directors may assign amounts. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. Although not included in a formal policy, the District considers decreases in fund balance to first reduce committed, then assigned, and then unassigned balances, in that order.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

Sometimes the government will 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 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.

1. Summary of Significant Accounting Policies (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Use of Estimates

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

2. Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with US GAAP. State law requires the District to adopt annual appropriated budgets for all funds.

The District conforms to the following procedures, in compliance with Colorado Revised Statutes, in establishing the budgetary data reflected in the financial statements:

On or before October 15 of each year, the District's accountant submits to the Board of Directors a recommended budget which details the necessary property taxes needed along with other available revenues to meet the District's operating requirements.

After a required publication of "Notice of Proposed Budget" and a public hearing, the District adopts the proposed budget and an appropriating resolution, which legally appropriates expenditures for the upcoming year.

Prior to December 15, the District computes and certifies to the County Commissioners a rate of levy that derives the necessary property taxes as computed in the proposed budget. The budget and the appropriating resolution are adopted prior to December 15.

After adoption of the budget resolution, the District may make the following changes: (a) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; (b) it may approve supplemental appropriations to the extent of revenues in excess of the estimated revenues in the budget; (c) it may approve emergency appropriations; and (d) it may approve the reduction of appropriations for which originally estimated revenues are insufficient. The budget is only amended in conformity with Colorado Revised Statutes which allows the District to amend the budget and adopt a supplementary appropriation if money for a specific purpose, other than ad valorem taxes, becomes available to meet a contingency.

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

The District adopted a supplemental appropriation for the general, operations and debt service fund for the current year, increasing original appropriations from $65,917, $258,093, and $251,489 to $80,917, $313,418 and $6,639,270, respectively to account for unexpected costs and debt refunding.

2. Stewardship, Compliance, and Accountability (continued)

TABOR Amendment - Revenue and Spending Limitation Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20 commonly known as the Taxpayer's Bill of Rights (“TABOR”). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. Spending and revenue limits are determined 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 also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service, federal grants, and sales of assets). The District has reserved a portion of its December 31, 2025 year-end fund balance in the General and Operations Funds for emergencies as required under TABOR totaling $13,530, which is the approximate required reserve.

On November 5, 2019, a majority of the District’s electors authorized the District to collect and spend or retain in a reserve all current levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

The District’s management believes it is in compliance with the provisions of TABOR, as it is currently understood. However, TABOR is complex and subject to interpretation. Many of the provisions may not become fully understood without judicial review.

3. Detailed Notes on the Funds

Deposits and Investments

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

Cash and investments	$ 39,983
Cash and investments - restricted	107,229
	$ 147,212

The following is a summary of deposits and investments held by the District at December 31, 2025:

Type	Ratings per S&P Global	Total as of December 31, 2025
Deposits		$ 40,688
COLOTRUST PLUS+	AAAm	106,524
Total		$ 147,212

3. Detailed Notes on the Funds (continued)

Cash Deposits

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 a minimum of 102% of the aggregate uninsured deposits.

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

Investments

The District has not adopted a formal investment policy; however, it follows Colorado Revised Statutes (CRS) regarding investments.

As of December 31, 2025, the District invested in the Colorado Local Governmental Liquid Asset Trust (COLOTRUST), a local government investment vehicle established for local governmental entities in Colorado to pool surplus funds. COLOTRUST offers three investment options, one of which is COLOTRUST PLUS+. As an investment pool, COLOTRUST operates under the Colorado Revised Statutes (24-75-701) and is overseen by the Colorado Securities Commissioner. COLOTRUST PLUS+ may invest in U.S. Treasuries, government agencies, the highest-rated commercial paper, certain corporate securities, certain money market funds, certain repurchase agreements, and collateralized bank deposits, 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.

COLOTRUST PLUS+ records its investment at fair value and the District records its investment in COLOTRUST PLUS+ using the net asset value method. There are no unfunded commitments and there is no redemption notice period. The weighted average maturity is 60 days or less.

Custodial Credit Risk: At December 31, 2025, all of the District's deposits and investments were insured by the Federal Deposit Insurance Corporation or held in eligible public depositories as required by PDPA.

