MCKAY LANDING METROPOLITAN DISTRICT NO. 2
City and County of Broomfield, Colorado

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2025

MCKAY LANDING METROPOLITAN DISTRICT NO. 2
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2025

INDEPENDENT AUDITORS' REPORT

Members of the Board of Directors
McKay Landing Metropolitan District No. 2

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of McKay Landing Metropolitan District No. 2, 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 McKay Landing Metropolitan District No. 2, as of December 31, 2025, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of McKay Landing Metropolitan District No. 2 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 McKay Landing Metropolitan District No. 2'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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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.

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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 McKay Landing Metropolitan District No. 2'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 McKay Landing Metropolitan District No. 2's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise McKay Landing Metropolitan District No. 2's basic financial statements. The schedule of revenues, expenditures and changes in fund balance – budget and actual for Debt Service Fund is presented for purposes of additional analysis and are 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 schedule of revenues, expenditures and changes in fund balance – budget and actual for Debt Service Fund is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information and the continuing disclosure annual financial information, as listed in the table of contents, does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements do not cover the other information and continuing disclosure annual financial information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Haynie

Littleton, Colorado
June 14, 2026

BASIC FINANCIAL STATEMENTS

MCKAY LANDING METROPOLITAN DISTRICT NO. 2
STATEMENT OF NET POSITION
DECEMBER 31, 2025

	Governmental Activities
ASSETS	
Cash and Investments	$ 1,206,669
Cash and Investments - Restricted	2,231,477
Prepaid Insurance	2,450
Receivable from County Treasurer	3,671
Property Tax Receivable	1,012,388
Total Assets	4,456,655
DEFERRED OUTFLOWS OF RESOURCES	
Cost of Refunding, Net	339,095
Total Deferred Outflows of Resources	339,095
LIABILITIES	
Accounts Payable	8,583
Accrued Interest	13,321
Noncurrent Liabilities:	
Due Within One Year	485,000
Due in More Than One Year	5,290,000
Total Liabilities	5,796,904
DEFERRED INFLOWS OF RESOURCES	
Deferred Property Tax	1,012,388
Total Deferred Inflows of Resources	1,012,388
NET POSITION	
Restricted for:	
Emergency Reserves	5,100
Debt Service	2,213,056
Unrestricted	(4,231,698)
Total Net Position	$ (2,013,542)

See accompanying Notes to Basic Financial Statements.

MCKAY LANDING METROPOLITAN DISTRICT NO. 2
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net Revenues (Expenses) and Changes in Net Position: Governmental Activities
FUNCTIONS/PROGRAMS					
Primary Government:					
Governmental Activities:					
General Government	$ 54,261	$ -	$ -	$ -	$ (54,261)
Interest on Long-Term Debt and Related Costs	243,604	-	-	-	(243,604)
Total Governmental Activities	$ 297,865	$ -	$ -	$ -	(297,865)
GENERAL REVENUES					
Property Taxes					1,048,211
Specific Ownership Taxes					46,603
Interest Income					151,208
Total General Revenues					1,246,022
CHANGES IN NET POSITION					948,157
Net Position - Beginning of Year					(2,961,699)
NET POSITION - END OF YEAR					$ (2,013,542)

See accompanying Notes to Basic Financial Statements.

MCKAY LANDING METROPOLITAN DISTRICT NO. 2
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2025

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash and Investments	$ 1,206,669	$ -	$ 1,206,669
Cash and Investments - Restricted	5,100	2,226,377	2,231,477
Prepaid Insurance	2,450	-	2,450
Receivable from County Treasurer	3,671	-	3,671
Property Tax Receivable	70,550	941,838	1,012,388
Total Assets	$ 1,288,440	$ 3,168,215	$ 4,456,655
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	$ 8,583	$ -	$ 8,583
Total Liabilities	8,583	-	8,583
DEFERRED INFLOWS OF RESOURCES			
Deferred Property Tax	70,550	941,838	1,012,388
Total Deferred Inflows of Resources	70,550	941,838	1,012,388
FUND BALANCES			
Nonspendable:			
Prepaid Amounts	2,450	-	2,450
Restricted for:			
Emergency Reserves	5,100	-	5,100
Debt Service	-	2,226,377	2,226,377
Unassigned	1,201,757	-	1,201,757
Total Fund Balances	1,209,307	2,226,377	3,435,684
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 1,288,440	$ 3,168,215	

