ALLISON VALLEY METROPOLITAN DISTRICT NO. 2
El Paso County, Colorado

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2025

ALLISON VALLEY METROPOLITAN DISTRICT NO. 2
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INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Allison Valley Metropolitan District No. 2
Colorado Springs, Colorado

Opinion

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

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplemental Information

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

Other Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplemental schedules on pages 22 through 25 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules are the responsibility of management and were derived from and relate 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Sorren CPAs P.C.
Colorado Springs, Colorado
September 29, 2026

BASIC FINANCIAL STATEMENTS

ALLISON VALLEY METROPOLITAN DISTRICT NO. 2
STATEMENT OF NET POSITION
DECEMBER 31, 2025

	Governmental Activities
ASSETS	
Cash and Investments	$ 206,122
Cash and Investments - Restricted	1,722,833
Accounts Receivable	8,259
Prepaid Insurance	21,093
Receivable from County Treasurer	10,150
Property Tax Receivable	1,475,690
Capital Assets:	
Capital Assets Net of Depreciation	4,328,725
Total Assets	7,772,872
LIABILITIES	
Accounts Payable	35,854
Accrued Interest	51,935
Noncurrent Liabilities:	
Due Within One Year	210,000
Due in More Than One Year	22,807,395
Total Liabilities	23,105,184
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	1,475,690
Total Deferred Inflows of Resources	1,475,690
NET POSITION	
Net Investment in Capital Assets	(2,100,974)
Restricted for:	
Emergency Reserve	19,200
Debt Service	597,519
Unrestricted	(15,323,747)
Total Net Position	$ (16,808,002)

See accompanying Notes to Basic Financial Statements.

ALLISON VALLEY 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 Revenues (Expenses) and Changes in Net Position: Governmental Activities
Primary Government:					
Governmental Activities:					
General Government	$ 733,510	$ -	$ -	$ -	$ (733,510)
Interest on Long-Term Debt and Related Costs	924,490	-	-	-	(924,490)
Total Governmental Activities	$ 1,658,000	$ -	$ -	$ -	(1,658,000)
GENERAL REVENUES					
Property Taxes					1,328,939
Specific Ownership Taxes					127,384
Interest Income					81,189
Total General Revenues					1,537,512
CHANGES IN NET POSITION					(120,488)
Net Position - Beginning of Year					(16,687,514)
NET POSITION - END OF YEAR					$ (16,808,002)

See accompanying Notes to Basic Financial Statements.

ALLISON VALLEY METROPOLITAN DISTRICT NO. 2
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2025

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash and Investments	$ 206,122	$ -	$ 206,122
Cash and Investments - Restricted	19,200	1,703,633	1,722,833
Receivable from County Treasurer	4,457	5,693	10,150
Accounts Receivable	8,259	-	8,259
Prepaid Insurance	21,093	-	21,093
Property Tax Receivable	621,115	854,575	1,475,690
Total Assets	$ 880,246	$ 2,563,901	$ 3,444,147
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	$ 35,854	$ -	$ 35,854
Total Liabilities	35,854	-	35,854
DEFERRED INFLOWS OF RESOURCES			
Deferred Property Tax	621,115	854,575	1,475,690
Total Deferred Inflows of Resources	621,115	854,575	1,475,690
FUND BALANCES			
Nonspendable:			
Prepaid Insurance	21,093	-	21,093
Restricted for:			
Emergency Reserves	19,200	-	19,200
Debt Service	-	1,709,326	1,709,326
Assigned to:			
Subsequent Year's Expenditures	161,214	-	161,214
Unassigned	21,770	-	21,770
Total Fund Balances	223,277	1,709,326	1,932,603
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 880,246	$ 2,563,901	

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.	4,328,725
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Accrued Interest	(51,935)
Bonds Payable	(13,260,000)
Developer Advance Payable	(9,757,395)
Net Position of Governmental Activities	$ (16,808,002)

See accompanying Notes to Basic Financial Statements.