***Interest Rate Risk*:** CRS limit investment maturities to five years or less unless formally approved by the Board. In accordance with CRS, the District manages its exposure to declines in fair value by limiting the weighted average maturity of its investments.

3. Detailed Notes on the Funds (continued)

Investments (continued)

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The District follows the general provisions of CRS which limits the District's exposure to credit risk. CRS specify investment instruments meeting defined rating and risk criteria in which local governmental entities may invest. The allowed investments may include but are not limited to the following:

- Certain money market funds
- Local government investment pools

Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated:				
Parks and recreation	$ 2,231,622	$ -	$ -	$ 2,231,622
Total capital assets being depreciated	2,231,622	-	-	2,231,622
Less accumulated depreciation for:				
Parks and recreation	(133,897)	(89,265)	-	(223,162)
Total accumulated depreciation	(133,897)	(89,265)	-	(223,162)
Capital assets being depreciated, net	2,097,725	(89,265)	-	2,008,460
Capital assets, net	$ 2,097,725	$ (89,265)	$ -	$ 2,008,460

Depreciation expense of $89,265 was charged to the general government.

Long-Term Obligations

Changes in long-term obligations for the year ended December 31, 2025 are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
General obligation bonds:					
2020A Senior Bonds	$ 4,185,000	$ -	$ (4,185,000)	$ -	$ -
2020B Subordinate Bonds	515,000	-	(515,000)	-	-
2025 Bonds	-	5,380,000	-	5,380,000	15,000
Bond premium	-	171,048	(5,702)	165,346	-
Direct placement and direct borrowings:					
Developer advances – operating	334,550	-	(334,550)	-	-
Developer advances – capital	456,428	-	(456,428)	-	-
Governmental activities long-term debt	$ 5,490,978	$ 5,551,048	$ (5,496,680)	$ 5,545,346	$ 15,000

3. Detailed Notes on the Funds (continued)

Long-term Obligations (continued)

General Obligation Bonds

$4,185,000 Limited Tax (Convertible to Unlimited Tax) General Obligation Bonds, Series 2020A and $515,000 Subordinate Limited Tax General Obligation Bonds, Series 2020B

On August 11, 2020, the District issued $4,185,000 of Limited Tax (Convertible to Unlimited Tax) General Obligation Bonds, Series 2020A ("2020A Senior Bonds") and $515,000 of Subordinate Limited Tax General Obligation Bonds, Series 2020B ("2020B Subordinate Bonds"). The 2020A Senior Bonds and the 2020B Subordinate Bonds were issued for the purpose of paying or reimbursing project costs, funding a portion of the interest on the 2020A Senior Bonds, funding the Senior Surplus Fund, and paying the costs of issuance. The 2020A Senior Bonds are convertible bonds.

The 2020A Senior Bonds bear interest at 5.125%, payable semiannually on each June 1 and December 1, commencing on December 1, 2020, and maturing on December 1, 2050. The 2020B Subordinate Bonds bear interest at a rate of 7.75%, payable annually on December 15, commencing on December 15, 2020, to the extent that pledged revenue is available, maturing on December 15, 2050. Unpaid interest on the 2020A Senior Bonds and 2020B Subordinate Bonds shall compound on each interest payment date.

The 2020A Senior 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, and any other legally available funds as determined by the District. In connection with the 2020A Senior Bonds, the District is required to maintain a Senior Surplus Fund with a maximum of $837,000.

The 2020B Subordinate Bonds are secured by the Subordinate Required Mill Levy, the portion of the Specific Ownership Tax which is collected as a result of the Subordinated Required Mill Levy, amount, if any, in the Senior Surplus Fund after the termination of such fund, and any other legally available funds as determined by the District. The Senior Required Mill Levy and the Subordinate Required Mill Levy maximum mill levy shall not be more than 50 mills, adjusted for changes in the method of calculating assessed valuations.

The 2020A Senior Bonds and the 2020B Subordinated Bonds were current refunded in full by the issuance of the Series 2025 Bonds.