Amounts reported for governmental activities in the Statement of Net Position are different because:	
Other long-term assets and deferred outlfows of resources are not available to pay for current period expenditures and, therefore, are not reported in the funds.	
Cost of Refunding, Net	339,095
Long-term liabilities, including loans payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Accrued Interest	(13,321)
Loans Payable	(5,775,000)
Net Position of Governmental Activities	$ (2,013,542)

See accompanying Notes to Basic Financial Statements.

MCKAY LANDING METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2025

	General	Debt Service	Total Governmental Funds
REVENUES			
Property Taxes	$ 73,046	$ 975,165	$ 1,048,211
Specific Ownership Taxes	46,603	-	46,603
Interest Income	50,329	100,879	151,208
Total Revenues	169,978	1,076,044	1,246,022
EXPENDITURES			
Current:			
Accounting	23,349	-	23,349
Auditing	7,000	-	7,000
County Treasurer's Fee	1,096	14,636	15,732
Directors' Fees	600	-	600
Dues and Membership	319	-	319
Election	2,247	-	2,247
Insurance	3,833	-	3,833
Legal	12,758	-	12,758
Miscellaneous	3,059	-	3,059
Debt Service:			
Loan Interest	-	172,411	172,411
Loan Principal	-	460,000	460,000
Total Expenditures	54,261	647,047	701,308
NET CHANGE IN FUND BALANCES	115,717	428,997	544,714
Fund Balances - Beginning of Year	1,093,590	1,797,380	2,890,970
FUND BALANCES - END OF YEAR	$ 1,209,307	$ 2,226,377	$ 3,435,684

See accompanying Notes to Basic Financial Statements.

MCKAY LANDING METROPOLITAN DISTRICT NO. 2
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025

Net Change in Fund Balances - Total Governmental Funds	$ 544,714
Amounts reported for governmental activities in the Statement of Activities are different because:	
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The net effect of these differences in the treatment of long-term debt and related items is as follows:	
Loan Principal Payment	460,000
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.	
Accrued Interest Payable - Change in Liability	1,061
Amortization on Cost of Loan Refunding - Series 2016	(57,618)
Changes in Net Position of Governmental Activities	$ 948,157

See accompanying Notes to Basic Financial Statements.

MCKAY LANDING METROPOLITAN DISTRICT NO. 2
GENERAL FUND –
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2025

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	$ 73,046	$ 73,046	$ -
Specific Ownership Taxes	52,411	46,603	(5,808)
Interest Income	40,000	50,329	10,329
Total Revenues	165,457	169,978	4,521
EXPENDITURES			
Accounting	23,000	23,349	(349)
Auditing	7,000	7,000	-
County Treasurer's Fee	1,096	1,096	-
Directors' Fees	1,000	600	400
Dues and Membership	500	319	181
Insurance	4,200	3,833	367
Legal	20,000	12,758	7,242
Miscellaneous	500	3,059	(2,559)
Election	5,000	2,247	2,753
Contingency	7,704	-	7,704
Total Expenditures	70,000	54,261	15,739
NET CHANGE IN FUND BALANCE	95,457	115,717	20,260
Fund Balance - Beginning of Year	1,083,422	1,093,590	10,168
FUND BALANCE - END OF YEAR	$ 1,178,879	$ 1,209,307	$ 30,428

See accompanying Notes to Basic Financial Statements.

NOTE 1 DEFINITION OF REPORTING ENTITY

McKay Landing Metropolitan District No. 2 (the District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized on November 11, 1999, and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located entirely within the City and County of Broomfield, Colorado (the City). The District was established to provide financing for the construction of streets and safety control, water systems, sewer systems, parks and recreation facilities, transportation systems, television relay, mosquito control, and operation and maintenance of the District. Under the Service Plan, the District is the Financing District related to McKay Landing Metropolitan District No. 1 (McKay No. 1) as the Service District to serve the community of McKay Landing in the City. On December 19, 2007, McKay No. 1 was dissolved per a resolution that was approved by the City of Broomfield. Per the resolution, the District agreed to assume all the duties and responsibilities of McKay No. 1.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set 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 District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity, including the City.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the District are described as follows:

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes, are the only activities currently reported by the District.

