

REDLANDS 360 METROPOLITAN DISTRICT NO. 2
Mesa County, Colorado

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2025

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INDEPENDENT AUDITORS' REPORT



INDEPENDENT AUDITORS' REPORT

The Management
Redlands 360 Metropolitan District No. 2
Colorado Springs, Colorado

Opinion

We have audited the accompanying financial statements of the governmental activities and each major fund of Redlands 360 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.

Report on Other Supplemental Information

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

The supplemental schedules on pages 28 through 35 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

REDLANDS 360 METROPOLITAN DISTRICT NO. 2
STATEMENT OF NET POSITION
DECEMBER 31, 2025

	Governmental Activities
ASSETS	
Cash and Investments - Restricted	\$ 10,034,576
Accounts Receivable	2,500,000
Assessment Receivable	7,385,000
Receivable from County Treasurer	145
Property Tax Receivable	<u>157,568</u>
Total Assets	<u>20,077,289</u>
LIABILITIES	
Due to Other Districts	40,145
Accrued Interest	66,720
Noncurrent Liabilities:	
Due in More Than One Year	<u>23,107,095</u>
Total Liabilities	<u>23,213,960</u>
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	<u>157,568</u>
Total Deferred Inflows of Resources	<u>157,568</u>
NET POSITION	
Restricted for:	
Capital Projects	2,481,300
Debt Service	8,685,401
Unrestricted	<u>(14,460,940)</u>
Total Net Position	<u><u>\$ (3,294,239)</u></u>

See accompanying Notes to Basic Financial Statements.

REDLANDS 360 METROPOLITAN DISTRICT NO. 2
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025

		Program Revenues			Net Revenues (Expenses) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
FUNCTIONS/PROGRAMS	<u>Expenses</u>				
Primary Government:					
Governmental Activities:					
General Government	\$ 8,529,324	\$ -	\$ -	\$ 7,385,000	\$ (1,144,324)
Interest on Long-Term Debt and Related Costs	<u>2,170,420</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,170,420)</u>
Total Governmental Activities	<u><u>\$ 10,699,744</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7,385,000</u></u>	<u>(3,314,744)</u>
GENERAL REVENUES					
Property Taxes					18,457
Specific Ownership Taxes					<u>2,048</u>
Total General Revenues and Transfers					<u>20,505</u>
CHANGES IN NET POSITION					(3,294,239)
Net Position - Beginning of Year					<u>-</u>
NET POSITION - END OF YEAR					<u><u>\$ (3,294,239)</u></u>

See accompanying Notes to Basic Financial Statements.

REDLANDS 360 METROPOLITAN DISTRICT NO. 2
BALANCE SHEET –
GOVERNMENTAL FUNDS
DECEMBER 31, 2025

	General	Debt Service	Debt Service - SID	Capital Projects	Total Governmental Funds
ASSETS					
Cash and Investments - Restricted	\$ -	\$ 2,997,656	\$ 2,123,188	\$ 4,913,732	\$ 10,034,576
Receivable from County Treasurer	145	-	-	-	145
Accounts Receivable	-	-	-	2,500,000	2,500,000
Assessment Receivable	-	-	7,385,000	-	7,385,000
Property Tax Receivable	33,425	124,143	-	-	157,568
	<u>33,425</u>	<u>124,143</u>	<u>-</u>	<u>-</u>	<u>157,568</u>
Total Assets	<u>\$ 33,570</u>	<u>\$ 3,121,799</u>	<u>\$ 9,508,188</u>	<u>\$ 7,413,732</u>	<u>\$ 20,077,289</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Due to Other Districts	\$ 145	\$ -	\$ -	\$ 40,000	\$ 40,145
Total Liabilities	<u>145</u>	<u>-</u>	<u>-</u>	<u>40,000</u>	<u>40,145</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred Property Tax	33,425	124,143	-	-	157,568
Deferred Assessment Revenue	-	-	7,385,000	-	7,385,000
Total Deferred Inflows of Resources	<u>33,425</u>	<u>124,143</u>	<u>7,385,000</u>	<u>-</u>	<u>7,542,568</u>
FUND BALANCES					
Restricted for:					
Debt Service	-	2,997,656	2,123,188	-	5,120,844
Capital Projects	-	-	-	7,373,732	7,373,732
Total Fund Balances	<u>-</u>	<u>2,997,656</u>	<u>2,123,188</u>	<u>7,373,732</u>	<u>12,494,576</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 33,570</u>	<u>\$ 3,121,799</u>	<u>\$ 9,508,188</u>	<u>\$ 7,413,732</u>	
Amounts reported for governmental activities in the statement of net position are different because:					
Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds.					
Unamortized Bond Discount - 2025A					191,500
Unamortized Bond Discount - 2025 SID					147,700
Assessment Receivable					7,385,000
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					(84,287)
2025A Bonds Payables					(9,575,000)
2025C Bonds Payables					(3,968,728)
2025 SID Bonds Payables					(7,385,000)
Developer Advance Payable					(2,500,000)
Net Position of Governmental Activities					<u>\$ (3,294,239)</u>

See accompanying Notes to Basic Financial Statements.