ALLISON VALLEY 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	$ 583,537	$ 745,402	$ 1,328,939
Specific Ownership Taxes	55,934	71,450	127,384
Interest Income	409	80,780	81,189
Total Revenues	639,880	897,632	1,537,512
EXPENDITURES			
Current:			
Accounting	36,000	-	36,000
Auditing	10,600	-	10,600
County Treasurer's Fee	8,759	11,189	19,948
District Management	42,000	-	42,000
Dues And Membership	722	-	722
Election	4,061	-	4,061
Insurance	18,826	-	18,826
Legal	21,725	-	21,725
Miscellaneous	1,522	-	1,522
Landscaping - Contract Maintenance	77,106	-	77,106
Landscaping - Maintenance T&M	41,210	-	41,210
Irrigation Repair	16,901	-	16,901
Landscape Budget Items	64,693	-	64,693
Repairs And Maintenance	10,580	-	10,580
Snow Removal	60,376	-	60,376
Utilities	84,537	-	84,537
Debt Service:			
Bond Interest	-	630,505	630,505
Bond Principal	-	155,000	155,000
Paying Agent Fees	-	3,000	3,000
Total Expenditures	499,618	799,694	1,299,312
EXCESS OF REVENUES OVER EXPENDITURES	140,262	97,938	238,200
OTHER FINANCING SOURCES (USES)			
Developer Advance	91,000	-	91,000
Repay Developer Advance	(99,373)	(25,644)	(125,017)
Transfers In (Out)	99,373	(99,373)	-
Total Other Financing Sources (Uses)	91,000	(125,017)	(34,017)
NET CHANGE IN FUND BALANCES	231,262	(27,079)	204,183
Fund Balances - Beginning of Year	(7,985)	1,736,405	1,728,420
FUND BALANCES - END OF YEAR	$ 223,277	$ 1,709,326	$ 1,932,603

See accompanying Notes to Basic Financial Statements.

ALLISON VALLEY 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	$	204,183
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		(233,892)
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		155,000
Developer Advance		(91,000)
Repay Developer Advance		125,017
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		607
Accrued Interest Payable Developer Advance - Change in Liability		(280,403)
Changes in Net Position of Governmental Activities	$	(120,488)

See accompanying Notes to Basic Financial Statements.

ALLISON VALLEY 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	$ 583,497	$ 583,537	$ 40
Specific Ownership Taxes	58,350	55,934	(2,416)
Interest Income	200	409	209
Total Revenues	642,047	639,880	(2,167)
EXPENDITURES			
Accounting	35,000	36,000	(1,000)
Auditing	10,600	10,600	-
County Treasurer's Fee	8,753	8,759	(6)
District Management	42,000	42,000	-
Dues And Membership	1,200	722	478
Election	25,000	4,061	20,939
Insurance	22,000	18,826	3,174
Legal	27,000	21,725	5,275
Miscellaneous	2,000	1,522	478
Landscaping - Contract Maintenance	90,000	77,106	12,894
Landscaping - Maintenance T&M	29,000	41,210	(12,210)
Irrigation Repair	35,000	16,901	18,099
Landscape Budget Items	55,000	64,693	(9,693)
Repairs And Maintenance	5,000	10,580	(5,580)
Snow Removal	90,000	60,376	29,624
Utilities	125,000	84,537	40,463
Total Expenditures	602,553	499,618	102,935
EXCESS OF REVENUES OVER EXPENDITURES	39,494	140,262	100,768
OTHER FINANCING SOURCES (USES)			
Developer Advance	-	91,000	91,000
Repay Developer Advance	(31,294)	(99,373)	(68,079)
Transfers From Other Funds	-	99,373	99,373
Total Other Financing Sources (Uses)	(31,294)	91,000	122,294
NET CHANGE IN FUND BALANCE	8,200	231,262	223,062
Fund Balance - Beginning of Year	11,100	(7,985)	(19,085)
FUND BALANCE - END OF YEAR	$ 19,300	$ 223,277	$ 203,977

See accompanying Notes to Basic Financial Statements.

