BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 2

EL PASO COUNTY, COLORADO

FINANCIAL STATEMENTS

DECEMBER 31, 2025

TABLE OF CONTENTS

Independent auditor's report i

BASIC FINANCIAL STATEMENTS

Government-wide financial statements

Statement of net position 1

Statement of activities 2

Fund financial statements

Balance sheets - governmental funds 3

Statements of revenues, expenditures, and changes in fund balances - governmental funds 4

Reconciliation of the statements of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities 5

General fund - statement of revenues, expenditures, and changes in fund balance (budget and actual) 6

Notes to financial statements 7

SUPPLEMENTARY INFORMATION

Debt service fund - schedule of revenues, expenditures, and changes in fund balance (budget and actual) 21

Capital projects fund - schedule of revenues, expenditures, and changes in fund balance (budget and actual) 22

BiggsKofford

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Bradley Heights Metropolitan District No. 2
El Paso County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Bradley Heights Metropolitan District No. 2 ("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, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of the report. We are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 13, these financial statements have been restated to correct for errors in the December 31, 2024 financial statements. Our opinions are not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America 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 auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required 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 which 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.

Supplementary Information

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

BiggsKofford LLP

Colorado Springs, Colorado
October 8, 2026

BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 2
STATEMENT OF NET POSITION
DECEMBER 31, 2025

	Governmental Activities
ASSETS	
Cash and investments	$ 19,829
Cash and investments - restricted	3,686,910
Accounts receivable	705
Due from Bradley Heights Metropolitan District No. 1	963
Due from Bradley Heights Metropolitan District No. 3	11
Receivable from County Treasurer	1,091
Property taxes receivable	345,333
Capital assets:	
Capital assets, non-depreciable	37,233,429
Total assets	41,288,271
LIABILITIES	
Accounts payable	528,340
Prepaid fees	1,652
Deferred revenue	231,199
Due to Bradley Heights Metropolitan District No. 1	7,585
Noncurrent liabilities:	
Retainage payable	1,256,142
Due in more than one year	42,189,519
Total liabilities	44,214,437
DEFERRED INFLOWS OF RESOURCES	
Deferred property taxes	345,333
Total deferred inflows of resources	345,333
NET POSITION	
Investment in capital assets	124,707
Restricted for:	
Debt service	47,990
Capital projects	2,890,779
Emergency reserve	2,300
Unrestricted	(6,337,275)
Total net position	$ (3,271,499)

The accompanying notes and independent auditor's report should be read with these financial statements.

BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 2

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2025

FUNCTIONS / PROGRAMS	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Primary government					
Government activities:					
General government	$ 103,607	$ 3,142,889	$ 31,203	$ -	$ 3,070,485
Interest and related costs on long-term debt	1,942,168	-	-	-	(1,942,168)
Total government activities	$ 2,045,775	$ 3,142,889	$ 31,203	$ -	1,128,317
GENERAL REVENUES					
Property taxes					144,207
Specific ownership taxes					13,696
Investment income					150,795
Total general revenues					308,698
Change in net position					1,437,015
Net position, beginning of year					(4,708,514)
Net position, end of year					$ (3,271,499)

The accompanying notes and independent auditor's report
should be read with these financial statements.

BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 2
BALANCE SHEETS - GOVERNMENTAL FUNDS
DECEMBER 31, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and investments	$ 19,829	$ -	$ -	$ 19,829
Cash and investments - restricted	2,300	720,924	2,963,686	3,686,910
Accounts receivable	705	-	-	705
Due from Bradley Heights Metropolitan District No. 1	963	-	-	963
Due from Bradley Heights Metropolitan District No. 3	-	11	-	11
Receivable from County Treasurer	392	699	-	1,091
Property taxes receivable	98,652	246,681	-	345,333
Due from other funds	-	-	607,666	607,666
Total assets	$ 122,841	$ 968,315	$ 3,571,352	$ 4,662,508
LIABILITIES				
Accounts payable	$ 12,988	$ -	$ 515,352	$ 528,340
Prepaid fees	1,652	-	-	1,652
Deferred revenue	-	65,978	165,221	231,199
Due to Bradley Heights Metropolitan District No. 1	7,585	-	-	7,585
Due to other funds	-	607,666	-	607,666
Total liabilities	22,225	673,644	680,573	1,376,442
DEFERRED INFLOWS OF RESOURCES				
Deferred property taxes	98,652	246,681	-	345,333
Total deferred inflows of resources	98,652	246,681	-	345,333
FUND BALANCES				
Restricted for:				
Debt service	-	47,990	-	47,990
Capital projects	-	-	2,890,779	2,890,779
Emergency reserve	2,300	-	-	2,300
Unassigned:				
Unrestricted	(336)	-	-	(336)
Total fund balance	1,964	47,990	2,890,779	2,940,733
Total liabilities, deferred inflows of resources, and fund balances	$ 122,841	$ 968,315	$ 3,571,352	
Amounts reported in governmental activities in the statement of net position are different because:				
Capital assets and project assurances used in governmental activities are not current financial resources and, therefore, are not reported in the funds:				
Capital assets, non-depreciable				37,233,429
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:				
Retainage payable				(1,256,142)
Accrued interest on bonds payable				(7,189,519)
Bonds payable				(35,000,000)
Net position of governmental activities				$ (3,271,499)

The accompanying notes and independent auditor's report
should be read with these financial statements.

BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 2

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
REVENUES				
Property taxes	$ 51,763	$ 92,444	$ -	$ 144,207
Specific ownership taxes	4,916	8,780	-	13,696
Capital detention ponds fees	-	-	746,063	746,063
Drainage basin fees	-	-	795,243	795,243
Facility fees	-	276,905	-	276,905
Investment income	-	9,364	141,431	150,795
Trash services fees	23,237	-	-	23,237
Water recovery fees	-	-	1,301,441	1,301,441
Contribution from developer	-	-	30,227	30,227
Transfer from Bradley Heights Metropolitan District No. 3	-	976	-	976
Total revenues	79,916	388,469	3,014,405	3,482,790
EXPENDITURES				
Current:				
Bank charges	12	496	7,802	8,310
County Treasurer fees	776	1,387	-	2,163
District management	-	-	15,737	15,737
Postage	452	-	-	452
Transfer to Bradley Heights Metropolitan District No. 1	55,979	-	1,980	57,959
Trash expense	18,450	-	-	18,450
Utilities	536	-	-	536
Debt service:				
Bond interest payments	-	293,136	-	293,136
Paying agent fee	-	4,000	-	4,000
Capital projects:				
Capital outlay	-	-	3,293,112	3,293,112
Total expenditures	76,205	299,019	3,318,631	3,693,855
Net change in fund balance	3,711	89,450	(304,226)	(211,065)
Fund balance, beginning of year	(1,747)	(41,460)	3,195,005	3,151,798
Fund balance, end of year	$ 1,964	$ 47,990	$ 2,890,779	$ 2,940,733

The accompanying notes and independent auditor's report
should be read with these financial statements.

BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 2

RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2025

Net change in fund balance	$	(211,065)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. In the statement of activities capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable assets over the estimated useful lives of the assets. Capital outlay, assurance refunds, and the conveyance of capital assets to other governments in the current period are as follows:		
Capital outlay		3,030,811
Capital outlay through change in retainage payable		262,301
Some items in the statement of activities do not provide or require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in accrued interest on bonds payable		(1,645,032)
Change in net position	$	1,437,015

The accompanying notes and independent auditor's report should be read with these financial statements.

BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 2

GENERAL FUND - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (BUDGET AND ACTUAL)

YEAR ENDED DECEMBER 31, 2025

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Property taxes	$ 51,293	$ 51,293	$ 51,763	$ 470
Specific ownership taxes	769	2,300	4,916	2,616
Trash services fees	11,728	15,000	23,237	8,237
Total revenues	63,790	68,593	79,916	11,323
EXPENDITURES				
Bank charges	-	12	12	-
County Treasurer fees	769	769	776	(7)
Legal	-	1,000	-	1,000
Postage	-	254	452	(198)
Transfer to Bradley Heights Metropolitan District No. 1	51,293	52,824	55,979	(3,155)
Trash expense	11,728	11,728	18,450	(6,722)
Utilities	-	500	536	(36)
Total expenditures	63,790	67,087	76,205	(9,118)
Net change in fund balance	$ -	$ 1,506	3,711	$ 2,205
Fund balance, beginning of year			(1,747)	
Fund balance, end of year			$ 1,964	

The accompanying notes and independent auditor's report should be read with these financial statements.

1. DEFINITION OF REPORTING ENTITY

Bradley Heights Metropolitan District No. 2 ("District"), a quasi-municipal corporation and political subdivision of the state of Colorado, was formed in September 2005, and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in El Paso County, Colorado ("County"). The District was organized to plan, design, acquire, construct, install, relocate, redevelop, and finance public improvements including water, sewer, storm sewer, detention, flood, and other drainage improvements needed in its service area.

The District was organized in conjunction with Bradley Heights Metropolitan District No. 1 ("District No. 1") and Bradley Heights Metropolitan District No. 3 ("District No. 3") (collectively "the Districts"). District No. 1 is the coordinating district and District No. 3 and the District are the financing districts as defined by the District Coordinated Services Agreement, dated July 13, 2021 (Note 7). The Districts operate under an Amended and Restated Service Plan dated April 1, 2010. The service plan was amended in the limited First Amendment to the Amended and Restated Service Plan adopted on December 12, 2023 for the purpose of amending the Districts' operating mill levies (Note 5). Subsequent to December 31, 2025, the limited Second Amendment to the Amended and Restated Service Plan was adopted for the purpose of expanding the description of permitted services to be provided by the Districts.