The statement of net position reports all financial and capital resources of the District. The difference between the sum of assets and deferred outflows and the sum of liabilities and deferred inflows is reported as net position.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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

Separate financial statements are provided for the governmental funds. 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 related cash flows.

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 government considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures and other financing uses level and lapses at year-end. 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.

Pooled Cash and Investments

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 single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

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 or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August, and generally, sales of the tax liens on delinquent properties are 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 inflow of resources in the year they are levied and measurable. The unearned property tax revenues are recorded as revenue in the year they are available or collected.

Cost of Loan Refunding

In the government-wide financial statements, the deferred cost of loan refunding is being amortized using the interest method over the life of the refunding loan. The amortization amount is a component of interest expense and the unamortized deferred cost is reflected as a deferred outflow of resources.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position reports 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 and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *cost of refunding*, is deferred and recognized as an outflow of resources in the period that the amount is incurred.

In addition to liabilities, the statement of net position reports 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 and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *deferred property tax*, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Equity

Net Position

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

In the government-wide financial statements, fund equity is classified as net position. Net position may be classified into three components: net investment in capital assets, restricted, and unrestricted.

Fund Balance

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

Nonspendable Fund Balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.

Restricted Fund Balance – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

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

Assigned Fund Balance – The portion of fund balance that is constrained by the government's intent to be used for specific purposes but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

Unassigned Fund Balance – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's practice to use the most restrictive classification first.

Adoption of New Accounting Standards

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

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

NOTE 3 CASH AND INVESTMENTS

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

Statement of Net Position:	
Cash and Investments	$ 1,206,669
Cash and Investments - Restricted	2,231,477
Total Cash and Investments	$ 3,438,146

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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

Deposits with Financial Institutions	$ 5,325
Investments	3,432,821
Total Cash and Investments	$ 3,438,146

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. 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 for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 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.

At December 31, 2025, the District's cash deposits had a bank balance and a carrying balance of $5,325.

Investments

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate risk, and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

. Obligations of the United States, certain U.S. government agency securities, and securities of the World Bank
. General obligation and revenue bonds of U.S. local government entities
. Certain certificates of participation
. Certain securities lending agreements
. Bankers' acceptances of certain banks
. Commercial paper
. Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
. Certain money market funds
. Guaranteed investment contracts
* Local government investment pools

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

Investment	Maturity	Amount
Colorado Local Government Liquid Asset Trust (COLOTRUST PLUS+)	Weighted-Average Under 60 Days	$ 3,432,821
Total		$ 3,432,821

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all state statutes governing the Trust. The Trust currently offers three portfolios – COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE.

COLOTRUST PRIME and COLOTRUST PLUS+, which operate similarly to a money market fund and each share is equal in value to $1.00, offer daily liquidity. Both portfolios may invest in U.S. Treasury securities 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 any security allowed under CRS 24-75-601.

COLOTRUST EDGE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a $10.00 transactional share price. COLOTRUST EDGE may invest in securities authorized by CRS 24-75-601, including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

COLOTRUST (Continued)

A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST PRIME and COLOTRUST PLUS+ are rated AAAm by Standard & Poor's. COLOTRUST EDGE is rated AAAf/S1 by Fitch Ratings. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily or weekly, and there is no redemption notice period.

NOTE 4 LONG-TERM OBLIGATIONS

The following is an analysis of changes in the District's long-term obligations for the year ended December 31, 2025:

	Balance at December 31, 2024	Additions	Reductions	Balance at December 31, 2025	Due Within One Year
Direct Placements					
Series 2016A G.O. Refunding Loan	$ 6,235,000	$ -	$ 460,000	$ 5,775,000	$ 485,000
Total Long-Term Obligations	$ 6,235,000	$ -	$ 460,000	$ 5,775,000	$ 485,000

The details of the District's long-term obligations are as follows:

$10,000,000 General Obligation Refunding Loan, Series 2016A (Tax-Exempt), dated September 22, 2016, with an interest rate of 2.73% and matures on December 1, 2036. Interest payments on the loan shall be due and payable semi-annually on June 1 and December 1 each year through maturity. Principal payments on the loan shall be due and payable on December 1 of each year through maturity.