REDLANDS 360 METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2025

	General	Debt Service	Debt Service - SID	Capital Projects	Total Governmental Funds
REVENUES					
Property Taxes	\$ 18,457	\$ -	\$ -	\$ -	\$ 18,457
Specific Ownership Taxes	2,048	-	-	-	2,048
Total Revenues	<u>20,505</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,505</u>
EXPENDITURES					
Current:					
Intergovernmental Expenditures	20,505	-	-	8,508,819	8,529,324
Bond Issue Costs	-	-	-	838,645	838,645
Total Expenditures	<u>20,505</u>	<u>-</u>	<u>-</u>	<u>9,347,464</u>	<u>9,367,969</u>
EXCESS OF REVENUES UNDER EXPENDITURES	-	-	-	(9,347,464)	(9,347,464)
OTHER FINANCING SOURCES (USES)					
Bond Issuance Proceeds	-	-	-	20,928,728	20,928,728
Developer Advance	-	-	-	8,468,819	8,468,819
Repay Developer Advance	-	-	-	(5,968,819)	(5,968,819)
Developer Advance - Interest Expense	-	-	-	(1,586,688)	(1,586,688)
Transfers In (Out)	-	2,997,656	2,123,188	(5,120,844)	-
Total Other Financing Sources	<u>-</u>	<u>2,997,656</u>	<u>2,123,188</u>	<u>16,721,196</u>	<u>21,842,040</u>
NET CHANGE IN FUND BALANCES	-	2,997,656	2,123,188	7,373,732	12,494,576
Fund Balances - Beginning of Year	-	-	-	-	-
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ 2,997,656</u>	<u>\$ 2,123,188</u>	<u>\$ 7,373,732</u>	<u>\$ 12,494,576</u>

See accompanying Notes to Basic Financial Statements.

REDLANDS 360 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 \$ 12,494,576

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

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net position.

Bond Issuance Proceeds	(20,928,728)
Bond Discount	339,200
Developer Advance	(8,468,819)
Repay Developer Advance	5,968,819

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund financial statements.

Special Assessment Revenue	7,385,000
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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	(84,287)
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Changes in Net Position of Governmental Activities	\$ (3,294,239)
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REDLANDS 360 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	\$ 18,457	\$ 18,457	\$ -
Specific Ownership Taxes	1,107	2,048	941
Other Revenue	1,436	-	(1,436)
Total Revenues	21,000	20,505	(495)
EXPENDITURES			
Contingency	1,436	-	1,436
County Treasurer's Fee	277	-	277
Intergovernmental Expenditures	19,287	20,505	(1,218)
Total Expenditures	21,000	20,505	495
NET CHANGE IN FUND BALANCE	-	-	-
Fund Balance - Beginning of Year	-	-	-
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Notes to Basic Financial Statements.

REDLANDS 360 METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 1 DEFINITION OF REPORTING ENTITY

Redlands 360 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 on June 17, 2020, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District operates under a Service Plan approved by the City of Grand Junction, Colorado on June 17, 2020. The District's service area is located in Mesa County, Colorado. The District was established to provide public improvements and services including, but not limited to, water, wastewater, storm drainage, streets, parks, trails, landscaping, and other public infrastructure.

On October 23, 2025, the District formed Redlands 360 Metropolitan District No. 2 Special Improvement District No. 1 (the SID) for the construction, installation, completion, and acquisition of public improvements pursuant to the District's Service Plan. The SID is being presented as a blended component unit because it was established for the benefit of the District's constituents and is governed solely by the District's governing body.

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 taxes and inter-governmental revenues.

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.

REDLANDS 360 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 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 governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes, specific ownership taxes and sales and use 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 debt of the governmental funds.

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

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

REDLANDS 360 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, 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.

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 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, sale of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

REDLANDS 360 METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes (Continued)

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows 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.

Deferred Inflow/Outflow of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditures) until that time. The District has no items that qualify for reporting in this category.

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, property tax revenue, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Special Assessments

Certain properties within the District specially benefit from certain public improvements financed by Special Assessment Revenue Bonds (discussed in Note 4). The Special Assessment Revenue Bonds are secured and payable from Special Assessments levied by the District pursuant to a Resolution Assessing a Share of the Cost of Certain Improvements made in the Special Improvement District No. 1 Within the Boundaries of the Redlands 360 Metropolitan District No. 2. ("Assessment Resolution"). The Assessment Resolution, which was adopted by the Board and recorded with Mesa County during the year ended December 31, 2025, apportioned the costs of the public improvements to benefitted lots/parcels within the assessment area ("Special Assessments").

The Special Assessments, together with all interest and penalties for default in payment, constitute a perpetual lien against each lot. Upon payment in full of the Special Assessments with respect to an individual lot, the lien on such lot is fully satisfied and released.

In the governmental fund financial statements, special assessments are recorded initially as deferred inflows of resources in the year they are levied. The deferred special assessment revenues are recorded as revenue in the year they are available or collected. In the government-wide financial statements, special assessments are reported as program revenues as they are derived from parties who directly benefit from the related infrastructure improvements.

REDLANDS 360 METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

REDLANDS 360 METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

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 - Restricted	\$ 10,034,576
Total Cash and Investments	<u>\$ 10,034,576</u>

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

Deposits with Financial Institutions	\$ -
Investments	10,034,576
Total Cash and Investments	<u>\$ 10,034,576</u>

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 102.00% 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.

On December 31, 2025, the District had no cash deposits.

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.

REDLANDS 360 METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

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

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Invesco Treasury Portfolio	Weighted-Average Under 60 Days	\$ 10,034,576
		<u>\$ 10,034,576</u>

Invesco Treasury Portfolio

The debt service money that is included in the trust accounts at BOK Financial is invested in the Invesco Treasury Portfolio. This portfolio is a money market mutual fund which invests in short-term, high-credit-quality money market instruments that are direct obligations of the U.S. Treasury, which are fully guaranteed as to principal and interest by the United States, with maturities of 60 days or less and repurchase agreements collateralized by U.S. Treasury obligations. The Invesco Treasury Portfolio is rated Aaa-mf by Moody's, AAAM by Standard & Poor's, and AAAMmf by Fitch Ratings.