The District follows 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, and 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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. Material interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

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

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 charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and grants and contributions that are restricted to meet the operational or capital requirements of a particular function or segment. Taxes and other items are properly excluded from program revenues and are reported as general revenues.

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 when they are both measurable and available. Revenues are considered to be available when they are collectable 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 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* accounts for all financial resources of the District except those required to be accounted for in another fund.

The *debt service fund* accounts for the servicing of general long-term debt and revenues generated and received by the District that are required to be used for repayment of debt.

The *capital projects fund* accounts for financial resources to be used for the acquisition and construction of capital equipment and facilities.

Budgets

In accordance with state budget law, the District holds public hearings in the fall each year to approve the budget and appropriate funds for the ensuing year. The appropriation is at the total fund expenditures, fund balance remaining, 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.

The District amended its annual budget for the year ended December 31, 2025.

The District incurred expenditures in excess of appropriations for the year ended December 31, 2025 in the general fund, which may be a violation of state budget law.

Pooled cash and investments

The District follows the practice of pooling cash and investments of funds to maximize investment earnings. Except when required by trust or other agreements, 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 balance.

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 and attaches as an enforceable lien as of January 1 of the following year. The County Treasurer collects the taxes during the ensuing calendar year. The taxes are payable by April or, at the taxpayer's election, in February and June in equal installments. Delinquent taxpayers are notified in August and sales of tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected to the District monthly.

Property taxes, net of estimated uncollectable amounts, are recorded initially as deferred revenues in the year they are levied and measurable. The deferred property tax revenues are recorded as revenues in the year they are available or collected.

Capital assets

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than $5,000 and a useful life greater than one year. Such assets are recorded at cost or estimated cost if purchased or constructed. Contributed capital assets are recorded at estimated acquisition value at the date of contribution.

Maintenance and repairs are charged to expense as incurred. At the time of retirement or disposition of depreciable assets, the related cost and accumulated depreciation are removed from the accounts, and the resulting gain or loss, if any, is reflected in revenues or expenses.

Capital assets which are anticipated to be conveyed to other governmental entities are not depreciated or included in the calculation of net investment in capital assets component of the District's net position.

Deferred inflows of resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenues) until that time. Accordingly, property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

Interfund balances and transactions

The District reports interfund balances and transfers that are representative of lending and borrowing arrangements between funds in the fund financial statements as due to other funds and due from other funds, respectively. The interfund balances have been eliminated in the government-wide statements.

The amounts due from the debt service fund to the capital projects fund are a result of deposits made into the debt service fund cash account that were revenue in the capital projects fund.

Net position and fund balances

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.

Fund balances

Fund balances for governmental funds are 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. 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:

The *nonspendable fund balance* is the portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventories) or is legally or contractually required to be maintained intact.

The *restricted fund balance* is 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.

The *committed fund balance* is 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.

The *assigned fund balance* is 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.

The *unassigned fund balance* is the residual portion of fund balance that does not meet any of the criteria described above.

For fund presentation purposes, if more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's policy to use the most restrictive classification first.

Use of estimates

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

Subsequent events

The District has evaluated subsequent events through the date of the attached independent auditor’s report, the date these financial statements were available to be issued.

New accounting pronouncements

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.

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	$ 19,829
Cash and investments - restricted	3,686,910
	$ 3,706,739

The carrying amounts of cash and investments, which equal estimated fair value, as of December 31, 2025, are as follows:

Deposits with financial institutions	$ 298,433
Investments	3,408,306
	$ 3,706,739

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. The 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 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.

As of December 31, 2025, the District's cash deposits had a bank balance of $298,273 and a carrying balance of $298,433.

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 below which are believed to have minimal credit risk, minimal interest rate risk, and no foreign currency risk. The District is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

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

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

- Obligations of the US and certain US government agency securities
- Certain international agency securities
- General obligation and revenue bonds of US local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certificates of deposit in Colorado PDPA approved banks or savings banks
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

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

Investment	Maturity	Amount
Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	$ 3,408,306

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust ("COLOTRUST" or "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 offers three portfolios: COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE.

COLOTRUST PRIME and COLOTRUST PLUS+, which operate similarly to a money market fund in which each share is equal in value to $1, offer daily liquidity. Both portfolios may invest in US Treasury securities and repurchase agreements collateralized by US Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of US 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 transactional share price. COLOTRUST EDGE may invest in US Treasury securities, repurchase agreement collateralized by US Treasury securities, certain obligations of US government agencies, and highest rated commercial paper, and any security allowed under CRS 24-75-601.

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 FitchRatings. COLOTRUST records its investment at fair value and the District records its investment in COLOTRUST at NAV as determined by fair value. There are no unfunded commitments, the redemption frequency is daily or weekly, and there is no redemption notice period.