NOTE 1 DEFINITION OF REPORTING ENTITY

Allison Valley Metropolitan District No. 2 (the District), a quasi-municipal corporation and political subdivision of the state of Colorado, was organized by order and decree of the District Court of El Paso County on December 5, 2006 and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The Consolidated Service Plan, dated July 12, 2006, formed the Allison Valley Metropolitan District Nos. 1 and 2 (the Districts). The District operates under the Amended and Restated Service Plan approved by the City of Colorado Springs (the City) on September 8, 2015. The District's service area is located entirely within the City in El Paso County, Colorado. The Districts were established to provide the following services: streets and drainage, water, sanitary sewer, parks and recreation, traffic safety protection, mosquito control, public transportation, and television relay and translation. Both Districts are residential districts. Allison Valley Metropolitan District No. 1 (Allison Valley 1) also includes commercial properties within its boundaries. See Note 8 regarding intergovernmental agreements between the Districts.

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

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

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 property taxes and intergovernmental revenues.

The statement of net position reports all financial and capital resources of the District. The difference between the assets, deferred outflow of resources, liabilities, and deferred inflow of resources of the District is reported as net position.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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

Separate financial statements are provided for the governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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. The District has 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 due.

The District reports the following major governmental funds:

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures and other financing uses level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets which include property, plant, 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. 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 costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

Infrastructure	30 to 50 Years
Park and Recreation	15 to 35 Years

It is the policy of the City to accept maintenance responsibility for all capital improvements within the City after a minimum two-year warranty period, except for certain landscaping, park and recreation, and storm drainage improvements specified in the District's Service Plan, upon the District's completion and conveyance of such improvements provided they meet the City's specifications.

The District has conveyed assets in the amount of $10,256,257 to the City and has a warranty and maintenance obligation to the City for a period of two years following the City's preliminary acceptance.

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, *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 revenue,* 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

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.

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	$	206,122
Cash and Investments - Restricted		1,722,833
Total Cash and Investments	$	1,928,955

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

Deposits with Financial Institutions	$	113,338
Investments		1,815,617
Total Cash and Investments	$	1,928,955

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 of $113,338 and a carrying balance of $113,338.

Investments

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

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

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

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

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

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

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

Investment	Maturity	Amount
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted-Average Under 60 Days	$ 112,521
Morgan Stanley Institutional Liquidity Funds Government Portfolio	Weighted-Average	1,703,096
Total		$ 1,815,617

COLOTRUST

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

COLOTRUST PRIME and COLOTRUST PLUS+, which operate similarly to a money market fund and each share is equal in value to $1.00, offer daily liquidity. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

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

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

COLOTRUST (Continued)

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

Morgan Stanley Institutional Liquidity Funds – Government Portfolio (MAYXX)

The debt service funds are invested in the Morgan Stanley Institutional Liquidity Funds Government Portfolio – Advisory Class (MAYXX). The portfolio is a government money market fund that seeks preservation of capital, daily liquidity, and maximum current income through investments exclusively in obligations issued or guaranteed by the U.S. government, including U.S. Treasury securities and repurchase agreements collateralized by such securities. The fund seeks to maintain a stable net asset value of $1.00 per share and transacts at this price using amortized cost accounting in accordance with money market fund regulations. The weighted average maturity of the underlying securities is generally maintained at approximately 60 days or less, consistent with regulatory requirements applicable to government money market funds. The fund is rated AAAm by Standard & Poor's, Aaa-mf by Moody's, and AAAmmf by Fitch, indicating the highest credit quality and stability available for money market funds. There are no unfunded commitments, the redemption frequency is daily or weekly, 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, Being Depreciated:				
Parks and Recreation	$ 3,345,223	$ -	$ -	$ 3,345,223
Drainage and Detention	2,857,391	-	-	2,857,391
Total Capital Assets, Being Depreciated	6,202,614	-	-	6,202,614
Less Accumulated Depreciation for:				
Accumulated Depreciation - Parks and Rec	(1,022,370)	(138,624)	-	(1,160,994)
Accumulated Depreciation - Drainage & Detention	(617,627)	(95,268)	-	(712,895)
Total Accumulated Depreciation	(1,639,997)	(233,892)	-	(1,873,889)
Total Capital Assets, Being Depreciated, Net	4,562,617	(233,892)	-	4,328,725
Governmental Activities Capital Assets, Net	$ 4,562,617	$ (233,892)	$ -	$ 4,328,725