REDLANDS 360 METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 4 LONG-TERM OBLIGATIONS

The following is an analysis of the 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 2025A	\$ -	\$ 9,575,000	\$ -	\$ 9,575,000	\$ -
Series 2025C(3)	-	3,968,728	-	3,968,728	-
Series 2025 SID	-	7,385,000	-	7,385,000	-
Bond Discount - Series 2025A	-	-	191,500	(191,500)	-
Bond Discount - Series 2025 SID	-	-	147,700	(147,700)	-
Accrued Interest					
Series 2025C(3)	-	17,567	-	17,567	-
Subtotal Bonds Payable	-	20,946,295	339,200	20,607,095	-
Other Debts:					
Developer Advance	-	8,468,819	5,968,819	2,500,000	-
Accrued Interest on:					
Developer Advance	-	1,586,688	1,586,688	-	-
Subtotal Other Debts	-	10,055,507	7,555,507	2,500,000	-
Total Long-Term Obligations	\$ -	\$ 31,001,802	\$ 7,894,707	\$ 23,107,095	\$ -

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

Limited Tax General Obligation Senior Bonds, Series 2025A (the Senior Bonds), and the Limited Tax General Obligation Junior Subordinate Bonds, Series 2025C(3) (the Junior Subordinate Bonds, and together, with the Senior Bonds, the Bonds)

The District issued the Senior Bonds and Junior Subordinate Bonds on December 9, 2025, in the amount of \$9,575,000 and up to \$4,302,000, respectively.

Proceeds of the Bonds

Proceeds from the sale of the Senior Bonds were used for the purposes of (a) paying or reimbursing Project Costs; (b) funding a portion of the interest to accrue on the Senior Bonds; (c) funding the Initial Surplus Fund Deposit; and (d) paying costs incidental to the issuance of the Bonds and the Series 2025C(3) Junior Bonds.

Details of the Senior Bonds

The Senior Bonds bear interest at the rate of 7.125%, payable semi-annually to the extent of Senior Pledged Revenue available on June 1 and December 1 (the Interest Payment Date), beginning on June 1, 2026. Annual mandatory sinking fund principal payments are due on December 1, beginning on December 1, 2031. The Senior Bonds mature on December 1, 2055.

REDLANDS 360 METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Limited Tax General Obligation Senior Bonds, Series 2025A (the Senior Bonds), and the Limited Tax General Obligation Junior Subordinate Bonds, Series 2025C(3) (the Junior Subordinate Bonds, and together, with the Senior Bonds, the Bonds)
(Continued)

Details of the Senior Bonds (Continued)

To the extent principal of any Senior Bonds is not paid when due, such principal shall remain outstanding until paid, subject to discharge on December 2, 2065 (the Senior Discharge Date). To the extent interest on any Senior Bonds is not paid when due, such interest shall compound semi-annually on each June 1 and December 1 at the rate then borne by the Senior Bonds. The District shall not be obligated to pay more than the amount permitted by law in repayment of the Senior Bonds.

If any amount of principal of or interest on the Senior Bonds remains unpaid after the application of all Senior Pledged Revenue available therefor on December 2, 2065, the Senior Bonds will be deemed discharged.

Optional Redemption

The Senior Bonds are subject to redemption prior to maturity, at the option of the District, on December 1, 2030, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed as follows:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
December 1, 2030, to November 30, 2031	103%
December 1, 2031, to November 30, 2032	102%
December 1, 2032, to November 30, 2033	101%
December 1, 2033, and thereafter	100%

The Junior Subordinate Bonds are subject to redemption prior to maturity, at the option of the District, in whole or in part, on any date after the issuance thereof, upon payment of par and accrued interest, without redemption premium.

Senior Pledged Revenue

The Senior Bonds are secured by and payable solely from Senior Pledged Revenue, consisting of the moneys derived by the District and Redlands 360 Metropolitan District No. 1 (District No. 1) from the following sources:

- (a) the Senior Property Tax Revenues; and
- (b) the portion of the Specific Ownership Tax which is collected as a result of imposition of the Senior Bond Mill Levy.

REDLANDS 360 METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Limited Tax General Obligation Senior Bonds, Series 2025A (the Senior Bonds), and the Limited Tax General Obligation Junior Subordinate Bonds, Series 2025C(3) (the Junior Subordinate Bonds, and together, with the Senior Bonds, the Bonds)
(Continued)

Senior Property Tax Revenues

“Senior Property Tax Revenues” means the ad valorem property taxes derived from (i) the District’s imposition of the Senior Bond Mill Levy, net of the costs of collection of the County and any tax refunds or abatements authorized by or on behalf of the County, received from the County Treasurer, and (ii) District No.1’s imposition of its required mill levy pursuant to the Senior Pledge Agreement, net of the costs of collection of the County and any tax refunds or abatements authorized by or on behalf of the County.

“Senior Bond Mill Levy” means the ad valorem mill levy required to be imposed for payment of all outstanding Senior Bonds by the documents pursuant to which such Senior Bonds are issued and secured, including, without limitation, the mill levy required to be imposed for payment of the Senior Bonds under the Senior Indenture.

