

RED LEAF METROPOLITAN DISTRICT NO 2
Broomfield County, Colorado

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2025

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Red Leaf Metropolitan District No. 2
Broomfield County, Colorado

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2025, and the respective changes in financial position thereof, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility 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 GAAS 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 GAAS, we

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk 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 judgement, 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 to those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary and Other Information on pages 20 through 23

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, and the other information on pages 22 and 23 (together, the information) is presented for the purposes of additional analysis and legal compliance and is not a required part of the basic financial statements.

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

Other Information on page 24

Management is responsible for the other information on page 24 (the other information). Our opinions on the basic financial statements do not cover the other 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 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.

Fiscal Focus Partners, LLC

Arvada, Colorado
April 7, 2026

BASIC FINANCIAL STATEMENTS

RED LEAF METROPOLITAN DISTRICT NO. 2
STATEMENT OF NET POSITION
DECEMBER 31, 2025

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 59,663
Cash and Investments - Restricted	13,166
Prepaid Insurance	7,165
Receivable from County Treasurer	1,391
Property Tax Receivable	461,052
Capital Assets:	
Capital Assets, Not Being Depreciated	795,659
Capital Assets, Net of Depreciation	<u>35,123</u>
Total Assets	<u>1,373,219</u>
DEFERRED OUTFLOWS OF RESOURCES	
Cost of Refunding, Net	91,315
Prepaid Bond Insurance	<u>4,950</u>
Total Deferred Outflows of Resources	<u>96,265</u>
LIABILITIES	
Accounts Payable	3,819
Accrued Interest	5,088
Noncurrent Liabilities:	
Due Within One Year	375,000
Due in More Than One Year	<u>1,705,335</u>
Total Liabilities	<u>2,089,242</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Property Tax	<u>461,052</u>
Total Deferred Inflows of Resources	<u>461,052</u>
NET POSITION	
Net Investment in Capital Assets	(1,158,238)
Restricted for:	
Emergency Reserve	900
Debt Service	8,482
Unrestricted	<u>68,046</u>
Total Net Position	<u>\$ (1,080,810)</u>

See accompanying Notes to Basic Financial Statements.

**RED LEAF METROPOLITAN DISTRICT NO. 2
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025**

FUNCTIONS/PROGRAMS	Program Revenues			Net Revenues (Expenses) and Changes in Net Position
Primary Government: Governmental Activities: General Government Interest on Long-Term Debt and Related Costs	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Total Governmental Activities	\$ 65,044	\$ -	\$ -	\$ (65,044)
	81,171	-	-	(81,171)
	<u>\$ 146,215</u>	<u>\$ -</u>	<u>\$ -</u>	(146,215)
 GENERAL REVENUES				
Property Taxes				385,577
Specific Ownership Taxes				17,659
Interest Income				13,498
Total General Revenues				<u>416,734</u>
 CHANGES IN NET POSITION				
Net Position - Beginning of Year				<u>(1,351,329)</u>
NET POSITION - END OF YEAR				<u><u>\$ (1,080,810)</u></u>

See accompanying Notes to Basic Financial Statements.

**RED LEAF METROPOLITAN DISTRICT NO. 2
BALANCE SHEET –
GOVERNMENTAL FUNDS
DECEMBER 31, 2025**

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 59,663	\$ -	\$ 59,663
Cash and Investments - Restricted	900	12,266	13,166
Receivable from County Treasurer	87	1,304	1,391
Prepaid Insurance	7,165	-	7,165
Property Tax Receivable	35,017	426,035	461,052
Total Assets	\$ 102,832	\$ 439,605	\$ 542,437
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 3,819	\$ -	\$ 3,819
Total Liabilities	3,819	-	3,819
DEFERRED INFLOWS OF RESOURCES			
Deferred Property Tax	35,017	426,035	461,052
Total Deferred Inflows of Resources	35,017	426,035	461,052
FUND BALANCES			
Nonspendable:			
Prepaid Expense	7,165	-	7,165
Restricted for:			
Emergency Reserves	900	-	900
Debt Service	-	13,570	13,570
Assigned to:			
Subsequent Year's Expenditures	16,082	-	16,082
Unassigned	39,849	-	39,849
Total Fund Balances	63,996	13,570	77,566
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 102,832	\$ 439,605	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	830,782
Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds.	
Cost of Refunding, Net	91,315
Prepaid Bond Insurance	4,950
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds Payable	(2,035,000)
Bond Premium	(45,335)
Accrued Interest on Bonds Payable	(5,088)
Net Position of Governmental Activities	\$ (1,080,810)

See accompanying Notes to Basic Financial Statements.