4. CAPITAL ASSETS

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

	Balance 01-01-25	Additions	Dispositions	Reclassifications	Balance 12-31-25
Governmental activities					
Capital assets, not depreciable:					
Construction in progress	$ 34,077,911	$ 3,030,811	$ -	$ -	$ 37,108,722
Land	124,707	-	-	-	124,707
Capital assets, not depreciable	$ 34,202,618	$ 3,030,811	$ -	$ -	$ 37,233,429

5. LONG-TERM OBLIGATIONS

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

	Balance 01-01-25	Additions	Repayments / Amortization	Balance 12-31-25	Due Within One Year
Governmental activities					
Bonds payable:					
Series 2021 Bonds	$ 35,000,000	$ -	$ -	$ 35,000,000	$ -
Accrued interest on Series 2021 Bonds	5,544,487	1,938,168	(293,136)	7,189,519	-
Total bonds payable	40,544,487	1,938,168	(293,136)	42,189,519	-
Total long-term obligations	$ 40,544,487	$ 1,938,168	$ (293,136)	$ 42,189,519	$ -

Series 2021A(3) General Obligation Limited Tax Bonds

On August 26, 2021, the District issued Series 2021A(3) General Obligation Limited Tax Bonds ("Series 2021 Bonds") for the purpose of: (i) paying the project costs; and (ii) paying other costs incurred in connection with the issuance of the bonds. The Series 2021 Bonds were issued in the amount of $35,000,000; bear interest at 4.75% per annum, calculated on the basis of a 360-day year of twelve 30-day months; are payable to the extent of pledged revenues available on December 1 each year; and mature on December 1, 2051. On December 2, 2053, no payments will be due and the Series 2021 Bonds will be deemed to be paid, satisfied, and discharged regardless of the amount of principal and interest paid prior to that date. Accordingly, the timing of repayment is uncertain and a maturity schedule is not included in these financial statements.

Pledged revenues

The Series 2021 Bonds are secured by and payable from the pledged revenue consisting of monies derived by the District and District No. 3 from the following sources, net of any collection costs: (i) required mill levy; (ii) capital fees; (iii) pledged fees; (iv) portion of the specific ownership tax which is collected as a result of imposition of the required mill levy; and (v) any other legally available monies which the District determines to be treated as pledged revenue. Required mill levy means an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient to pay the principal, premium if any, and interest on the bonds as they become due and payable. The mill levy is adjusted for changes in the ratio of actual value to assessed value of property within the District.

The Series 2021 Bonds are also secured by capital revenue, the pledged fees, that the District receives from District No. 3 (Note 7).

Optional redemption

The Series 2021 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, on September 1, 2026, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium on the principal amount redeemed, as follows:

Date of Redemption	Redemption Premium
September 1, 2026 to August 31, 2027	3.00%
September 1, 2027 to August 31, 2028	2.00%
September 1, 2028 to August 31, 2029	1.00%
September 1, 2029 and thereafter	0.00%

Events of default

The District has events of default in two categories: events of default under the indenture and events of default under the capital pledge agreement.

Events of default under the indenture

The occurrence of any one or more of the following events or the existence of any one or more of the following conditions constitutes an event of default under the indenture.

i. The District fails to impose the required mill levy or to apply the pledged revenues.

ii. The District fails to observe or perform any other of the material covenants, agreements, duties, or conditions on the part of the District in the agreement, and such failure is not remedied to the satisfaction of the trustee after the District receives written notice from the trustee or the District of the occurrence of such failure.

iii. The District files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the bonds.

Upon the occurrence and continuance of an event of default, the trustee has the following rights and remedies which may be pursued:

i. Receivership: Upon the filing of a bill in equity or other commencement of judicial proceedings to enforce the rights of the trustee and of the owners of the bonds, the trustee is entitled as a matter of right to the appointment of a receiver or receivers of the trust estate, and of the revenues, income, product, and profits thereof pending such proceedings, subject however, to constitutional limitations inherent in the sovereignty of the District; but notwithstanding the appointment of any receiver or other custodian, the trustee is entitled to the possession and control of any cash, securities, or other instruments at the time held by, or payable or deliverable under the provisions of the indenture to, the trustee.

ii. Suit for judgment: The trustee may proceed to protect and enforce its rights and the rights of the owners of the bonds under the act, the bonds, the bond resolution, the indenture, and any provision of law by such suit, action, or special proceedings as the trustee, being advised by counsel, deems appropriate.

iii. Mandamus or other suit: The trustee may proceed by mandamus or any other suit, action, or proceeding at law or in equity, to enforce all rights of the owners of the bonds.

Notwithstanding anything in the indenture to the contrary, acceleration of the bonds shall not be an available remedy for an event of default under the indenture.