Required Mill Levy

The District has covenanted in the Senior Indenture to levy, on all of the taxable property of the District and District No. 1 has covenanted in the Senior Revenue Pledge Agreement to levy on all the taxable property in District No. 1 the “Required Mill Levy,” defined in the Senior Indenture and the Senior Revenue Pledge Agreement as follows:

- (a) an ad valorem mill levy imposed upon all taxable property of the District (or District No. 1, as applicable) each year in an amount which is sufficient to fund the Bond Fund for the relevant Bond Year and pay the Senior Bonds as they come due in such Bond Year (less any amount thereof for which amounts are then due on deposit in the Capitalized Interest Account of the Bond Fund), but not in excess of 50 mills, subject to the Mill Levy Adjustment, and if the amount on deposit in the Surplus Fund is less than the Maximum Surplus Amount, not less than 50 mills, subject to the Mill Levy Adjustment.
- (b) Notwithstanding anything in the Senior Indenture or the Senior Revenue Pledge Agreement to the contrary, in no event may the Required Mill Levy be established at a mill levy which would cause the District (or District No. 1, as applicable) to derive tax revenue in any year in excess of the maximum tax increases permitted by the District’s electoral authorization, and if the Required Mill Levy as calculated pursuant to the foregoing would cause the amount of taxes collected in any year to exceed the maximum tax increase permitted by the District’s (or District No. 1’s, as applicable) electoral authorization, the Required Mill Levy shall be reduced to the point that such maximum tax increase is not exceeded.

Additional Security for the Senior Bonds

The Senior Bonds are additionally secured by capitalized interest which was funded from proceeds of the Senior Bonds in the amount of \$2,046,656.

REDLANDS 360 METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Limited Tax General Obligation Senior Bonds, Series 2025A (the Senior Bonds), and the Limited Tax General Obligation Junior Subordinate Bonds, Series 2025C(3) (the Junior Subordinate Bonds, and together, with the Senior Bonds, the Bonds)
(Continued)

Senior Surplus Fund

The Senior Bonds are additionally secured by the Senior Surplus Fund. Except for the initial deposit of \$951,000 from the Senior Bonds, the Senior Surplus Fund shall be funded with available Senior Pledged Revenue, if any, up to the Maximum Senior Surplus Amount of \$1,902,000.

Per the Senior Indenture, at such time as the Senior Debt to Assessed Ratio is equal to or less than fifty percent (50)%, as certified in writing by a District Representative to the Trustee, the Trustee shall transfer the Excess Senior Surplus Fund Amount to the District.

Details of the Junior Subordinate Bonds

The Junior Subordinate Bonds are authorized up to the par amount of \$4,302,000. As of December 31, 2025, \$3,968,728 had been issued. The remaining amount of \$333,272 will be drawn subsequent to year end. The Junior Subordinate Bonds bear interest at the rate of 7.00% per annum payable annually on each December 16, but only from and to the extent of available Junior Pledged Revenue, beginning on December 16, 2026. In the event interest on any Junior Subordinate Bond is not paid when due, such interest compounds annually on each December 16, at the rate then borne by the Junior Subordinate Bond. The Junior Subordinate Bonds mature on December 16, 2055.

To the extent principal of any Junior Subordinate Bond is not paid when due, such principal shall remain outstanding until paid, subject to discharge on December 16, 2065 (the Junior Subordinate Discharge Date).

If any amount of principal of or interest on the Junior Subordinate Bonds remains unpaid after the application of all Junior Pledged Revenue available therefore on December 16, 2065, the Junior Subordinate Bonds will be deemed discharged. The District shall not be obligated to pay more than the amount permitted by law in repayment of the Junior Subordinate Bonds.

Junior Pledged Revenue

The Junior Subordinate Bonds are secured by and payable solely from Junior Pledged Revenue, consisting of the moneys derived by the District and District No. 1 from the following sources:

- (a) The Junior Property Tax Revenues,
- (b) the portion of the Specific Ownership Tax which is collected as a result of imposition of the Junior Required Mill Levy,
- (c) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Junior Pledged Revenue.

REDLANDS 360 METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Limited Tax General Obligation Senior Bonds, Series 2025A (the Senior Bonds), and the Limited Tax General Obligation Junior Subordinate Bonds, Series 2025C(3) (the Junior Subordinate Bonds, and together, with the Senior Bonds, the Bonds)
(Continued)

Junior Property Tax Revenues

“Junior Property Tax Revenues” is defined in the Junior Subordinate Indenture as ad valorem property taxes derived from the District’s imposition of the Junior Required Mill Levy, net of the costs of collection and any tax refunds or abatements authorized by or on behalf of the County, received from the County Treasurer.

Junior Required Mill Levy

The District has covenanted in the Junior Subordinate Indenture to levy, on all of the taxable property of the District and District No. 1 has covenanted in the Revenue Pledge Agreement to levy on all the taxable property in District No. 1 the “Required Mill Levy,” defined in the Junior Subordinate Indenture as follows:

- (a) Subject to paragraph (b) below, an ad valorem mill levy (a mill being equal to 1/10 of 1 cent) imposed upon all taxable property of the District each year in the amount of fifty (50) mills (subject to the Mill Levy Adjustment), less the amount of the Senior Bond Mill Levy and Subordinate Bond Mill Levy, or such lesser mill levy which will fund the Junior Bond Fund in an amount sufficient to pay all of the principal of and interest on the Bonds in full. It is the intent hereunder that if the amount of the Senior Bond Mill Levy and any Subordinate Bond Mill Levy equals fifty (50) mills (subject to the Mill Levy Adjustment) in any year, the Junior Required Mill Levy for that year shall be zero.
- (b) Notwithstanding anything herein to the contrary, in no event may the Junior Required Mill Levy be established at a mill levy which would cause the District to derive tax revenue in any year in excess of the maximum tax increases permitted by the District’s electoral authorization, and if the Junior Required Mill Levy as calculated pursuant to the foregoing would cause the amount of taxes collected in any year to exceed the maximum tax increase permitted by the District’s electoral authorization, the Junior Required Mill Levy shall be reduced to the point that such maximum tax increase is not exceeded.

