KARL'S FARM METROPOLITAN DISTRICT NO. 2

Financial Statements

Year Ended December 31, 2025

with

Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Karl's Farm Metropolitan District No. 2
Adams County, CO

Opinions

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

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 information as noted in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Flynn CPA, LLC

Castle Pines, CO
September 7, 2026

Karl's Farm Metropolitan District No. 2

BALANCE SHEET/STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2025

	General	Debt Service	Total	Adjustments	Statement of Net Position
ASSETS					
Cash and investments	$ 6,774	$ -	$ 6,774	$ -	$ 6,774
Cash and investments - restricted	-	265,027	265,027	-	265,027
Receivable - County Treasurer	1,677	9,778	11,455	-	11,455
Property taxes receivable	149,159	1,119,429	1,268,588	-	1,268,588
Due from other funds	94,772	-	94,772	-	94,772
Total Assets	252,382	1,394,234	1,646,616	-	1,646,616
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding	-	-	-	607,081	607,081
Total Deferred Outflows of Resources	-	-	-	607,081	607,081
Total Assets and Deferred Outflows of Resources	$ 252,382	$ 1,394,234	$ 1,646,616		
LIABILITIES					
Accrued interest on bonds	$ -	$ -	$ -	$ 274,945	$ 274,945
Due to other funds	-	94,772	94,772	-	94,772
Long-term liabilities:					
Due in more than one year	-	-	-	18,378,000	18,378,000
Total Liabilities	-	94,772	94,772	18,652,945	18,747,717
DEFERRED INFLOWS OF RESOURCES					
Deferred property taxes	149,159	1,119,429	1,268,588	-	1,268,588
Total Deferred Inflows of Resources	149,159	1,119,429	1,268,588	-	1,268,588
FUND BALANCES/NET POSITION					
Fund Balances:					
Restricted:					
Debt service	-	180,033	180,033	(180,033)	-
Unassigned	103,223	-	103,223	(103,223)	-
Total Fund Balances	103,223	180,033	283,256	(283,256)	-
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 252,382	$ 1,394,234	$ 1,646,616		
Net Position:					
Restricted for:					
Debt service				(94,912)	(94,912)
Unrestricted				(17,667,696)	(17,667,696)
Total Net Position				$ (17,762,608)	$ (17,762,608)

The notes to the financial statements are an integral part of these statements.

Karl's Farm Metropolitan District No. 2

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2025

	General	Debt Service	Capital Projects	Total	Adjustments	Statement of Activities
EXPENDITURES						
Transfer to District 1	$ 101,498	$ -	$ -	$ 101,498	$ -	$ 101,498
Treasurer's fees	2,072	12,081	-	14,153	-	14,153
Interest expense	-	1,000,341	-	1,000,341	177,883	1,178,224
Cost of issuance	-	8,420	-	8,420	-	8,420
Trustee fees	-	3,000	-	3,000	-	3,000
Total Expenditures	103,570	1,023,842	-	1,127,412	177,883	1,305,295
GENERAL REVENUES						
Property taxes	138,106	805,236	-	943,342	-	943,342
Specific ownership taxes	6,772	39,484	-	46,256	-	46,256
Interest income	8,915	12,553	272	21,740	-	21,740
Total General Revenues	153,793	857,273	272	1,011,338	-	1,011,338
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	50,223	(166,569)	272	(116,074)	(177,883)	(293,957)
OTHER FINANCING SOURCES (USES)						
Transfers (to) from other funds	-	272	(272)	-	-	-
Total Other Financing Sources (Uses)	-	272	(272)	-	-	-
NET CHANGES IN FUND BALANCES	50,223	(166,297)	-	(116,074)	116,074	
CHANGE IN NET POSITION					(293,957)	(293,957)
FUND BALANCES/NET POSITION:						
BEGINNING OF YEAR	53,000	346,330	-	399,330	(17,867,980)	(17,468,650)
END OF YEAR	$ 103,223	$ 180,033	$ -	$ 283,256	$ (18,045,864)	$ (17,762,608)

The notes to the financial statements are an integral part of these statements.