Events of default under the capital pledge agreement

The occurrence of any one or more of the following events or the existence of any one or more of the following conditions constitutes an event of default under the capital pledge agreement; however, there will be no event of default until the trustee or the District notifies District No. 3 in writing of the existence thereof:

i. District No. 3 fails to impose the mandatory capital levy.

ii. District No. 3 fails to promptly remit its pledged district capital revenue to the District.

iii. District No. 3 fails to observe or perform any other of the material covenants, agreements, duties, or conditions on the part of District No. 3 in the agreement, and such failure is not remedied to the satisfaction of the trustee or the District within 30 days after District No. 3 receives written notice from the trustee or the District of the occurrence of such failure.

iv. Any representation or warranty made by District No. 3 in the agreement proves to have been untrue or incomplete in any material respect when made or deemed made.

v. District No. 3 files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the bonds.

Upon the occurrence and continuance of an event of default, the District, District No. 3, or the trustee may proceed to protect and enforce their rights against the party or parties causing the event of default by mandamus or such other suit or action available in equity or at law. In the event of any litigation or other proceeding to enforce any of the terms, covenants or conditions, the prevailing party in such litigation or other proceeding will obtain, as part of its judgment or award, its reasonable attorneys' fees, and costs. Nothing should be construed as requiring any district's consent or participation in any such enforcement action, the intent being that the trustee can enforce this agreement independently from any such consent or participation of the District and District No. 3.

Notwithstanding the foregoing or anything else herein to the contrary, no remedy will lie at law or in equity for any event of default consisting solely of the failure of the District to pay the principal of and interest on the bonds, it being acknowledged by the District and the trustee that: (i) the amount of District No. 3's capital revenue is limited; and (ii) acceleration will not be an available remedy for an event of default.

Debt authorization

On November 1, 2005, the District's voters authorized the issuance of indebtedness up to $505,000,000 at an interest rate not to exceed 18%. The service plan set the maximum mill levy at 30 mills. As of December 31, 2025, the District had authorized but unissued electoral indebtedness of $470,000,000.

As set forth in the District’s Service Plan, the City of Colorado Springs ("City") has limited the amount of debt to be issued by the District to a total of $35,000,000 without further approval by the City. The District may levy up to 30.000 mills, as adjusted, for debt service and 20.000 mills, as adjusted, for general operations and administrative expenses due to the ongoing operations and maintenance to be undertaken by the District. As of December 31, 2025, the District had used the full amount of its authorized service plan indebtedness.

6. NET POSITION

The District has net position consisting of: net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balance of debt that is attributable to the acquisition, construction, or improvement of those assets.

As of December 31, 2025, the District had investment in capital assets as follows:

Investment in capital assets:		
Capital assets	$	124,707
Related long-term obligations		-
Investment in capital assets	$	124,707

Restricted net position includes balances with external restrictions 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 a restricted net position as of December 31, 2025, as follows:

Restricted net position:		
Debt service (Note 5)	$	47,990
Capital projects (Note 4)		2,890,779
Emergency reserve (Note 11)		2,300
	$	2,941,069

The District has a deficit in unrestricted net position as of December 31, 2025. This deficit is the result of the District being responsible for the repayment of bonds issued for public improvements, of which a significant portion were conveyed to other governmental entities and which costs were removed from the District's financial records.

7. AGREEMENTS

District coordinating services agreement

Effective July 13, 2021, the District, District No. 1, and District No. 3 entered into a District Coordinating Services Agreement. Under this agreement, District No. 1 became the coordinating district, and the District and District No. 3 were designated as the financing districts. District No. 1 will continue to own, operate, and maintain public improvements within the districts' boundaries and perform the administrative services on behalf of the District and District No. 3.

Capital pledge agreement

To provide for the payment of the Series 2021A(3) Bonds, the District entered into a Capital Pledge Agreement with District No. 3 and the trustee of the bonds dated August 26, 2021. Under this agreement, the District is to receive all of District No. 3's capital revenue and agrees to remit the capital revenue to the trustee of the bonds as soon as practicable upon receipt in accordance with the terms of the Series 2021 Bonds indenture of trust. The District should apply such revenue, together with all other pledged revenue (Note 5) in its possession, to the payment of the principal, premium if any, and interest on the bonds due in accordance with the terms of the Series 2021 Bonds indenture. District No. 3's capital revenue consists of monies derived from the following sources, net of any collection costs: (i) mandatory capital levy; (ii) portion of the specific ownership tax which is collected as a result of imposition of the mandatory capital levy; and (iii) any PILOT revenues received from any PILOT recorded against property within District No. 3's boundaries. Mandatory capital levy means an ad valorem mill levy imposed upon all taxable property of District No. 3 each year in an amount of 30.000 mills, or such lesser mill levy which will (together with any PILOT revenues) be sufficient to pay the principal, premium if any, and interest on the Series 2021 Bonds as they become due and payable.