RED LEAF 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	\$ 24,098	\$ 361,479	\$ 385,577
Specific Ownership Taxes	1,104	16,555	17,659
Interest Income	3,369	10,129	13,498
Total Revenues	28,571	388,163	416,734
EXPENDITURES			
Current:			
Accounting	10,065	-	10,065
Auditing	4,200	-	4,200
County Treasurer's Fee	362	5,425	5,787
Election	1,579	-	1,579
Insurance	8,154	-	8,154
Legal	18,781	-	18,781
Miscellaneous	369	-	369
Website	1,400	-	1,400
Debt Service:			
Bond Interest	-	71,700	71,700
Bond Principal	-	355,000	355,000
Paying Agent Fees	-	2,000	2,000
Total Expenditures	44,910	434,125	479,035
EXCESS OF REVENUES UNDER EXPENDITURES	(16,339)	(45,962)	(62,301)
OTHER FINANCING SOURCES (USES)			
Transfers In/(Out)	(59,532)	59,532	-
Total Other Financing Sources (Uses)	(59,532)	59,532	-
NET CHANGE IN FUND BALANCES	(75,871)	13,570	(62,301)
Fund Balances - Beginning of Year	139,867	-	139,867
FUND BALANCES - END OF YEAR	\$ 63,996	\$ 13,570	\$ 77,566

See accompanying Notes to Basic Financial Statements.

**RED LEAF 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 \$ (62,301)

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 asset over the estimated useful life of the asset. Therefore, this is the amount of capital outlay, depreciation and dedication of capital assets to other governments, in the current period.

Depreciation Expense (20,134)

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.

Bond Principal 355,000

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	887
Amortization of Deferred Cost of Refunding	(18,572)
Amortization of Bond Premium	17,556
Amortization of Bond Insurance Premium	(1,917)
	(1,917)

Changes in Net Position of Governmental Activities \$ 270,519

**RED LEAF 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	\$ 24,066	\$ 24,098	\$ 32
Property Taxes - Bonds	360,992	-	(360,992)
Specific Ownership Taxes	1,083	1,104	21
Specific Ownership Taxes - Bonds	16,245	-	(16,245)
Interest Income	14,000	3,369	(10,631)
Total Revenues	<u>416,386</u>	<u>28,571</u>	<u>(387,815)</u>
EXPENDITURES			
Accounting	9,500	10,065	(565)
Auditing	4,600	4,200	400
Contingency	69,785	-	69,785
County Treasurer's Fee	5,776	362	5,414
Election	5,000	1,579	3,421
Insurance	8,600	8,154	446
Bond Interest	71,700	-	71,700
Bond Principal	355,000	-	355,000
Legal	14,000	18,781	(4,781)
Miscellaneous	500	369	131
Paying Agent Fees	2,000	-	2,000
Website	3,200	1,400	1,800
Total Expenditures	<u>549,661</u>	<u>44,910</u>	<u>504,751</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(133,275)	(16,339)	116,936
OTHER FINANCING SOURCES (USES)			
Transfers To Other Fund	-	(59,532)	(59,532)
Total Other Financing Uses	<u>-</u>	<u>(59,532)</u>	<u>(59,532)</u>
NET CHANGE IN FUND BALANCE	(133,275)	(75,871)	57,404
Fund Balance - Beginning of Year	<u>133,275</u>	<u>139,867</u>	<u>6,592</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 63,996</u>	<u>\$ 63,996</u>

See accompanying Notes to Basic Financial Statements.

RED LEAF METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 1 DEFINITION OF REPORTING ENTITY

Red Leaf Metropolitan District No. 2 (the District), a quasi-municipal corporation and a political subdivision of the state of Colorado, was organized by order and decree of the District Court for Broomfield County on November 15, 2001, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located entirely within the City and County of Broomfield, Colorado.

The District was established to provide financing for the construction, installation, and operation of public improvements, including streets, water, transportation, mosquito control, sanitation, safety protection, and parks and recreation facilities.

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.

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 are normally supported by taxes.

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.

**RED LEAF METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

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 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 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 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 District property taxes, specific ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. 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.

RED LEAF METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Budgets

In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures 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 has amended its annual budget for the year ended December 31, 2025.

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 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 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.

RED LEAF METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

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

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress and are not included in the calculation of net investment in capital assets.

The Capital Assets are depreciated using the straight-line method over the following estimated useful lives:

Park and Irrigation Equipment	5 to 20 years
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Amortization

Prepaid Bond Insurance

In the government-wide financial statements, prepaid bond insurance is being amortized over the life of the bonds using the effective interest method.

Original Issue Discount/Premium

In the government-wide financial statements, bond premiums and discounts are amortized over the life of the bonds using the effective interest method.

Cost of Refunding

In the government-wide financial statements, the deferred cost of bond refunding is being amortized using the straight-line method over the life of the new bonds. The unamortized deferred cost is reflected as a deferred outflow of resources.