The District may prepay the principal of the loan in amounts up to $100,000 annually, at a price of par and accrued interest to the prepayment date, without prepayment fees, premiums, or penalties. In addition, on September 22, 2026, and on any date thereafter, the District may prepay the principal of the loan in whole or in part, at a price of par and accrued interest to the prepayment date, without prepayment fees, premiums, or penalties.

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

The loan is secured by and payable from pledged revenues consisting of monies derived by the District from the following sources, net of any collection costs: (1) the District's mill levy and (2) any other legally available monies which the District determines to apply to the payment of the loan. The District's mill levy means an ad valorem mill levy imposed upon all taxable property of the District, without limitation or rate, each year in an amount sufficient to pay the principal and interest on the loan as the same become due and payable. If monies produced from the mill levy, together with other pledged revenues, are not sufficient to pay punctually the scheduled payments of principal and interest, the District shall include all such amounts as may be necessary for such purposes in its computation of the mill levy in the subsequent year, and such mill levy shall be imposed and continue to be levied until the loan is fully paid.

The District's long-term obligations will mature as follows:

Year Ending December 31,	Principal	Interest	Total
2026	$ 485,000	$ 159,847	$ 644,847
2027	495,000	146,423	641,423
2028	525,000	132,722	657,722
2029	540,000	118,190	658,190
2030	565,000	103,243	668,243
2031 - 2035	3,155,000	270,010	3,425,010
2036	10,000	277	10,277
Total	$ 5,775,000	$ 930,712	$ 6,705,712

Events of Default

The occurrence of any one or more of the following events or conditions shall constitute an Event of Default:

(a) The District fails or refuses to impose the Required Mill Levy or to apply the Pledged Revenue as required by the Agreement;
(b) The District fails to pay the principal of or interest on the Loan or any other amount payable to the Lender when due;
(c) The District fails to observe or perform any of the material covenants, agreements, duties, or conditions on the part of the District in the Financing Documents, and the District fails to remedy the same to the satisfaction of the Lender within 30 days;
(d) Any representation or warranty made by the District in any Financing Document or any certificate, instrument, financial, or other statement furnished by the District to the Lender, proves to have been untrue or incomplete in any material respect when made or deemed made;
(e) The pledge of the Pledged Revenue, the Collateral, or any other security interest created fails to be fully enforceable with the required priority;

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Events of Default (Continued)

(f) Any judgment or court order for the payment of money exceeding any applicable insurance coverage by more than $100,000 in the aggregate is rendered against the District and the District fails to vacate, bond, stay, contest, pay, or satisfy such judgment or court order for 30 days;

(g) A change occurs in the financial or operating conditions of the District, or the occurrence of any other event that, in the Lender's reasonable judgment, will have a materially adverse impact on the ability of the District to generate Pledged Revenue sufficient to satisfy the District's obligations or its other obligations, and the District fails to cure such condition within the time specified by the Lender in a written notice thereof from the Lender; and

(h) The District shall initiate, acquiesce, or consent to any proceedings to dissolve itself or to consolidate itself with other similar entities into a single entity, or the District shall otherwise cease to exist.

Authorized Debt

Pursuant to the Service Plan, the District is permitted to issue bond indebtedness of up to $12,000,000 (Service Plan Debt Issuance Limit). In no event is the District authorized to issue debt in excess of the Service Plan Debt Issuance Limit, with the exception that such limit is not applicable to refundings of the debt authorized to be issued under the Service Plan.

The District has voter authorization in excess of the Service Plan Debt Issuance Limit as at the time of the election, the actual costs of construction were not known. Without knowing the costs of construction, it is not possible to allocate the Service Plan Debt Issuance Limit by power (such as water, sewer or streets). Therefore, the Service Plan Debt Issuance Limit was voted in every power relative to debt for public improvements. With that understanding, on November 7, 2000, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed $88,250,000 at an interest rate not to exceed 18% per annum. At December 31, 2025, the District had no current authorized and unissued debt.