Karl's Farm Metropolitan District No. 2

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Property taxes	$ 138,162	$ 138,162	$ 138,106	$ (56)
Specific ownership taxes	7,242	7,242	6,772	(470)
Interest income	12,000	5,000	8,915	3,915
Total Revenues	157,404	150,404	153,793	3,389
EXPENDITURES				
Transfer to District 1	154,331	202,032	101,498	100,534
Miscellaneous expense	1,000	5,000	-	5,000
Treasurer's fees	2,072	2,072	2,072	-
Emergency reserve	1	-	-	-
Total Expenditures	157,404	209,104	103,570	105,534
NET CHANGE IN FUND BALANCE	-	(58,700)	50,223	108,923
FUND BALANCE:				
BEGINNING OF YEAR	-	58,700	53,000	(5,700)
END OF YEAR	$ -	$ -	$ 103,223	$ 103,223

The notes to the financial statements are an integral part of these statements.

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Karl's Farm Metropolitan District No. 2, (the "District"), located in Adams County, Colorado, conform to the accounting principles generally accepted in the United States of America ("GAAP") as applicable to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District was organized on November 12, 2019, in conjunction with the Operating District, Karl's Farms Metropolitan District No. 1 (the "District No. 1") and the Commercial District, Karl's Farms Metropolitan District No. 3, (the "District No. 3"), as a quasi-municipal organization established under the State of Colorado Special District Act. The District was established to provide financing, acquisition, and construction of certain essential public facilities for the use and benefit of the inhabitants and taxpayers of real property within the boundaries of the District and District Nos. 1 and 3. Effective January 1, 2023, the District and Districts No. 1 and No. 3 approved a restructuring of the Districts. Under this restructuring, the District and District No. 3 are deemed the financing Districts and District No. 1 is the service district charged with the coordination and management of services for the District and District No. 3 and the provision of improvements authorized in the service plans and pursuant to intergovernmental agreements (see Note 6). In 2025, the District's primary source of revenues is property taxes, loan and bond proceeds (see Note 3). The District is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows GASB pronouncements, which provides guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets 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 pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

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

Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 - Special Purpose Governments.

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the governmental funds statement of revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

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.*

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 the related cash flows. Property taxes are recognized as revenues in the year they are collected.

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 material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred, or the long-term obligation is paid.

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

Debt Service Fund – The Debt Service Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs.

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other assets.

Budgetary Accounting

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The 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 appropriation is at the total fund expenditures level and lapses at year end.

In 2025, the District amended its total appropriations in the General Fund from $157,404 to $290,104 in anticipation of increased transfers to District No. 1. The District also amended the Capital Projects Fund from $0 to $500 primarily due to the closing of unused accounts with the trustee.

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position:

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2025, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value.

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 minimum number of bank accounts. 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.

Interfund Balances

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". These amounts are eliminated in the Statement of Net Position.

Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report 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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred loss on refunding reported in the government-wide statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report 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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item that qualifies for reporting in this category. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

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 30 or if in equal installments, at the taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally 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 inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Deferred Loss on Refunding

Deferred loss on refunding from the Series 2020A$_3$ Bonds, (See Note 3) is being amortized over the term of the bonds using the interest method. Accumulated amortization of the deferred loss on refunding amounted to $28,817 at December 31, 2025.

Fund Equity

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact.

Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the Debt Service Fund in the amount of $180,033 is restricted for the payment of the debt service costs associated with the Series 2024A Loan and the Series 2024B Bonds (see Note 4).

Committed Fund Balance
The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by a 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
Assigned fund balance includes amounts the District intends to use for a specific purpose. Intent can be expressed by the District's Board of Directors or by an official or body to which the Board of Directors delegates the authority.

Unassigned Fund Balance
Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund, all other funds can report negative amounts.

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

Net Position
Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District can report three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District will use the most restrictive net position first.

Adoption of New Accounting Standards

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

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

Note 2: Cash and Investments

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

Statement of Net Position:		
Cash and investments	$	6,774
Cash and investments - Restricted		265,027
Total	$	271,801

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

Deposits with financial institutions	$	258,019
Investments - COLOTRUST		13,782
	$	271,801

Deposits:

Custodial Credit Risk

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

The District follows state statutes for deposits. None of the District's deposits were exposed to custodial credit risk.