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 applied to a future period and so will not be recognized as an outflow of resources (expenditure) until that time. The District has two items that qualify for reporting in this category. Accordingly, the items, *cost of refunding*, and *prepaid bond insurance*, are deferred and recognized as outflows of resources in the period that the amounts are incurred.

RED LEAF METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows/Outflows of Resources (Continued)

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.

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.

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.

**RED LEAF METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

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.

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	\$ 59,663
Cash and Investments - Restricted	13,166
Total Cash and Investments	<u>\$ 72,829</u>

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

Deposits with Financial Institutions	\$ 5,293
Investments	67,536
Total Cash and Investments	<u>\$ 72,829</u>

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 \$5,293.

**RED LEAF METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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.

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:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted-Average Under 60 Days	\$ 67,536
Total		<u>\$ 67,536</u>

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust currently offers two portfolios – CSAFE CASH FUND and CSAFE CORE.

**RED LEAF METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

CSAFE (Continued)

CSAFE CASH FUND operates similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper, any security allowed under Section 24-75-601.1, C.R.S.

CSAFE CORE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$2.00 transactional share price. CSAFE CORE may invest in securities authorized by Section 24-75-601.1, C.R.S., including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, and highest rated commercial paper.

A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE CASH FUND is rated AAmmf and CSAFE CORE is rated AAaf/S1 by Fitch Ratings. CSAFE records its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

NOTE 4 CAPITAL ASSETS

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

	Balance at December 31, 2024	Increases	Decreases	Balance at December 31, 2025
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land Improvements	\$ 795,659	\$ -	\$ -	\$ 795,659
Total Capital Assets, Not Being Depreciated	795,659	-	-	795,659
Capital Assets, Being Depreciated:				
Park and Irrigation Equipment	404,967	-	-	404,967
Total Capital Assets, Being Depreciated	404,967	-	-	404,967
Less Accumulated Depreciation for:				
Accumulated Depreciation - Park and Irrigation Equipment	(349,710)	(20,134)	-	(369,844)
Total Accumulated Depreciation	(349,710)	(20,134)	-	(369,844)
Total Capital Assets, Being Depreciated, Net	55,257	(20,134)	-	35,123
Governmental Activities Capital Assets, Net	\$ 850,916	\$ (20,134)	\$ -	\$ 830,782

**RED LEAF METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 4 CAPITAL ASSETS (CONTINUED)

Depreciation expense in the amount of \$20,134 was charged to functions/programs of the District as general government activities.

NOTE 5 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
Bonds Payable					
G.O. Limited Tax Refunding Bonds - Series 2016	\$ 2,390,000	\$ -	\$ 355,000	\$ 2,035,000	\$ 375,000
Bond Premium - Series 2016	62,891	-	17,556	45,335	-
Total Long-Term Obligations	<u>\$ 2,452,891</u>	<u>\$ -</u>	<u>\$ 372,556</u>	<u>\$ 2,080,335</u>	<u>\$ 375,000</u>

General Obligation Limited Tax Refunding Bonds, Series 2016

On June 7, 2016, the District issued \$4,600,000 of General Obligation Limited Tax Refunding Bonds, Series 2016 (the 2016 Bonds) for the purposes of (i) paying the costs of refunding the Series 2007 Bonds, and (ii) paying bond issue costs.

The 2016 Bonds bear interest at the rate of 3.00%, payable semi-annually on June 1 and December 1, beginning on December 1, 2016. Annual mandatory sinking fund principal payments are due on December 1, beginning on December 1, 2016. The 2016 Bonds mature on December 1, 2030 and are subject to optional redemption and mandatory sinking fund redemption as described in the Indenture.

The 2016 Bonds are secured by and payable solely from Pledged Revenue, net of any costs of collection, which includes (i) property taxes generated by the imposition of the Required Mill Levy, (ii) Specific Ownership Taxes attributable to the Required Mill Levy, and (iii) any other legally available amounts that the District determines, in its absolute discretion, to transfer to the Trustee for application as Pledged Revenue.

Events of Default

The occurrence of any one or more of the following events or the existence of any one of more of the following conditions shall constitute an Event of Default under the Indenture, and there shall be no default of Event of Default hereunder except as provided in this Section:

- (a) The District fails or refuses to impose the Required Mill Levy or to apply the Pledged Revenue as required by the Indenture;
- (b) The District defaults in the performance or observance of any of the covenants, agreements, or conditions on the part of the District in the Indenture of the Bond Resolution; or

**RED LEAF METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 5 LONG TERM OBLIGATIONS (CONTINUED)

Events of Default (Continued)

(c) The District files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the Bonds.

No assets have been pledged as collateral on the 2016 Bonds. The 2016 Bonds are not subject to acceleration. The 2016 Bonds are not subject to early termination. The 2016 Bonds do not have any unused lines of credit.