$5,380,000 Limited Tax (Convertible to Unlimited Tax) General Obligation Refunding Bonds, Series 2025

On August 19, 2025, the District issued $5,380,000 Limited Tax (Convertible to Unlimited Tax) General Obligation Refunding Bonds, Series 2025 ("2025 Bonds") with a premium of $171,048. The 2025 Bonds were issued for the purpose of (i) refunding the 2020A Senior and 2020B Subordinate Bonds, (ii) financing a portion of public improvements (including paying amounts due under the acquisition and reimbursement agreements), (iii) funding capitalized interest, (iv) funding a reserve for the bonds, (v) funding working capital for the District, and (vi) paying costs of issuance, including payment of premiums for bond insurance and reserve fund insurance policies.

3. Detailed Notes on the Funds (continued)

Long-term Obligations (continued)

General Obligation Bonds (continued)

$5,380,000 Limited Tax (Convertible to Unlimited Tax) General Obligation Refunding Bonds, Series 2025 (continued)

The 2025 Bonds bear interest at rates ranging from 5.0% to 5.75%, payable semiannually on each June 1 and December 1, commencing on December 1, 2025, and maturing on December 1, 2055. Unpaid interest on the 2025 Bonds shall compound on each interest payment date.

The 2025 Bonds are subject to a mandatory sinking fund redemption commencing on December 1, 2026. The 2025 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 December 1, 2026, upon payment of par, accrued interest, and a redemption premium that ranges between 0% and 3%.

The 2025 Bonds shall convert from limited tax to unlimited tax when the debt to assessed ratio is 50% or less and no amounts of principal or interest are unpaid. The 2025 Bonds are secured by the Required Mill Levy, the portion of the Specific Ownership Tax which is collected as a result of the Required Mill Levy, and any other legally available funds as determined by the District. The Required Mill levy shall not be more than 50 mills, adjusted for changes in the method of calculating assessed valuations through the date of conversion. After conversion, there will no longer be a mill levy limit. After conversion the mill levy must be sufficient to fund the principal and interest as they become due. The 2025 Bonds are also secured by the bond debt service insurance policy which was taken out in place of the reserve requirement. No assurance is provided that the conversion will occur.

As a result of the defeasance of the 2020A Senior Bonds and the 2020B Subordinate Bonds, the refunded bonds are considered to be defeased. The net carrying amount of the old debt exceeded the reacquisition price by $141,000. This amount is recorded as a deferred outflow of resources and is being amortized over the life of the old debt. The current refunding was undertaken to finance the project and lower the interest rate. The refunding resulted in an economic loss of $597,955.

Proceeds from the issuance were used to (i) provide approximately $100,000 of working capital to support ongoing operations and maintenance, and (ii) repay a portion of outstanding developer advances, with the remaining balance of developer advances written off as part of the transaction. The refinancing reduced the stated interest rates on the District’s debt, which decreased the debt service mill levy and lowered the near-term tax burden on residents. The Series 2025 Bonds have a final maturity extending to 2055 (compared to the prior maturity of 2050 for the previously outstanding debt) and are callable beginning September 1, 2030, at which time the District may pursue additional refunding opportunities for potential future savings.

3. <u>Detailed Notes on the Funds (continued)</u>

Long-term Obligations (continued)

General Obligations (continued)

$5,380,000 Limited Tax (Convertible to Unlimited Tax) General Obligation Refunding Bonds, Series 2025 (continued)

The economic loss of $597,955 is primarily attributable to the extension of the debt amortization period. Management determined that the extended maturity structure is appropriate as it reduces annual debt service requirements over the next approximately 25 years, providing immediate and ongoing financial relief to current taxpayers. The economic loss of the bond refunding does not reflect the economic benefit associated with the forgiveness of developer advances in connection with the transaction. Such forgiveness, in the amount of $783,505, represents a substantive improvement to the District's financial position through the effective reduction of outstanding liabilities and should be considered in evaluating the overall financial impact of the refinancing.