Capital facility fees

Effective March 9, 2021, the District imposed a one-time fee on residential dwelling units, apartment units, and commercial units in the amount of $2,999 for low density single-family residencies, $2,499 for moderate density residencies, $1,999 for high density multi-family apartments, and $0.95 per square foot for commercial units constructed within the District's boundaries to provide payment for the facilities and services provided by the District. Facility fees are to be recorded separately from other revenues, and are to be used only for the purpose of paying for the initial capital direct and indirect costs associated with the construction, installation, and acquisition of public improvements within the District. These fees are accounted for within the debt service fund.

Capital detention ponds fees

Effective December 12, 2023, the District imposed a one-time fee upon each acre within each area to be serviced by detention ponds. Capital detention ponds fees are to be recorded separately from other revenues, and are to be used only for the purpose of paying for the initial capital direct and indirect costs associated with the construction, installation, and acquisition of the detention ponds within the District. These fees are accounted for within the capital projects fund.

Developer drainage fee agreement - Challenger Communities, LLC

Effective October 4, 2025, Challenger Communities, LLC agreed to pay directly to the District cash funds in the amount equal to their obligation that would otherwise be assessed, due and payable from Challenger Communities LLC to the City (Note 8). Drainage fees are to be used only for costs related to the construction of the Marksheffel Tributary to Jimmy Camp Creek Drainage Channel Improvement. These fees are accounted for within the capital projects fund.

Developer drainage fee agreement - RJMJ, LLC

During the year ended December 31, 2025, RJMJ, LLC and the District operated as if a Drainage Fee Agreement was in place. Under this arrangement, RJMJ, LLC agreed to compensate directly to the District an amount equal to their obligation that would otherwise be assessed, due and payable from RJMR, LLC to the City. In lieu of receiving cash payments from RJMJ, LLC, the District agreed to provide credits against fees that would have ordinarily been collected by the District from RJMJ, LLC. These credits were for $445,029 in drainage basin fees (Note 8). Drainage fees are to be used only for costs related to the construction of the Marksheffel Tributary to Jimmy Camp Creek Drainage Channel Improvement. These fees are accounted for within the capital projects fund.

Developer drainage fee agreement - Bradley Ridge Land, LLC

During the year ended December 31, 2025, Bradley Ridge Land, LLC and the District operated as if a Drainage Fee Agreement was in place. Under this arrangement, Bradley Ridge Land, LLC agreed to compensate directly to the District an amount equal to their obligation that would otherwise be assessed, due and payable from Bradley Ridge Land, LLC to the City. (Note 8). Drainage fees are to be used only for costs related to the construction of the Marksheffel Tributary to Jimmy Camp Creek Drainage Channel Improvement. These fees are accounted for within the capital projects fund.

Trash services fee

Effective February 13, 2024, and July 8, 2025, the District imposed a service fee for trash and recycling services consisting of a recurring fee in the amount of $60 per quarter and a transfer fee of $60 due upon the transfer of a residential unit to another homeowner. Trash and recycling fees are to be accounted for separately from other revenues and are to be used only for trash and recycling collection.

Subsequent Special Alleyway Operations Fee

Subsequent to December 31, 2025, effective July 14, 2026, the District imposed a special alleyway operations fee consisting of a recurring fee in the amount of $141 per quarter and a transfer fee of $0 due upon the transfer of a residential unit to another homeowner. The special alleyway operations fees are to be accounted for separately from other revenues and are to be used only operations costs.

Declaration and agreement for payment in lieu of taxes - Phase No. 1

On July 30, 2024, the District entered into a Declaration and Agreement for Payment in Lieu of Taxes with Lincoln Capital Acquisition, LLC in which Lincoln Capital Acquisition, LLC agreed to pay the District the sum of $1,434,488 in lieu of taxes for property within the District within 30 business days of the property obtaining a final determination of real estate ad valorem tax exempt status. Lincoln Capital Acquisition, LLC. and the property will not be assessed or subject to the District mill levies as a long as the property maintains its real estate ad valorem tax exempt status. On December 17, 2024, Lincoln Capital Acquisition, LLC assigned this agreement to Bradley Ridge Land LLC. On September 9, 2025, the agreement was amended and restated with the Amended and Restated Declaration and Agreement for Payment in Lieu of Taxes with Bradley Ridge Land LLC below.

Declaration and agreement for payment in lieu of taxes - Phase No. 2

On July 30, 2024, the District entered into a Declaration and Agreement for Payment in Lieu of Taxes with Lincoln Capital Acquisition, LLC in which Lincoln Capital Acquisition, LLC agreed to pay the District the sum of $1,237,369 in lieu of taxes for property within the District within 30 business days of the property obtaining a final determination of real estate ad valorem tax exempt status. Lincoln Capital Acquisition, LLC. and the property will not be assessed or subject to the District mill levies as a long as the property maintains its real estate ad valorem tax exempt status. On December 17, 2024, Lincoln Capital Acquisition, LLC assigned this agreement to Bradley Ridge Land LLC. On September 9, 2025, the agreement was amended and restated with the Amended and Restated Declaration and Agreement for Payment in Lieu of Taxes with Bradley Ridge Land LLC below.