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

<u>Year Ending December 31,</u>	Governmental Activities		
	Principal	Interest	Total
2026	\$ 375,000	\$ 61,050	\$ 436,050
2027	390,000	49,800	439,800
2028	410,000	38,100	448,100
2029	420,000	25,800	445,800
2030	440,000	13,200	453,200
Total	\$ 2,035,000	\$ 187,950	\$ 2,222,950

Authorized Debt

Pursuant to the Service Plan, the District is permitted to issue bond indebtedness of up to \$7,500,000 (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 6, 2001, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$28,600,000 at an interest rate not to exceed 18% per annum. At December 31, 2025, the District had no current authorized and unissued debt.

**RED LEAF METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 6 NET POSITION

The District's net position consists of three components – 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 balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2025, the District had net investment in capital assets calculated as follows:

	<u>Governmental Activities</u>
Capital Assets, Net	\$ 830,782
Long-Term Obligations	(2,080,335)
Unamortized Capital-Related Deferred Outflow of Resources	<u>91,315</u>
Net Investment in Capital Assets	<u><u>\$ (1,158,238)</u></u>

Restricted net position includes 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 of December 31, 2025, as follows:

	<u>Governmental Activities</u>
Restricted Net Position:	
Emergency Reserve	\$ 900
Debt Service	<u>8,482</u>
Total Restricted Net Position	<u><u>\$ 9,382</u></u>

The District's unrestricted net position as of December 31, 2025, totaled \$68,046.

NOTE 7 TRANSFERS

The transfer from the General Fund to the Debt Service Fund was to establish the beginning debt service fund balance.

NOTE 8 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.

RED LEAF METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 8 RISK MANAGEMENT (CONTINUED)

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 9 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 3.00% 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.

In 2001, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under TABOR.

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

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

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ -	\$ 361,479	\$ 361,479	\$ -
Specific Ownership Taxes	-	16,555	16,555	-
Interest Income	-	10,129	10,129	-
Total Revenues	<u>-</u>	<u>388,163</u>	<u>388,163</u>	<u>-</u>
EXPENDITURES				
County Treasurer's Fee	-	5,425	5,425	-
Paying Agent Fees	-	2,000	2,000	-
Bond Interest	-	71,700	71,700	-
Bond Principal	-	355,000	355,000	-
Contingency	-	5,875	-	5,875
Total Expenditures	<u>-</u>	<u>440,000</u>	<u>434,125</u>	<u>5,875</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(51,837)	(45,962)	5,875
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	-	59,532	59,532	-
Total Other Financing Sources	<u>-</u>	<u>59,532</u>	<u>59,532</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	7,695	13,570	5,875
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 7,695</u>	<u>\$ 13,570</u>	<u>\$ 5,875</u>

OTHER INFORMATION

**RED LEAF METROPOLITAN DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2025**

\$4,600,000 General Obligation Limited Tax Refunding Bonds Series 2016 Dated June 7, 2016 Interest Rate 3.00% Due June 1 and December 1 Principal Due December 1			
Year Ending December 31,	Principal	Interest	Total
2026	\$ 375,000	\$ 61,050	\$ 436,050
2027	390,000	49,800	439,800
2028	410,000	38,100	448,100
2029	420,000	25,800	445,800
2030	440,000	13,200	453,200
Total	\$ 2,035,000	\$ 187,950	\$ 2,222,950

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

Year Ended <u>December 31,</u>	Assessed Valuation	Total Mills Levied		Total Property Taxes		Percent Collected to Levied
		General Operations	Debt Service	Levied	Collected	
2021	\$ 19,089,730	1.250	21.250	\$ 429,519	\$ 429,511	100.00%
2022	20,389,720	1.500	19.750	433,282	433,282	100.00
2023	19,818,110	1.500	19.750	421,135	421,135	100.00
2024	24,023,680	0.533	15.977	396,631	396,074	99.86
2025	24,066,110	1.000	15.000	385,058	385,577	100.13
Estimated for Year Ending December 31, 2026	\$ 23,344,380	1.500	18.250	\$ 461,052		

Note:

Property taxes shown as collected in any one year include collection of delinquent property taxes or abatements of property taxes assessed in prior years. This presentation does not attempt to identify specific years of assessment.

**RED LEAF METROPOLITAN DISTRICT NO. 2
 ASSESSED AND ACTUAL VALUATIONS OF PROPERTY BY CLASS
 DECEMBER 31, 2025**

Class	2025 Assessed Valuation	Percent of Assessed Valuation	2025 Actual Valuation	Percent of Actual Valuation
Residential	\$ 22,885,000	98.03%	\$ 366,139,410	99.54%
State Assessed	4,170	0.02%	15,440	0.00%
State Assessed - Personal Property	455,210	1.95%	1,685,960	0.46%
Total	<u>\$ 23,344,380</u>	<u>100.00%</u>	<u>\$ 367,840,810</u>	<u>100.00%</u>