Events of default for the District's 2025 Bonds include (1) failure of the District to impose the Required Mill Levy or apply the Pledged Revenue as outline in the indenture, (2) on and after the conversion date, failure of the District to pay principal or interest when due, (3) default by the District in performance or observance of any other covenants, agreements, or conditions on the part of the District in the bond indenture or resolution, and failure to remedy after notice, and (4) the District files a petition under federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the debt represented by the 2025 Bonds. Prior to the unlimited tax date, failure to pay principal and interest on the bonds when due shall not, of itself, constitute an event of default. Remedies available in the event of default include receivership, suit, action, or special proceedings. Acceleration of the bonds is not an available remedy for default.

Authorized Debt

At December 31, 2025, the District had total authorized debt of $400,000,000 of which $8,285,000 has been issued, leaving an authorized but unissued balance of $391,715,000. Per the District's Service Plan, the District cannot issue debt in excess of $20,000,000 without the approval of the Town leaving $11,715,000 authorized but unissued debt per the service plan.

3. Detailed Notes on the Funds (continued)

Long-term Obligations (continued)

Debt Service Schedule

The following is a summary of the annual long-term debt principal and interest requirements for the Series 2025 Bonds.

Year Ending December 31,	Principal	Interest	Total
2026	$ 15,000	$ 297,462	$ 312,462
2027	45,000	296,712	341,712
2028	50,000	294,462	344,462
2029	55,000	291,962	346,962
2030	65,000	289,212	354,212
2031-2035	410,000	1,392,310	1,802,310
2036-2040	640,000	1,268,310	1,908,310
2041-2045	915,000	1,074,360	1,989,360
2046-2050	1,325,000	773,948	2,098,948
2051-2055	1,860,000	335,225	2,195,225
Total	$ 5,380,000	$ 6,313,963	$ 11,693,963

Developer Advances

On December 9, 2019, the District entered into a Funding and Reimbursement Agreement (Operations and Maintenance), with Highlands Mead, LLC ("Developer") to fund the operation cost shortfall of the District through December 31, 2022. On November 1, 2022, the District then entered into a First Amendment to the Funding and Reimbursement Agreement which extended the Funding and Reimbursement Agreement (together the "O&M Agreement") through December 31, 2025 with options to extend. Interest is to accrue at 6.5% from the date of the advance.

On December 9, 2019, the District entered into a Public Improvements Acquisition and Reimbursement Agreement ("PIARA") with the Developer to fund District Eligible Costs as outlined in the agreement. Interest shall accrue at 6.5% on costs and advances from the date of the direct payment by the Developer or date of acceptance of certified costs.

On August 19, 2025, the District entered into an Agreement Regarding Waiver of Principal and Interest Due and Owning under the Funding and Reimbursement Agreement and Public Improvement Acquisition and Reimbursement Agreement ("Waiver Agreement"). Under the Waiver Agreement, upon receipt of the principal amount of $456,428 ("settlement payment") due under the PIARA, the Developer forgave interest due in the amount of $386,022 and principal and interest due under the O&M Agreement of $397,483. The O&M Agreement and PIARA have been deemed terminated upon receipt of the settlement payment. Total forgiveness amounted to $783,505 and is reflected as forgiveness of debt in the Statement of Activities as a special item.

4. Risk Management

The District is exposed to various risks of loss related to workers compensation, general liability, unemployment, torts, theft of, damage to, and destruction of assets, and errors and omissions. The District has elected to participate in the Colorado Special Districts Property and Liability Pool ("the Pool"). The Pool 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 official's liability, 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. During the year ended December 31, 2025, the Pool has made no distributions nor required additional contributions from the District.

5. Related Party

During the year, two members of the Board of Directors were associated with the Developer and may have conflicts of interest in dealing with the District. As of May 2025, the related board members' terms ended, and the board is now homeowner-run. Management believes that all potential conflicts, if any, have been disclosed to the Board. The District has entered into various funding agreements with the Developer, both of which were terminated during the year, see Note 3.

6. Agreements

Town of Mead

The District entered into an intergovernmental agreement (Town IGA) with the Town dated December 9, 2019. The Town IGA requires the District to dedicate District-constructed public improvements to the Town or other appropriate jurisdictions, except for any not accepted by said jurisdictions. The Town IGA requires public improvements be constructed in accordance with the standards of the Town and of other appropriate jurisdictions.

