THE RIDGE AT HARMONY ROAD METROPOLITAN DISTRICT NO. 2

Financial Statements

Year Ended December 31, 2025

with

Independent Auditor's Report

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HIRATSUKA & ASSOCIATES, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Ridge at Harmony Road Metropolitan District No. 2
Weld County, Colorado

Opinion

We have audited the accompanying financial statements of the governmental activities and each major fund of the Ridge at Harmony Road Metropolitan District No. 2 (the District) as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of December 31, 2025, and the respective changes in financial position 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 Opinion

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 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 opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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 opinion. 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.

Required Supplementary Information

Management has not presented Management's Discussion and Analysis. Such missing information, although not a part of the basic financial statements, is required by GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplemental Information as listed in the table of contents is presented for the purpose of additional analysis and was not a required part of the financial statements.

The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Hiratsuka & Associates, LLP

September 30, 2026
Wheat Ridge, Colorado

THE RIDGE AT HARMONY ROAD METROPOLITIAN DISTRICT NO. 2

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

	General	Debt Service	Total	Adjustments	Statement of Net Position
ASSETS					
Cash	$ 684	$ -	$ 684	$ -	$ 684
Cash and investments - restricted	-	2,945	2,945	-	2,945
Property taxes receivable	189,030	548,172	737,202	-	737,202
Due to (from) other funds	-	-	-	-	-
Total Assets	$ 189,714	$ 551,117	$ 740,831	-	740,831
LIABILITIES					
Due to District 4	$ -	$ 188,068	$ 188,068	-	188,068
Accrued interest on long term debt	-	-	-	37,629	37,629
Long-term liabilities:					
Due within one year	-	-	-	235,804	235,804
Due in more than one year	-	-	-	13,225,180	13,225,180
Total Liabilities	-	188,068	188,068	13,498,613	13,686,681
DEFERRED INFLOWS OF RESOURCES					
Deferred property taxes	189,030	548,173	737,203	-	737,203
Total Deferred Inflows of Resources	189,030	548,173	737,203	-	737,203
FUND BALANCES/NET POSITION					
Fund Balances:					
Unassigned	684	(185,124)	(184,440)	184,440	-
Total Fund Balances	684	(185,124)	(184,440)	184,440	-
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 189,714	$ 551,117	$ 740,831		
Net Position:					
Unrestricted				(13,683,053)	(13,683,053)
Total Net Position				$ (13,683,053)	$ (13,683,053)

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

THE RIDGE AT HARMONY ROAD METROPOLITIAN DISTRICT NO. 2

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

	General	Debt Service	Total	Adjustments	Statement of Activities
EXPENDITURES					
Treasurer's fees	$ 3,008	$ 9,025	$ 12,033	$ -	$ 12,033
Transfers to RAHR No. 4	204,375	-	204,375	-	204,375
Developer advance interest	-	-	-	198,562	198,562
Bond Principal	-	360,196	360,196	(360,196)	-
Bond Interest	-	473,160	473,160	(1,801)	471,359
Total Expenditures	207,383	842,381	1,049,764	(163,435)	886,329
GENERAL REVENUES					
Property taxes	199,972	599,931	799,903	-	799,903
Specific ownership taxes	8,555	25,667	34,222	-	34,222
Interest income	210	17,978	18,188	-	18,188
Total General Revenues	208,737	643,576	852,313	-	852,313
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,354	(198,805)	(197,451)	163,435	(34,016)
NET CHANGES IN FUND BALANCES	1,354	(198,805)	(197,451)	197,451	
CHANGE IN NET POSITION				(34,016)	(34,016)
FUND BALANCES/NET POSITION:					
BEGINNING OF YEAR	(670)	13,681	13,011	(1,780,256)	(13,649,037)
END OF YEAR	$ 684	$ (185,124)	$ (184,440)	$ (1,616,821)	$ (13,683,053)

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

THE RIDGE AT HARMONY ROAD METROPOLITIAN DISTRICT NO. 2

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	$ 200,408	$ 199,972	$ (436)
Specific ownership taxes	8,016	8,555	539
Interest income	-	210	210
Contingency Income	1,576	-	(1,576)
Total Revenues	210,000	208,737	(1,263)
EXPENDITURES			
Treasurer's fees	3,006	3,008	(2)
Intergovernmental expenditure - District No.4 General fund	205,418	204,375	1,043
Contingency	1,576	-	1,576
Total Expenditures	210,000	207,383	2,617
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	1,354	1,354
FUND BALANCE:			
BEGINNING OF YEAR	-	(670)	(670)
END OF YEAR	$ -	$ 684	$ 684

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 Ridge at Harmony Road Metropolitan District No. 2, (the "District"), located in the Town of Windsor, ("Town") Weld 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 February 26, 2015 as a quasi-municipal organization established under the State of Colorado Special Districts Act. The District operates pursuant to a service plan approved by the Town on September 8, 2014 (the "Service Plan"), as amended on February 25, 2019. The District was formed in conjunction with Ridge at Harmony Road Metropolitan Districts No. 1, 3 and 4. The District and Districts No. 1 and 3 serve as financing Districts, and District No. 4 serves as the Coordinating District. The Districts were established to provide financing for the construction, installation, and operation of public improvements, including water, sanitation, streets, safety protections, storm drainage, covenant enforcement and design review services, and parks and recreation facilities. The District is governed by an elected Board of Directors.