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:					
General Obligation Bonds					
Series 2020	$ 13,415,000	$ -	$ 155,000	$ 13,260,000	$ 210,000
Subtotal Bonds Payable	13,415,000	-	155,000	13,260,000	210,000
Other Debts:					
Developer Advance - Operating	1,634,996	91,000	99,373	1,626,623	-
Developer Advance - Capital	4,886,965	-	25,644	4,861,321	-
Developer Advance - Capital	39,609	-	-	39,609	-
Accrued Interest on:					
Developer Advance - Operating	564,858	81,320	-	646,178	-
Developer Advance - Capital	2,355,240	197,497	-	2,552,737	-
Developer Advance - Capital	29,341	1,586	-	30,927	-
Subtotal Other Debts	9,511,009	371,403	125,017	9,757,395	-
Total Long-Term Obligations	$ 22,926,009	$ 371,403	$ 280,017	$ 23,017,395	$ 210,000

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

Series 2020 – $13,500,000 General Obligation Limited Tax Refunding Bonds

On December 23, 2020, the District issued General Obligation Limited Tax Refunding Bonds, Series 2020, in the amount of $13,500,000 which bears interest at a rate of 4.70%, payable semi-annually on June 1 and December 1, beginning on June 1, 2021. Annual mandatory sinking fund principal payments are due on December 1, beginning on December 1, 2024. The Series 2020 Bonds mature on December 1, 2047. The 2020 Bonds were issued for the purpose of refunding the Series 2015 Loan.

The 2020 Bonds are subject to redemption prior to maturity, at the option of the District, on December 1, 2025, and on any date thereafter as set forth in the table below.

Date of Redemption	Redemption Premium
December 1, 2025 to November 30, 2026	103%
December 1, 2026 to November 30, 2027	102
December 1, 2027 to November 30, 2028	101
December 1, 2028 and Thereafter	100

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

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Series 2020 – $13,500,000 General Obligation Limited Tax Refunding Bonds (Continued)

Year Ending December 31,	Principal	Interest	Total
2026	$ 210,000	$ 623,220	$ 833,220
2027	220,000	613,350	833,350
2028	280,000	603,010	883,010
2029	290,000	589,850	879,850
2030	360,000	576,220	936,220
2031-2035	2,425,000	2,592,520	5,017,520
2036-2040	3,330,000	1,928,175	5,258,175
2041-2045	4,180,000	1,069,485	5,249,485
2046-2047	1,965,000	139,590	2,104,590
Total	$ 13,260,000	$ 8,735,420	$ 21,995,420

Remedies on Occurrence of Event of Default for the 2020 Series Bonds

Upon the occurrence and continuance of an Event of Default, the Trustee shall have the following rights and remedies which may be pursued:

a) 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, the Trustee shall be 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 shall be 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 this Indenture to, the Trustee.

b) The Trustee may proceed to protect and enforce its rights and the rights of the Owners under the Act, the Bonds, the Bond Resolution, this Indenture, and any provision of law by such suit, action, or special proceedings as the Trustee, being advised by Counsel, shall deem appropriate.

c) 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.

d) No recovery of any judgment by the Trustee shall in any manner or to any extent affect the lien of this Indenture or any rights, powers, or remedies of the Trustee hereunder, or any lien, rights, powers, and remedies of the Owners of the Bonds, but such lien, rights, powers, and remedies of the Trustee and of the Owners shall continue unimpaired as before.

e) If requested by the Owners of 25% in aggregate principal amount of the Bonds then Outstanding, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by this Section as the Trustee, being advised by Counsel, shall deem most expedient in the interests of the Owners; provided that the Trustee at its option shall be indemnified.

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Remedies on Occurrence of Event of Default for the 2020 Series Bonds (Continued)

f) Acceleration of the Bonds shall not be an available remedy for an Event of Default, nor shall the District be subject to punitive or consequential damages, nor shall any provisions herein act as or be deemed to be a waiver by the District of the Colorado Governmental Immunity Act, Title 24, Article 10, C.R.S., as now or hereafter amended.