Events of Default

Events of default occur if the District fails to impose the Required Mill Levies, or to apply the Pledged Revenues as required by the Indentures and does not comply with other customary terms and conditions consistent with normal municipal financing as described in the Indenture.

REDLANDS 360 METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Special Improvement District No. 1, Special Assessment Revenue Bonds, Series 2025 (the SID Bonds)

The District issued the Special Improvement District No. 1, Special Assessment Revenue Bonds, Series 2025 (the SID Bonds) in the amount of \$7,385,000 on December 9, 2025.

Proceeds of the SID Bonds

Proceeds of the SID Bonds were used for the purposes of: (i) paying the costs of the Project; (ii) funding the Capitalized Interest Amount, (iii) funding a deposit to the Reserve Fund; and (iv) paying costs incidental to the issuance of the SID Bonds.

Details of the SID Bonds

The SID Bonds bear interest at 6.25%, payable semi-annually on June 1 and December 1, beginning June 1, 2026. The SID Bonds are subject to annual mandatory sinking fund principal payments due on December 1, commencing on December 1, 2030. The SID Bonds mature on December 1, 2045.

To the extent principal of any SID Bonds are not paid when due, such principal shall remain outstanding until paid. To the extent interest on any SID Bonds are not paid when due, such interest shall compound semiannually on each Interest Payment Date, at the rate then borne by the SID Bonds.

The District shall not be obligated to pay more than the amount permitted by law and the electoral authorization in repayment of the SID Bonds, including all payments of principal, premium, if any, and interest.

Optional Redemption

The SID Bonds are subject to redemption prior to maturity, at the option of the District, on December 1, 2030, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed as follows:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
December 1, 2030, to November 30, 2031	103%
December 1, 2031, to November 30, 2032	102%
December 1, 2032, to November 30, 2033	101%
December 1, 2033, and thereafter	100%

REDLANDS 360 METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Special Improvement District No. 1, Special Assessment Revenue Bonds, Series 2025 (the SID Bonds) (Continued)

Extraordinary Mandatory Redemption

The SID Bonds are subject to mandatory redemption in part by lot on March 1, June 1, September 1 and December 1 of each year (each an Extraordinary Mandatory Redemption Date), commencing December 1, 2027 (with respect to the Bonds), from and to the extent of moneys on deposit, if any, in the Extraordinary Redemption Account of the SID Bond Fund on the applicable Extraordinary Mandatory Redemption Date, and subject to any minimum requirements with respect to the principal amount of SID Bonds to be redeemed as set forth in the Indenture at a redemption price (the Extraordinary Mandatory Redemption Price) equal to the principal amount thereof (with no redemption premium), plus accrued interest to the redemption date. The District acknowledges and agrees that, notwithstanding anything herein to the contrary, borrowed moneys shall not be deposited to the Extraordinary Redemption Account and used for the purpose of redeeming principal of the SID Bonds.

Pledged Revenue

The SID Bonds constitute special revenue obligations of the District payable solely from and to the extent of the Pledged Revenue, defined in the Indenture to mean, collectively: (i) the proceeds of the Special Assessments (including prepayments thereof), (ii) any Assessment Lien Sale Proceeds received by the District; and (iii) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application and Pledged Revenue.

Special Assessments

In accordance with the SID Assessment Resolution, all 182 lots within the SID have been assessed a Special Assessment in the principal amount allocated to each individual lot as each special assessment varies from lot to lot. The aggregate assessment amount (principal only) for lots within the SID is \$7,385,000. Special Assessments are payable in two substantially equal installments each year and may be prepaid; however, interest is to accrue on the unpaid principal of each Special Assessment from the date of imposition until paid. The Special Assessments constitute a lien on and against each lot in the SID until paid in accordance with the SID Assessment Resolution and the SID Law. The Special Assessments have priority over all other liens and encumbrances on the property within the SID, including prior deeds of trust or mortgages, with the exception of ad valorem taxes and, under limited circumstances, certain other liens.

Assessment Principal shall be paid in annual installments (referred to as Assessment Principal Installments) on each October 25, commencing October 25, 2028 in the amounts required for each lot as set forth in the SID Assessment Resolution, subject to: (i) the payments on each April 25 and October 25, commencing April 25, 2025, of accrued interest on the outstanding SID Assessment Principal for the applicable lot to the immediately succeeding June 1 and December 1, respectively; and (ii) the payment on each April 25, commencing April 25, 2025, of an amount to be determined comprising the "Annual Administrative Charge" for the purposes described herein. SID Assessment Principal, including any accrued interest thereon, may be paid at any time.

REDLANDS 360 METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Special Improvement District No. 1, Special Assessment Revenue Bonds, Series 2025
(the SID Bonds) (Continued)

Pledged Revenue (Continued)

Assessment Lien Sale Proceeds

The Indenture defines "Assessment Lien Sale Proceeds" as the proceeds of any assessment lien sale conducted by the County Treasurer, or any proceeds received by the District, in the event of a default in the payment of any Special Assessment due and owing by any property owner in the SID; provided, however, such proceeds are limited to the whole amount of the unpaid Special Assessment, plus interest, penalties, and costs of collection related to such property.