The District's primary revenues are property taxes.

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. The effect of interfund activity has been removed from these statements whenever possible.

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. The District had no *Program revenues* to report as of December 31, 2025. 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 in 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 all financial resources that are restricted, committed or assigned to expenditures for principal and interest on long-term general obligation debt of the government funds.

Budgetary Accounting

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. The Debt Service Fund appropriations were over budget during 2025 which may be considered a violation of state budget laws.

Assets, Liabilities and Net Position

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, 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 cash equivalents are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair 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.

Interfund Balances
Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". These amounts are eliminated in the Statement of Net Position.

Estimates
The preparation of these financial statements in conformity with GAAP requires the 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 has no 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's deferred property taxes are the 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 recorded at cost.

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. Land and certain improvements are not depreciated. 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. All assets constructed by the District have been conveyed to other governments.

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.

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.

Fund Balance

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. The District has no nonspendable fund balances to report at December 31, 2025.

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 District does not have a restricted fund balance in the General Fund representing Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado because all operating expenditures are budgeted for in District No. 4 under the Funding and Reimbursement Agreement for Operations (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. The District has no amounts to report as Committed Fund Balance as of December 31, 2025.

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. The District has no amounts to report as Assigned Fund Balance as of December 31, 2025.

Unassigned Fund Balance
Unassigned fund balance includes amounts that are available for any purpose.

Deficit Fund Balance
The Debt Service Fund has a deficit fund balance at December 31, 2025 due to funds which were used for Bond payments that had been due to District No. 4 under the Funding and Reimbursement Agreement for Operations (Note 4) in the prior year.

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

Net Position
Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources.

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 balance of deferred outflows or resources related to those assets. At December 31, 2025 the District did not have any amounts 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. At December 31, 2025 the District did not have any amounts to report in this category.

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.

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	$	684
Cash and investments - Restricted		2,945
Total	$	3,629

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

Deposits with financial institutions	$	2,531
Colotrust		1,098
	$	3,629

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

Investment Valuation

The District categorizes its fair value measurements 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 investments are not required to be categorized within the fair value hierarchy. The investment values are calculated using the net asset value method ("NAV") per share.

Credit Risk

The District's investment policy requires that the District follow state statutes for 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 investments:

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 the Trust. Colotrust records its investments at fair value and the District records its investment in Colotrust using the net asset value method. The trusts operate similarly to a money market fund with each share maintaining a value of $1.00. The Trust offers shares in two portfolios, Colotrust Prime and Colotrust Plus+. Both investments consist of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. Colotrust Plus+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to the trusts. Substantially all securities owned by the trusts are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians' internal records identify the investments owned by Colotrust. At December 31, 2025, the District had $1,098 invested in Colotrust Plus+.

Note 3: Long-Term Obligations

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

$8,000,000 Limited Tax General Obligation Bonds, Series 2019A
In 2019, the District issued Limited Tax General Obligation Bonds, Series 2019A ("2019 Bonds") in the total amount of $8,000,000. The proceeds of the Series 2019A Bonds were used to reimburse Developer Advances under the Funding and Reimbursement Agreement. The Series 2019 Bonds are limited mill levy tax obligations of the District secured and payable solely from pledged revenue, consisting primarily from ad valorem property taxes imposed by the District.

The 2019 Bonds bear interest of 6.00% payable each June 1 and December 1 commencing December 1, 2019. Payments of principal on the 2019 Bonds are due each December 1 commencing December 1, 2019. The 2019 Bonds mature on December 1, 2048. The Series 2019 Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of $1,000, on any date, upon payment of the principal amount so redeemed plus accrued interest to the date of redemption, without redemption premium. The 2019 Bonds are subject to mandatory sinking fund redemption, in part, or by lot, on December 1, 2022 and on each December 1 through the maturity date of December 1, 2048. Interest compounds on each interest payment date on any interest and principal balances unpaid on the Bonds at the rate borne thereon.

The 2019 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 moneys as determined by the District.

Events of default under the 2019 Bonds include failure to impose the Required Mill Levy, failure or refusal to apply the Pledged Revenue as required by the Bond resolution, bankruptcy or insolvency of the District, and additional items as outlined in the loan agreement. Remedies for default include enforcement of rights by Owners under financing documents and any provision of law by suit, action or special proceedings as the Owner deems appropriate, and other options as outlined in the Bond agreement.

The Series 2019A Bonds principal and interest will mature as follows. The District has not fully paid principal amounts in prior years, and the remaining excess outstanding principal of $75,804 is included in the 2026 principal due, although this amount has not been budgeted to be paid in 2026. Underpayment of principal and interest is not considered an event of default due to the limited nature of the Pledged Revenues on the 2019 Bonds.