Authorized Debt

Pursuant to the Service Plan, the District is permitted to issue bond indebtedness of up to $30,000,000 (Service Plan Debt Issuance Limit). In no event is the District authorized to issue debt in excess of the Service Plan Debt Issuance Limit, with the exception that such limit is not applicable to refundings of the debt authorized to be issued under the Service Plan.

The District has voter authorization in excess of the Service Plan Debt Issuance Limit as at the time of the election, the actual costs of construction were not known. Without knowing the costs of construction, it is not possible to allocate the Service Plan Debt Issuance Limit by power (such as water, sewer or streets). Therefore, the Service Plan Debt Issuance Limit was voted in every power relative to debt for public improvements. With that understanding, on November 3, 2015 a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed $330,000,000 at an interest rate not to exceed 18% per annum. At December 31, 2025, the District had authorized but unissued indebtedness of $309,768,889.

In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area within the limitations of the District's Service Plan.

Developer Advances

The District has entered into Reimbursement Agreements, which were amended effective September 1, 2024, with Allison Valley Development Company, LLC (the Developer) to repay advances made by the Developer for operation and maintenance and capital improvement costs. For operations and maintenance, the District agrees to repay the Developer together with accrued interest at 4.70%. For capital improvements, the District agrees to repay the Developer along with accrued interest at 4.005% from the day of each advance. The District's repayment obligations pursuant to these agreements are subject to annual appropriation. Pursuant to the First Amendment to the Reimbursement Agreement, payments to the Developer shall be applied first to principal then to interest. As of December 31, 2025, outstanding Developer Advances for operations totaled $1,626,623 with accrued interest of $646,178 and outstanding advances for capital improvements totaled $4,861,321 with accrued interest of $2,552,737.

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Reimbursement Agreement

On November 14, 2013, the District entered into a Reimbursement Agreement to repay advances made by Elite Properties of America, Inc. (Elite) and Ginger I, LLC (Ginger) for organization, and operations and maintenance (O&M) costs. The District agreed to repay Elite and Ginger for such advances plus accrued interest at the rate set forth on the initial bond offering, which is 4.005%. This Agreement does not constitute a debt of the District, and any reimbursements shall be made subject to annual appropriations at the District's discretion. As of December 31, 2025, outstanding advances under the agreement for Elite totaled $39,609 and accrued interest totaled $30,927. The Ginger outstanding advances were paid off in August of 2020.

NOTE 6 NET POSITION

The District has net position consisting 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:

Net Investment in Capital Assets:		
Capital Assets, Net (Excluding Assets Anticipated to Be Conveyed to Other Governmental Entities)	$	4,328,725
Noncurrent Portion of Long-Term Obligations		(6,829,118)
Unspent Loan Proceeds		399,419
Net Investment in Capital Assets	$	(2,100,974)

The restricted component of net position consists of assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2025, as follows:

Restricted Net Position:		
Emergencies	$	19,200
Debt Service Reserve		597,519
Total Restricted Net Position	$	616,719

The District has a deficit in unrestricted net position. This deficit amount is a result of the District being responsible for the repayment of bonds issued for public improvements which were conveyed to other governmental entities and which costs were removed from the District's financial records and for the repayment of Developer Advances for operations, maintenance, and infrastructure costs.

NOTE 7 RELATED PARTIES

The Developer of the property which constitutes the District is Allison Valley Development Company, LLC. Certain members of the Board of Directors are officers, employees, or associated with the Developer and may have conflicts of interest in dealing with the District. See Note 5 concerning advances made by the Developer.

NOTE 8 INTERGOVERNMENTAL AGREEMENTS

On December 6, 2007, the District entered into an Intergovernmental Agreement (IGA) with Allison Valley 1. The IGA was supplemented on October 20, 2016. The purpose of the IGA is to clarify specific provisions of the Amended Service Plan.

The Districts agree to share the costs of the financing, construction, operation, and maintenance of facilities as contemplated in the Consolidated Service Plan. It is anticipated that the total capital costs of the Districts will not exceed $30,000,000, which the Districts will share. The Districts will share the capital costs 55% to Allison Valley 1 and 45% to Allison Valley 2. The percentages correspond to the approximate relative amount of assessed value of each district to the total projected at build-out for the total project.