Additional Security for the SID Bonds

The SID Bonds are additionally secured by: (i) capitalized interest, which was funded with proceeds of the SID Bonds in the amount of \$1,384,688; and (ii) by amounts in the Reserve Fund, which was funded with proceeds of the SID Bonds in the amount of the Reserve Fund Requirement of \$738,500.

Reserve Fund

Moneys in the Reserve Fund shall be used solely for the purpose of paying the principal of and interest on the SID Bonds to the extent the moneys in the SID Bond Fund are insufficient for such purpose.

On each Redemption Determination Date, the Reserve Requirement shall be re-calculated as of the next succeeding Principal Payment Date, taking into account the principal amount of SID Bonds to be redeemed on such date.

On each Principal Payment Date, there shall be released from the Reserve Fund and transferred to the Principal Account or Extraordinary Redemption Account a pro rata portion of the Reserve Fund equal to the applicable Reserve Release Amount, based upon the principal amount of SID Bonds to be redeemed on the applicable Principal Payment Date from amounts on deposit in the Principal Account or Extraordinary Redemption Account.

Amounts on deposit in the Reserve Fund on the final maturity dates of the SID Bonds shall be applied to the payment of the SID Bonds on such date.

Events of Default

Events of default occur if the District fails to pay principal of or interest on the SID Bonds when due, or to apply the Pledged Revenues as required by the Indentures and does not comply with any other covenants, agreements, or conditions on the part of the District as described in the Indenture.

REDLANDS 360 METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Special Improvement District No. 1, Special Assessment Revenue Bonds, Series 2025 (the SID Bonds) (Continued)

Bond Debt Service

The Bonds mature as follows. The C Bonds are cash flow bonds and are not included.

<u>Year Ending December 31,</u>	<u>Bonded Debt</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2026	\$ -	\$ 1,118,364	\$ 1,118,364
2027	-	1,143,782	1,143,782
2028	-	1,143,782	1,143,782
2029	-	1,143,782	1,143,782
2030	280,000	1,143,782	1,423,782
2031-2035	2,110,000	5,388,660	7,498,660
2036-2040	3,165,000	4,574,595	7,739,595
2041-2045	4,585,000	3,371,646	7,956,646
2046-2050	2,330,000	2,126,813	4,456,813
2051-2055	4,490,000	1,136,794	5,626,794
Total	<u>\$ 16,960,000</u>	<u>\$ 22,292,000</u>	<u>\$ 39,252,000</u>

Authorized Debt

Pursuant to the Consolidated Service Plan for the Redlands 360 Metropolitan Districts Nos. 1–9 (the Service Plan), the District is permitted to issue bond indebtedness subject to a total debt issuance limitation of \$60,000,000 (the Service Plan Debt Issuance Limit). In no event is the District authorized to issue debt in excess of the Service Plan Debt Issuance Limit, except that such limitation is not applicable to refundings of debt authorized to be issued under the Service Plan.

The District has voter authorization in excess of the Service Plan Debt Issuance Limit because, at the time of the election, the actual costs of construction of public improvements were not known. Without knowing the costs of construction, it was not possible to allocate the Service Plan Debt Issuance Limit by specific service powers (such as water, sewer, or streets). Accordingly, the Service Plan Debt Issuance Limit was voted in each power relative to debt for public improvements.

On May 3, 2022, a majority of the qualified electors of Redlands 360 Metropolitan District No. 2 authorized the issuance of indebtedness in an amount not to exceed \$840,000,000, at an interest rate not to exceed 18% per annum, pursuant to multiple ballot issues approved at the regular election.

At December 31, 2025, the District had authorized but unissued indebtedness of \$826,456,272.

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.

REDLANDS 360 METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Developer Advances

The District has entered into Funding and Reimbursement Agreement(s) with the Developer as follows:

On September 8, 2022, the District entered into an Operation Funding and Reimbursement Agreement to repay advances made by the Developer for operations and maintenance (O&M) costs. The District agreed to repay the Developer for such O&M advances plus accrued interest at the rate of 8% (see Note 7 Agreements for additional information). As of December 31, 2025, outstanding advances under the agreement totaled \$-0- and accrued interest totaled \$-0-.

NOTE 5 NET POSITION

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

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:	
Debt Service Reserve	\$ 8,685,401
Capital Projects Reserve	2,481,300
Total Restricted Net Position	<u>\$ 11,166,701</u>

The District has a deficit in the unrestricted net position. The deficit is a result of the District being responsible for the repayment of bonds issued for public improvements which are anticipated to be conveyed to other governmental entities.

NOTE 6 RELATED PARTY

The Developer of the property which constitutes the District is Redlands Three Sixty, LLC. The Developer has advanced funds to the District. The majority of the members of the Board of Directors are employees, owners or otherwise associated with the Developer, and may have conflicts of interest in dealing with the District. The Developer advanced funds to the District pursuant to the following agreements (see Note 4 Long-Term Obligations and Note 7 Agreements for additional information). As of December 31, 2025, there is a receivable of \$2,500,000 due from the Developer to the District.

REDLANDS 360 METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 7 AGREEMENTS

Intergovernmental Agreement with Redlands 360 Metropolitan Districts Nos. 1–9

The District, together with Redlands 360 Metropolitan District Nos. 1 and 3 through 9 (the “Districts”) entered into an Intergovernmental District Facilities Construction and Service Agreement dated September 8, 2022, with Redlands 360 Metropolitan Districts No. 9 serving as the Operating District. Under the agreement, the District serves as a Financing District and agrees to contribute revenues derived from their respective debt service and operations and maintenance mill levies toward the costs of public improvements and related operations. The Operating District is responsible for the construction, ownership (subject to dedication), operation, and maintenance of certain public improvements benefiting all participating districts.