Year Ending December 31,	Principal	Interest	Total
2026	$ 235,804	$ 451,548	$ 687,352
2027	170,000	441,948	611,948
2028	180,000	431,748	611,748
2029	190,000	420,948	610,948
2030	200,000	409,548	609,548
2031-2035	1,190,000	1,853,041	3,043,041
2036-2040	1,605,000	1,449,541	3,054,541
2041-2045	2,135,000	908,041	3,043,041
2046-2048	1,620,000	211,645	1,831,645
Total	$ 7,525,804	$ 6,578,010	$ 14,103,814

Funding and Reimbursement Agreement for Capital Costs

On May 5, 2015, as amended on April 13, 2020, the District entered into an agreement with the Developer. The Developer has agreed to fund the costs of capital projects. Such advances include an interest rate of 8.0% and are to be reimbursed by the District with the proceeds of any future bond issues or any other available revenues of the District. Any reimbursement is subject to annual appropriation by the District and is contingent upon the District's ability to generate sufficient revenues, after payment of annual operating expenditures and debt service requirements. As of December 31, 2025, outstanding principal was $2,482,022 and accrued interest due to the Developer was $3,453,158.

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 Debt					
Series 2019 G.O. Bonds	$ 7,886,000	$ -	$ 360,196	$ 7,525,804	$ 235,804
Direct Borrowing					
Developer advance	2,482,022	-	-	2,482,022	-
Developer advance interest	3,254,596	198,562	-	3,453,158	-
Total	$ 13,622,618	$ 197,301	$ 360,196	$ 13,460,984	$ 235,804

Debt Authorization

On November 4, 2014, a majority of the qualified elects of the District authorized the issuance of indebtedness in the amount not to exceed $320,000,000 at an interest rate not to exceed 18% per annum. Pursuant to the Service Plan, the District is permitted to issue bond indebtedness of up to $8,000,000. As of December 31, 2025, the District had no amounts in remaining authority under the Service Plan. The District has not budgeted any debt issuance during 2026.

Note 4: Other Agreements

Funding and Reimbursement Agreement for Operations

On May 5, 2015, as amended on April 13, 2020, the District entered into an agreement with the Developer. The Developer has agreed to fund the costs of operations and maintenance costs. Such advances will bear simple interest at 2.00% plus the current Federal Reserve Board Prime Rate per annum are to be reimbursed by the District with the proceeds of any future bond issues or any other available revenues of the District. Any reimbursement is subject to annual appropriation by the District and is contingent upon the District's ability to generate sufficient revenues, after payment of annual operating expenditures and debt service requirements. As of December 31, 2025, there are no balances outstanding related to this agreement.

Master Intergovernmental Agreement (IGA)

On May 5, 2015, the District entered into a Master Intergovernmental Agreement (IGA) with The Ridge at Harmony Road Metropolitan District Nos. 1 and 3 and was amended April 13, 2020 to include The Ridge at Harmony Road Metropolitan District No. 4. The amended and restated IGA provides that the District No. 4 will serve as the operating district and will be responsible for managing the construction and operation of the facilities and improvements for the Districts. Districts Nos. 1, 2 and 3 will serve as the financing districts and are responsible for providing the funding and tax base needed to support the capital improvements. At December 31, 2025 the District owes an amount of $188,086 to District No. 4 for operations under this agreement.

Note 5: Related Parties

The Developer of the property which constitutes the District are Eagle Development Company, Tralon Homes, LLC, and Affirmed Financial Services, LLC. The members of the Board of Directors are officers of, employees of, or associated with the Developer and may have conflicts of interest in dealing with the District.

Note 6: 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 May 3, 2016, 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. As noted in Note 1, the District has no restricted TABOR balance to report due to all operating expenses being incurred in District No. 4.

Note 7: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, 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 8: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

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

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

2) long-term liabilities such as bonds payable, developer advances payable and accrued bond/loan interest payable 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 may have the following elements:

1) 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; and,

2) governmental funds report developer advances, loan and/or bond proceeds as revenue, which are as changes to long term liabilities on the Statement of Net Position; and,

3) 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 transfers to other governmental entities.

SUPPLEMENTAL INFORMATION

THE RIDGE AT HARMONY ROAD METROPOLITIAN DISTRICT NO. 2

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

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property tax revenue	$ 601,240	$ 599,931	$ (1,309)
Specific ownership tax	24,050	25,667	1,617
Transfer from RAHR No. 4	-	-	
Interest income	21,000	17,978	(3,022)
Total Revenues	646,290	643,576	(2,714)
EXPENDITURES			
Treasurer's fees	9,019	9,025	(6)
Interest on Bond	472,800	473,160	(360)
Principal Payments on Bond	156,000	360,196	(204,196)
Contingency	2,181	-	2,181
Total Expenditures	640,000	842,381	(202,381)
NET CHANGE IN FUND BALANCE	6,290	(198,805)	(205,095)
FUND BALANCE:			
BEGINNING OF YEAR	6,272	13,681	7,409
END OF YEAR	$ 12,562	$ (185,124)	$ (197,686)

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