The Districts agree to allocate the $30,000,000 debt capacity authorized by the Consolidated Service Plan using the same percentage as the capital costs (55% for Allison Valley 1 and 45% for Allison Valley 2). In dollar terms the allocation of the debt capacity is $16,500,000 for Allison Valley 1 and $13,500,000 for Allison Valley 2. The Districts are allowed, but are not required to allocate the voter-approved debt capacity that is available for each category of improvements using the 55/45 ratio.

NOTE 9 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.

NOTE 9 RISK MANAGEMENT (CONTINUED)

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.

NOTE 10 TAX, SPENDING, AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue, and debt limitations which apply to the state of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

On November 7, 2006, the District's voters authorized the District to increase property taxes $750,000 annually, without limitation of rate and without regard to any spending, revenue raising, or other limitations contained within Article X, Section 20 of the Colorado Constitution (TABOR) or Section 29-1-301, C.R.S., to pay the District's operations, maintenance, and other expenses. Additionally, the District's electors authorized the District to collect, spend or retain all revenue 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

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

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	$ 745,493	$ 745,402	$ (91)
Specific Ownership Taxes	74,549	71,450	(3,099)
Interest Income	65,000	80,780	15,780
Total Revenues	885,042	897,632	12,590
EXPENDITURES			
County Treasurer's Fee	11,182	11,189	(7)
Paying Agent Fees	3,000	3,000	-
Bond Interest	630,505	630,505	-
Bond Principal	155,000	155,000	-
Total Expenditures	799,687	799,694	(7)
EXCESS OF REVENUES OVER EXPENDITURES	85,355	97,938	12,583
OTHER FINANCING SOURCES (USES)			
Repay Developer Advance	(164,701)	(25,644)	139,057
Transfers To Other Fund	-	(99,373)	(99,373)
Total Other Financing Sources (Uses)	(164,701)	(125,017)	39,684
NET CHANGE IN FUND BALANCE	(79,346)	(27,079)	52,267
Fund Balance - Beginning of Year	1,732,471	1,736,405	3,934
FUND BALANCE - END OF YEAR	$ 1,653,125	$ 1,709,326	$ 56,201

OTHER INFORMATION

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

Year Ending December 31,	$13,500,000 General Obligation Limited Tax Refunding Bonds - Series 2020 Dated December 20, 2020 Interest Rate - 4.70% Interest Reset - December 1, 2020 Principal Due December 1 Interest Payable June 1 and December 1 Principal	Interest	Total
2026	$ 210,000	$ 623,220	$ 833,220
2027	220,000	613,350	833,350
2028	280,000	603,010	883,010
2029	290,000	589,850	879,850
2030	360,000	576,220	936,220
2031	375,000	559,300	934,300
2032	450,000	541,675	991,675
2033	470,000	520,525	990,525
2034	550,000	498,435	1,048,435
2035	580,000	472,585	1,052,585
2036	605,000	445,325	1,050,325
2037	635,000	416,890	1,051,890
2038	665,000	387,045	1,052,045
2039	695,000	355,790	1,050,790
2040	730,000	323,125	1,053,125
2041	760,000	288,815	1,048,815
2042	795,000	253,095	1,048,095
2043	835,000	215,730	1,050,730
2044	875,000	176,485	1,051,485
2045	915,000	135,360	1,050,360
2046	960,000	92,355	1,052,355
2047	1,005,000	47,235	1,052,235
Total	$ 13,260,000	$ 8,735,420	$ 21,995,420

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

Year Ended December 31,	Assessed Valuation	Total Mills Levied	Total Property Taxes		Percent Collected to Levied
		Total	Levied	Collected	
2020/2021	$ 13,129,500	43.253	$ 567,890	$ 567,765	99.98 %
2021/2022	17,724,580	43.469	770,470	770,590	100.02 %
2022/2023	20,634,040	44.778	923,951	924,105	100.02 %
2023/2024	25,863,390	50.618	1,309,153	1,308,828	99.98 %
2024/2025	26,255,290	50.618	1,328,990	1,328,939	100.00 %
Estimated for Year Ending December 31, 2026	$ 29,153,460	50.618	$ 1,475,690		

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

Source: El Paso Assessor and Treasurer.