The agreement allows for the issuance of bonds by one or more districts to finance public improvements, subject to the limitations contained in the Service Plan and applicable voter authorizations. Title to certain public improvements may be dedicated to the City of Grand Junction or retained by the District, depending on the nature of the improvement. The agreement may be terminated by either party upon proper notice, at which time ownership and operational responsibilities for improvements are addressed pursuant to the agreement.

Intergovernmental Agreement with the City of Grand Junction

In February 2022, the District entered into a Master Intergovernmental Agreement with the City of Grand Junction, Colorado, governing the construction, dedication, operation, and maintenance of public improvements within the District’s service area. Under the agreement, certain public improvements constructed by the District are to be dedicated to and accepted by the City, while others are retained and maintained by the District. The District is responsible for the costs of operation and maintenance of retained improvements and for compliance with applicable City standards and requirements.

The agreement also establishes limitations related to debt issuance, inclusion of property within District boundaries, and dissolution, and requires annual reporting to the City.

Reimbursement Agreement – Operations

The Districts entered into a Reimbursement Agreement dated September 8, 2022, with Redlands Three Sixty, LLC (the Developer), pursuant to which the Developer may advance funds to the Districts for administrative and operating expenditures.

The Districts are obligated to reimburse the Developer for such advances, together with interest at 8.0% per annum, calculated on a simple interest basis from the date of each advance.

Reimbursement Agreement – Operations (Continued)

The Agreement automatically renews annually unless terminated by either party upon prior written notice.

As of December 31, 2025, amounts payable under this Agreement totaled \$-0-.

REDLANDS 360 METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 7 AGREEMENTS (CONTINUED)

Revenue Pledge Agreement

In November 2025, District No. 1 entered into Senior, Subordinate, and Junior Subordinate Revenue Pledge Agreements with the District and the bond trustee. Pursuant to these agreements, District No. 1 pledged certain property tax revenues generated from required debt service mill levies, together with certain other pledged revenues, to secure the repayment of District No. 2's Series 2025A Senior Bonds and Series 2025C Junior Subordinate Bonds, and certain additional obligations that may be issued in the future in accordance with the agreements. The agreements were authorized pursuant to the districts' service plan and applicable Colorado law governing intergovernmental cooperation among metropolitan districts.

Facilities Funding & Acquisition Agreement

In September 2025, the District, together with Redlands 360 Metropolitan District Nos. 1 and 3 through 9 (the "Districts"), entered into a Facilities Funding and Acquisition Agreement with Redlands Three Sixty, LLC (the "Developer") to provide for the funding, construction, acquisition, and reimbursement of public improvements serving the Redlands 360 development. The agreement was subsequently amended and restated by the First Amended and Restated Facilities Funding and Acquisition Agreement (the "Agreement"). The Agreement establishes the procedures under which the Developer may construct eligible public improvements or advance funds to the Districts for their construction. Eligible improvements include water, storm sewer, sanitation and wastewater, streets, traffic and safety facilities, parks and recreation facilities, and other public improvements authorized by the Districts' service plan.

The agreement provides for the Developer to construct or advance funds for eligible public improvements and establishes procedures for the Districts to acquire the improvements and reimburse the Developer for verified costs, together with simple interest at 8% per annum. Reimbursement is subject to annual appropriation by the Districts and does not constitute a multiple-fiscal-year obligation. Amounts not reimbursed within 30 years of the applicable advance are deemed discharged. The agreement terminates on December 31, 2051, unless terminated earlier by mutual written agreement. As of December 31, 2025, outstanding capital and organizational advances totaled \$2,500,000.

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.

REDLANDS 360 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 property 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 that 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. The Emergency Reserve is held by District No. 9 as the Operating District. The District transfers its net operating revenue to District No. 9 pursuant to the Intergovernmental Agreement (Note 7). Therefore, the Emergency Reserves related to the District are reported in District No. 9.

On May 3, 2022, 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

REDLANDS 360 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			
Total Revenues	\$ -	\$ -	\$ -
EXPENDITURES			
Total Expenditures	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	-	-	-
OTHER FINANCING SOURCES (USES)			
Transfers From Other Funds	-	2,997,656	2,997,656
Total Other Financing Sources	-	2,997,656	2,997,656
NET CHANGE IN FUND BALANCE	-	2,997,656	2,997,656
Fund Balance - Beginning of Year	-	-	-
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 2,997,656</u>	<u>\$ 2,997,656</u>

REDLANDS 360 METROPOLITAN DISTRICT NO. 2
DEBT SERVICE FUND – SID –
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			
Total Revenues	\$ -	\$ -	\$ -
EXPENDITURES			
Total Expenditures	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	-	-	-
OTHER FINANCING SOURCES (USES)			
Transfers From Other Funds	-	2,123,188	2,123,188
Total Other Financing Sources	-	2,123,188	2,123,188
NET CHANGE IN FUND BALANCE	-	2,123,188	2,123,188
Fund Balance - Beginning of Year	-	-	-
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 2,123,188</u>	<u>\$ 2,123,188</u>

REDLANDS 360 METROPOLITAN DISTRICT NO. 2
CAPITAL PROJECTS FUND –
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2025