Amended and restated agreement for payment in lieu of taxes

On September 9, 2025 the District entered into an Amended and Restated Declaration and Agreement for Payment in Lieu of Taxes with Bradley Ridge Land, LLC in which Bradley Ridge Land, LLC agreed to pay the District the sum of $2,707,857 in lieu of taxes for property within the District within 30 business days of the property obtaining a final determination of real estate ad valorem tax exempt status. Bradley Ridge Land, LLC and the property will not be assessed or subject to the District mill levies as a long as the property maintains its real estate ad valorem tax exempt status. Subsequent to December 31, 2025, the property obtained a final determination of the real estate ad valorem tax exempt status and the District received the full payment in lieu of taxes.

Water recovery fees

On April 18, 2025, and as amended June 6, 2025, the District entered into an agreement with Colorado Springs Utilities ("CSU") in which the District conveyed water facilities extensions and appurtenances that it installed and paid for to CSU with a preliminary acceptance on April 18, 2025 and the related assets will be removed from the District's capital assets once fully accepted, likely during the year ended December 31, 2027. CSU agreed to collect recovery charges from customers in order to reimburse the District for the conveyed capital assets.

The District is eligible to collect recovery charges for the portion constructed for the benefit of CSU subject to a unit recovery charge for twenty years until June 5, 2045. The District records water recovery fee revenue at the time cash is received due to the uncertain and unpredictable nature of the recoveries. The District's recovery amount was $1,933,183 before applying interest and inflation included in the maximum recovery amount calculation. During the year ended December 31, 2024, the District received and recorded recovery fees of $510,000 that was applied toward the recovery amount. During the year ended December 31, 2025, the District received $1,301,441 in water recovery fees.

Public improvements construction agreement

On February 15, 2022, The District entered into a Public Improvements Construction Agreement with Redemption Hill Church ("Church") in which the District agreed to construct public improvements adjacent to the Church's property. The District intends to receive reimbursement for these public improvements from the Church in the amount of $1,001,783 upon the execution of an agreement formalizing the fair share cost reimbursement of the public improvements between the District and the Church.

Landowner agreement

On September 24, 2025, the District entered into a Landowner Agreement with Pathway to the Rockies Council, Boy Scouts of America ("BSA"). Under the agreement, the District is granted a temporary construction easement by BSA for the purposes of constructing and installing a drainage channel and the District is responsible for maintaining the property in good condition. As part of the agreement, the District and BSA agree to execute deeds to accommodate the construction and realignment of the drainage channel where the District shall receive conveyances from BSA. RJMJ, LLC, is expected to transfer certain land to BSA in connection with this agreement. There are no monetary terms included in the agreement.

8. RELATED PARTIES

The developers of the property within the District are Bradley Heights Investments, LLC; Ros Equity, LLC; Challenger Communities, LLC; RJMJ, LLC; and Bradley Ridge Land, LLC. Members of the board of directors are officers, employees, or associated with the developers and may have conflicts of interest in dealing with the District.

During the year ended December 31, 2025, the District agreed to reimburse RJMJ, LLC, for public improvements constructed within the District by RJMJ, LLC in the amount of $903,027. The District agreed to provide credits against fees that would have ordinarily been collected by the District from RJMJ, LLC. These credits were for $417,167 in capital detention pond fees and $445,029 in drainage basin fees. The District recorded deferred revenue of $40,831 that is to be recognized when additional public improvements are constructed by RJMJ, LLC. As part of the agreement, RJMJ, LLC, granted the District easements for a nominal amount.

During the year ended December 31, 2025, the District received $116,244 in revenue and $124,390 in deferred revenue from capital detention pond fees from Challenger Communities, LLC (Note 7). The District had deferred revenue of $126,040 at December 31, 2024 that was recognized as capital detention pond fee revenue during the year ended December 31, 2025 from Challenger Communities, LLC.

During the year ended December 31, 2025, the District received $276,905 in capital facility fees from Challenger Communities, LLC (Note 7).

During the year ended December 31, 2025, the District received $107,514 in drainage basin fees from Challenger Communities, LLC (Note 7).

During the year ended December 31, 2025, the District received a $12,500 from Challenger Communities, LLC in order to amend the District's service plan.

During the year ended December 31, 2025, the District received $212,653 in capital detention pond fees from Bradley Ridge Land, LLC (Note 7).

During the year ended December 31, 2025, the District received $242,700 in drainage basin fees from Bradley Ridge Land, LLC (Note 7).

9. ECONOMIC DEPENDENCY

The District has not yet established a revenue base sufficient to pay operational expenditures. Until an independent revenue base is established, continuation of operations in the District will be dependent upon funding by the developers.

10. 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 ("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, and public officials' liability 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.