NOTE 5 NET POSITION

The District has net position consisting of two components – restricted and unrestricted.

The restricted component of net position consists of assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as follows:

	Governmental Activities
Restricted Net Position:	
Emergency Reserves	$ 5,100
Debt Service	2,213,056
Total Restricted Net Position	$ 2,218,156

The District has a deficit in unrestricted net position. This deficit amount is a result of the District being responsible for the repayment of long-term obligations issued for public improvements which were conveyed to other governmental entities.

NOTE 6 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (the Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers' compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property, public officials' liability, and workers' compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool 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 7 TAX, SPENDING, AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's 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.

On November 2, 1999, and again on November 7, 2000, a majority of the District's electors authorized tax levies, without limitation of rate, to produce taxes of $150,000 annually for operations, maintenance, and other expenses without regard to any limitations under TABOR or Section 29-1-301, Colorado Revised Statutes.

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.

Section 29-1-1702, C.R.S., contains limitations on revenues generated from property tax revenues that apply to certain local governments within the State of Colorado.

Annual operating revenue is limited to a 5.25% increase, such increase is determined based on a prior assessment period and adjusted for allowable exclusions and exemptions from qualified property tax revenues.

The District's management believes it is in compliance with the provisions of Section 29-1-1702, C.R.S. However, this section of the C.R.S. is complex and subject to interpretation.

SUPPLEMENTARY INFORMATION

MCKAY LANDING METROPOLITAN DISTRICT NO. 2
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2025

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	$ 975,165	$ 975,165	$ -
Interest Income	70,000	100,879	30,879
Total Revenues	1,045,165	1,076,044	30,879
EXPENDITURES			
County Treasurer's Fee	14,627	14,636	(9)
Loan Interest	172,580	172,411	169
Loan Principal	460,000	460,000	-
Early Principal Redemption	100,000	-	100,000
Contingency	12,793	-	12,793
Total Expenditures	760,000	647,047	112,953
NET CHANGE IN FUND BALANCE	285,165	428,997	143,832
Fund Balance - Beginning of Year	1,781,704	1,797,380	15,676
FUND BALANCE - END OF YEAR	$ 2,066,869	$ 2,226,377	$ 159,508

OTHER INFORMATION

MCKAY LANDING METROPOLITAN DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2025

Bonds/Loans and Interest Maturing in the Year Ending December 31,	$10,000,000 General Obligation Refunding Loan, Interest Rate - 2.73% Series 2016A Dated September 22, 2016 Interest Payable June 1 and December 1 Principal Payable December 1		
	Principal	Interest	Total
2026	$ 485,000	$ 159,847	$ 644,847
2027	495,000	146,423	641,423
2028	525,000	132,722	657,722
2029	540,000	118,190	658,190
2030	565,000	103,243	668,243
2031	580,000	87,605	667,605
2032	610,000	71,551	681,551
2033	630,000	54,666	684,666
2034	660,000	37,228	697,228
2035	675,000	18,960	693,960
2036	10,000	277	10,277
Total	$ 5,775,000	$ 930,712	$ 6,705,712

MCKAY LANDING METROPOLITAN DISTRICT NO. 2
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2025

		Total Mills Levied			Total Property Taxes		Percent
Year Ended December 31,	Assessed Valuation	General Operations	Debt Service	Total	Levied	Collected	Collected to Levied
2021	$ 28,131,760	2.000	32.500	34.500	$ 970,546	$ 970,172	99.96%
2022	29,975,920	2.000	32.500	34.500	1,034,169	1,034,169	100.00
2023	29,115,660	2.000	32.500	34.500	1,004,490	1,004,490	100.00
2024	36,472,520	2.000	26.700	28.700	1,046,761	1,046,651	99.99
2025	36,523,050	2.000	26.700	28.700	1,048,211	1,048,211	100.00
Estimated for Year Ending December 31, 2026	$ 35,274,830	2.000	26.700	28.700	$ 1,012,388		

Note:
Property taxes collected in any one year include collection of delinquent property taxes levied in prior years.
Information received from the Treasurer does not permit identification of specific year of levy.