The Town IGA also requires that at any time the District imposes a mill levy, the District will impose an additional Town O&M Mill Levy in the amount of 3.0 mills, as adjusted by the Gallagher Amendment Adjustment, for purposes of defraying the Town's ongoing operations and maintenance expenses associated with Town capital improvements and infrastructure, the streets within the boundaries of the District and other public improvements which may be dedicated to the Town by the District. At December 31, 2025, the amount due under this agreement amounted to $13,505 and is included in due to other governments.

7. Interfund Transfers

At December 31, 2025, the District transferred $75,000 from the debt fund to the operations fund and $25,000 from the debt fund to the general fund to provide working capital to both the operations and general fund as part of the debt refunding.

8. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of Differences between the Governmental Funds Balance Sheet and the Government-Wide Statement of Net Position

The governmental funds balance sheet includes a reconciliation between fund balance-total governmental funds and net position-governmental activities as reported in the government-wide statement of net position.

Capital assets of $2,231,622 less accumulated depreciation of $223,162 or a net book value of $2,008,460 are not financial resources and therefore are not reported in the funds.

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. The difference is as follows:

Series 2025 Bonds	$	(5,380,000)
Accrued interest on long-term debt		(22,417)
Net adjustment	$	(5,402,417)

Governmental funds report the effect of premiums, discounts, and refundings and similar items when debt is first issued, these amounts are deferred and amortized in the statement of activities. The difference is as follows:

Deferred amount on refunding	$	138,954
Prepaid bond insurance		119,372
Premium on bonds		(165,346)
Net adjustment	$	92,980

Explanation of Differences between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. Explanation of the reconciling items is as follows:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The difference is due to depreciation expense in the amount of $(89,265).

Some special items in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. The difference is due to forgiveness of developer debt in the amount of $783,505.

8. Reconciliation of Government-Wide and Fund Financial Statements (continued)

Explanation of Differences between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities (continued)

Bond and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduces long-term debt in the statement of net position. The difference is as follows:

Issuance of 2025 Bonds	$	(5,380,000)
Premium		(171,048)
Payment to developer		456,428
Payment to bond escrow agent		5,131,106
Net adjustment	$	36,486

Another element of the reconciliation states that "some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The difference is as follows:

Accrued interest on long-term debt	$	(127,766)
Prepaid bond insurance		120,836
Amortization of bond premiums		5,702
Amortization of deferred amounts of refunding		(2,046)
Amortization of prepaid bond insurance		(1,464)
	$	(4,738)

9. Subsequent event

On January 21, 2026, the board of directors rescinded a prior resolution accepting the Highlands Filing No. 1 public landscape improvements for District maintenance. The rescission was initiated as the board of directors determined that the District's conditional acceptance of the Phase 1 Improvements for maintenance is no longer in the best interest of the District and exposes the District to unnecessary financial risk that was not previously considered as the Phase 1 Improvements still have significant deficiencies and the Town has not provided final acceptance.

Under the rescinded resolution, the District affirms that the Developer remains solely responsible for the completion, maintenance, repair, replacement, watering and warranty obligations associated with the Phase 1 Improvements until final acceptance is granted by the Town. Additionally, the District has not assumed any obligation for costs associated with incomplete or unaccepted landscape improvements. The District is authorized to identify, document and pursue reimbursement from the Developer and/or the LOC (Note 6) for any District funds expended as the result of the Developer's incomplete or deficient landscaping, to the extent permitted by law.

As the rescission occurred subsequent to year end, no capital assets have been removed from the Statement of Net Position.