11. 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 within the state of Colorado.

Spending and revenue limits are determined based on the prior 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. Revenues in excess of the fiscal year spending limit must be refunded unless the voters approve retention of such revenues.

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.

District management believes the District 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 likely require judicial interpretation.

On November 1, 2005, the District's voters authorized the District to collect, spend, and retain all revenues without regard to the limitations contained within Article X, Section 20 of the Colorado Constitution.

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.

12. COMMITMENTS

As of December 31, 2025, the District had construction-related contract commitments that have not been incurred of approximately $1,716,735 related to various projects in the capital projects fund. Subsequent to December 31, 2025, the District approved a new construction contract of approximately $3,200,000 for the channel improvement project.

13. CORRECTION OF ERRORS ON PREVIOUSLY ISSUED FINANCIAL STATEMENTS

The previously issued December 31, 2024 financial statements included the following errors:

- Capital detention ponds fees were understated by $126,040 during 2024.
- Drainage basin fees were understated by $90,289 during 2024.
- Facility fees were overstated by $65,978 during 2024.
- Capital additions ($41,361) and legal costs ($30,798) due to District No. 1 were understated by $72,159.
- Capital assets were improperly classified as project assurances in the amount of $1,452,639.

	As Previously Reported	Adjustment Increase (Decrease)	As Restated
Government-wide financial statements:			
Financial statement line items:			
Capital detention ponds fees receivable	$ -	$ 126,040	$ 126,040
Drainage basin fees receivable	-	90,289	90,289
Project assurances	1,452,639	(1,452,639)	-
Capital assets	32,708,618	1,494,000	34,202,618
Deferred revenue	-	65,978	65,978
Due to District No. 1	-	72,159	72,159
Net position	(4,828,067)	119,553	(4,708,514)
Governmental fund financial statements:			
Financial statement line items:			
Capital detention ponds fees receivable	-	126,040	126,040
Drainage basin fees receivable	-	90,289	90,289
Deferred revenue	-	65,978	65,978
Due to District No. 1	-	72,159	72,159
Debt service fund balance	24,518	(65,978)	(41,460)
Capital projects fund balance	3,050,835	144,170	3,195,005

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SUPPLEMENTARY INFORMATION

BRADLEY HEIGHTS 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	Variance
REVENUES			
Property taxes	$ 91,604	$ 92,444	$ 840
Specific ownership taxes	6,412	8,780	2,368
Facility fees	535,752	276,905	(258,847)
Impact fees	106,943	-	(106,943)
Investment income	-	9,364	9,364
Transfer from Bradley Heights Metropolitan District No. 3	958	976	18
Total revenues	741,669	388,469	(353,200)
EXPENDITURES			
Bank charges	-	496	(496)
Bond interest payments	-	293,136	(293,136)
County Treasurer fees	1,374	1,387	(13)
Paying agent fee	4,000	4,000	-
Total expenditures	5,374	299,019	(293,645)
Excess of revenues over expenditures	736,295	89,450	(646,845)
OTHER FINANCING SOURCES AND USES			
Transfer to capital projects fund	(106,943)	-	106,943
Transfer to debt service reserve fund	(535,752)	-	535,752
Total other financing sources and uses	(642,695)	-	642,695
Net change in fund balance	$ 93,600	89,450	$ (4,150)
Fund balance, beginning of year		(41,460)	
Fund balance, end of year		$ 47,990	

See independent auditor's report.

BRADLEY HEIGHTS METROPOLITAN DISTRICT NO. 2

CAPITAL PROJECTS FUND - SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
(BUDGET AND ACTUAL)
YEAR ENDED DECEMBER 31, 2025

	Original and Final Budget	Actual	Variance
REVENUES			
Capital detention ponds fees	$ 90,289	$ 746,063	$ 655,774
Drainage basin fees	-	795,243	795,243
Redemption Hill Church reimbursement - development	420,000	-	(420,000)
Investment income	-	141,431	141,431
Water recovery fees	1,250,000	1,301,441	51,441
Contribution from developer	-	30,227	30,227
Total revenues	1,760,289	3,014,405	1,254,116
EXPENDITURES			
Bank charges	-	7,802	(7,802)
Transfer to Bradley Heights Metropolitan District No. 1	-	1,980	(1,980)
Capital outlay	7,003,000	3,293,112	3,709,888
District management	-	15,737	(15,737)
Total expenditures	7,003,000	3,318,631	3,684,369
Excess of revenues over expenditures	(5,242,711)	(304,226)	4,938,485
OTHER FINANCING SOURCES AND USES			
Transfers between funds	106,943	-	(106,943)
Total other financing sources and uses	106,943	-	(106,943)
Net change in fund balance	$ (5,135,768)	(304,226)	$ 4,831,542
Fund balance, beginning of year		3,195,005	
Fund balance, end of year		$ 2,890,779	

See independent auditor's report.