	Budget		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Total Revenues	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Intergovernmental Expenditures	4,000,000	10,985,004	8,508,819	2,476,185
Bond Issue Costs	-	838,645	838,645	-
Total Expenditures	<u>4,000,000</u>	<u>11,823,649</u>	<u>9,347,464</u>	<u>2,476,185</u>
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES	(4,000,000)	(11,823,649)	(9,347,464)	2,476,185
OTHER FINANCING SOURCES (USES)				
Bond Issuance Proceeds	-	16,031,181	20,928,728	4,897,547
Developer Advance	4,000,000	8,468,819	8,468,819	-
Repay Developer Advance	-	(5,968,819)	(5,968,819)	-
Developer Advance - Interest Expense	-	(1,586,688)	(1,586,688)	-
Transfers To Other Fund	-	(5,120,844)	(5,120,844)	-
Total Other Financing Sources	<u>4,000,000</u>	<u>11,823,649</u>	<u>16,721,196</u>	<u>4,897,547</u>
NET CHANGE IN FUND BALANCE	-	-	7,373,732	7,373,732
Fund Balance - Beginning of Year	-	-	-	-
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,373,732</u>	<u>\$ 7,373,732</u>

OTHER INFORMATION

REDLANDS 360 METROPOLITAN DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2025

\$9,575,000
Limited Tax General Obligation Senior Bonds
Series 2025A
Dated December 9, 2025
7.125%
Interest Payable June and December 1
Principal Payable December 1

Year Ending December 31,	Principal	Interest	Total
2026	\$ -	\$ 667,058	\$ 667,058
2027	-	682,219	682,219
2028	-	682,219	682,219
2029	-	682,219	682,219
2030	-	682,219	682,219
2031	20,000	682,219	702,219
2032	80,000	680,794	760,794
2033	85,000	675,094	760,094
2034	110,000	669,038	779,038
2035	115,000	661,200	776,200
2036	140,000	653,006	793,006
2037	150,000	643,031	793,031
2038	175,000	632,344	807,344
2039	190,000	619,875	809,875
2040	220,000	606,338	826,338
2041	235,000	590,663	825,663
2042	270,000	573,919	843,919
2043	290,000	554,681	844,681
2044	325,000	534,019	859,019
2045	350,000	510,863	860,863
	<u>\$ 9,575,000</u>	<u>\$ 15,946,625</u>	<u>\$ 25,521,625</u>

REDLANDS 360 METROPOLITAN DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY (CONTINUED)
DECEMBER 31, 2025

\$7,385,000 Special Assessment Revenue Bonds Series 2025 Special Improvement District No. 1 Dated December 9, 2025 6.250% Interest Payable June and December 1 Principal Payable December 1			
Year Ending December 31,	Principal	Interest	Total
2026	\$ -	\$ 451,306	\$ 451,306
2027	-	461,563	461,563
2028	-	461,563	461,563
2029	-	461,563	461,563
2030	280,000	461,563	741,563
2031	300,000	444,063	744,063
2032	320,000	425,313	745,313
2033	340,000	405,313	745,313
2034	360,000	384,063	744,063
2035	380,000	361,563	741,563
2036	405,000	337,813	742,813
2037	430,000	312,500	742,500
2038	455,000	285,625	740,625
2039	485,000	257,188	742,188
2040	515,000	226,875	741,875
2041	550,000	194,688	744,688
2042	585,000	160,313	745,313
2043	620,000	123,750	743,750
2044	660,000	85,000	745,000
2045	700,000	43,750	743,750
	\$ 7,385,000	\$ 6,345,375	\$ 13,730,375

REDLANDS 360 METROPOLITAN DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY (CONTINUED)
DECEMBER 31, 2025

Debt Summary

Year Ending December 31,	Totals		Total
	Principal	Interest	
2026	\$ -	\$ 1,118,364	\$ 1,118,364
2027	-	1,143,782	1,143,782
2028	-	1,143,782	1,143,782
2029	-	1,143,782	1,143,782
2030	280,000	1,143,782	1,423,782
2031	320,000	1,126,282	1,446,282
2032	400,000	1,106,107	1,506,107
2033	425,000	1,080,407	1,505,407
2034	470,000	1,053,101	1,523,101
2035	495,000	1,022,763	1,517,763
2036	545,000	990,819	1,535,819
2037	580,000	955,531	1,535,531
2038	630,000	917,969	1,547,969
2039	675,000	877,063	1,552,063
2040	735,000	833,213	1,568,213
2041	785,000	785,351	1,570,351
2042	855,000	734,232	1,589,232
2043	910,000	678,431	1,588,431
2044	985,000	619,019	1,604,019
2045	1,050,000	554,613	1,604,613
	<u>\$ 16,960,000</u>	<u>\$ 22,292,000</u>	<u>\$ 39,252,000</u>

REDLANDS 360 METROPOLITAN DISTRICT NO. 2
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2025

Year Ended December 31,	Assessed Valuation	Percent Change	Total Mills Levied			Total Property Taxes		Percent Collected to Levied
			General Operations	Debt Service	Total	Levied	Collected	
2022/2023	\$ 53,970	N/A	-	-	-	\$ -	\$ -	N/A
2023/2024	27,800	-48%	15.000	-	15.000	417	417	100%
2024/2025	1,230,450	4326%	15.000	-	15.000	18,457	18,457	100%
Estimated for Year Ending December 31, 2026	\$ 2,254,360	83%	14.827	55.068	69.895	\$ 157,568		

Note:

Property taxes collected in any one year include collection of delinquent property taxes

Source: Mesa County Assessor and Treasurer.