REQUIRED SUPPLEMENTARY INFORMATION

HIGHLANDS-MEAD METROPOLITAN DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Property tax	$ 59,294	$ 59,294	$ 59,410	$ 116
Specific ownership tax	1,779	1,779	2,402	623
Interest income	4,000	4,000	3,384	(616)
Total revenues	65,073	65,073	65,196	123
Expenditures:				
General government:				
District accounting	19,000	19,000	25,624	(6,624)
Audit	6,500	6,500	6,400	100
Legal	13,250	13,250	13,916	(666)
Insurance	3,800	3,800	4,119	(319)
Election	4,000	4,000	4,602	(602)
Treasurer fees	889	889	889	-
Office and administration	5,000	5,000	2,564	2,436
Town IGA	13,478	13,478	13,505	(27)
Contingency	-	15,000	-	15,000
Total expenditures	65,917	80,917	71,619	9,298
Excess (deficiency) of revenues over Expenditures	(844)	(15,844)	(6,423)	9,421
Other financing sources (uses):				
Transfers in (out)	-	25,000	25,000	-
Total other financing sources (uses)	-	25,000	25,000	-
Net change in fund balance	(844)	9,156	18,577	9,421
Fund balance, beginning of year	16,645	4,523	4,523	-
Fund balance, end of year	$ 15,801	$ 13,679	$ 23,100	$ 9,421

The accompanying notes are an integral part of this financial statement.

HIGHLANDS-MEAD METROPOLITAN DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Operations Fund
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Operation fees	$ 277,000	$ 277,000	$ 276,604	$ (396)
Fees and fines	5,000	5,000	7,746	2,746
Interest income	-	-	1,459	1,459
Total revenues	282,000	282,000	285,809	3,809
Expenditures:				
General government:				
District accounting	19,000	19,000	25,624	(6,624)
Legal	17,250	17,250	17,390	(140)
Insurance	10,200	10,200	8,291	1,909
District management	32,175	45,000	48,379	(3,379)
Utilities	20,000	20,000	32,910	(12,910)
Trash	44,700	44,700	38,337	6,363
Irrigation repairs and maintenance	6,000	6,000	5,781	219
Landscape and maintenance	64,768	74,768	47,882	26,886
Snow removal	25,000	42,500	36,558	5,942
Billing fees	9,000	9,000	6,923	2,077
Contingency	10,000	25,000	-	25,000
Total expenditures	258,093	313,418	268,075	45,343
Excess (deficiency) of revenues over Expenditures	23,907	(31,418)	17,734	49,152
Other financing sources (uses):				
Transfers in (out)	-	75,000	75,000	-
Total other financing sources (uses)	-	75,000	75,000	-
Net change in fund balance	23,907	43,582	92,734	49,152
Fund balance, beginning of year	38,000	15,435	15,435	-
Fund balance, end of year	$ 61,907	$ 59,017	$ 108,169	$ 49,152

The accompanying notes are an integral part of this financial statement.

SUPPLEMENTARY INFORMATION

HIGHLANDS-MEAD 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 with Final Budget
Revenues:				
Property tax	$ 273,838	$ 273,838	$ 274,372	$ 534
Specific ownership tax	8,215	8,215	11,093	2,878
Interest income	22,000	14,000	18,449	4,449
Total revenues	304,053	296,053	303,914	7,861
Expenditures:				
General government:				
Treasurer fees	4,108	4,108	4,108	-
Trustee fees	7,900	600	7,191	(6,591)
Debt service:				
Cost of issuance	-	500,000	474,668	25,332
Principal	20,000	456,428	456,428	-
Interest	214,481	197,241	191,522	5,719
Contingency	5,000	250,000	-	250,000
Total expenditures	251,489	1,408,377	1,133,917	274,460
Excess (deficiency) of revenues over Expenditures	52,564	(1,112,324)	(830,003)	282,321
Other financing sources (uses):				
Transfers in (out)	-	(100,000)	(100,000)	-
Refunding bonds Issued	-	5,455,000	5,380,000	(75,000)
Premium on refunding bonds	-	370,455	171,048	(199,407)
Payment to refunded bond escrow agent	-	(5,130,893)	(5,131,106)	(213)
Total other financing sources (uses)	-	594,562	319,942	(274,620)
Net change in fund balance	52,564	(517,762)	(510,061)	7,701
Fund balance, beginning of year	526,970	529,818	529,818	-
Fund balance, end of year	$ 579,534	$ 12,056	$ 19,757	$ 7,701

The accompanying notes are an integral part of this financial statement.