Investments:

Investment Valuation

Certain investments are measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's investment is not required to be categorized within the fair value hierarchy. This investment's value is calculated using the net asset value method (NAV) per share.

Credit Risk

The District has not adopted a formal investment policy; however the District follows state statutes regarding investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

Custodial and Concentration of Credit Risk

None of the District's investments are subject to custodial or concentration of credit risk.

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

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

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust ("COLOTRUST"), is rated AAAm by Standard & Poor's with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. COLOTRUST operates similarly to a money market fund with each share maintaining a value of $1.00. The COLOTRUST offers shares in three portfolios, one of which is COLOTRUST PLUS+. COLOTRUST PLUS+ may invest in U.S. Treasuries, government agencies, the highest-rated commercial paper, certain corporate securities, certain money market funds, and certain repurchase agreements, and limits its investments to those allowed by State statutes. Purchases and redemptions are available daily at a net asset value (NAV) of $1.00.

A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal function of COLOTRUST. The custodian's internal records identify the investments owned by participating governments. There are no unfunded commitments and there is no redemption notice period. On December 31, 2025, the District had $13,782 invested in COLOTRUST Plus+.

Note 3: Long Term Debt

A description of the long-term obligations as of December 31, 2025, is as follows:

$15,610,000 Taxable (Convertible to Tax-Exempt) Limited Tax General Obligation Refunding Loan, Series 2024A

On October 25, 2024, the District issued its Taxable (Convertible to Tax-Exempt) Limited Tax General Obligation Refunding Loan, Series 2024A (the "Series 2024A Loan") in the total amount of $15,610,000. The Series 2024A Loan carries a coupon rate of 7.150% through the Tax-Exempt Reissuance Date of June 2, 2025, then, it carries a coupon rate of 5.650%, maturing on December 1, 2044. The proceeds of the Series 2024A Loan were used to refund the Series 2020A$_3$ Bonds.

The Series 2024A Loan is secured by a maximum required mill levy of up to 50.000 mills (subject to adjustment for changes in the method of calculating the assessed valuation) from the District, the portion of specific ownership taxes attributable to the property taxes used for debt service. When the ratio of the outstanding general obligation debt of the District to the District's assessed valuation is 50% or less, the Series 2024A Loan will convert to unlimited tax. Principal amounts shall come due and payable each December 1 commencing December 1, 2027. Interest payments are due June 1 and December 1 commencing December 1, 2024.

The Series 2024A Loan is subject to prepayment at the option of the District through June 30, 2034, with a Yield Maintenance Fee. After July 1, 2034, the Series 2024A Loan may be prepaid with no fee.

The following is a summary of the annual long-term debt principal and interest requirements for the Series 2024A Loan:

	Principal	Interest	Total
2026	$ -	$ 881,966	$ 881,966
2027	105,000	881,966	986,966
2028	135,000	876,032	1,011,032
2029	140,000	868,406	1,008,406
2030	170,000	860,496	1,030,496
2031 - 2035	1,135,000	4,138,910	5,273,910
2036 - 2040	1,805,000	3,746,798	5,551,798
2041 - 2044	12,120,000	2,576,402	14,696,402
	$ 15,610,000	$ 14,830,976	$ 30,440,976

$2,768,000.00 Subordinate Limited Tax General Obligation Bonds, Series 2024B

On October 25, 2024, the District issued its Subordinate Limited Tax General Obligation Bonds, Series 2024B (the "Series 2024B Bonds") totaling $2,768,000. The Series 2024B Bonds carry an interest rate of 6.200% and mature on December 15, 2044. The Series 2024B Bonds are cash flow bonds with annual payments anticipated to be made on December 15, commencing December 15, 2025. The 2024B Bonds proceeds were used for repayment of improvement costs incurred by the developer. The Bonds are limited tax general obligations of the District secured by and payable from the Subordinate Pledged Revenue, consisting of the following: (a) all Subordinate Property Tax Revenues; (b) all Subordinate PILOT Revenues; (c) all Subordinate Specific Ownership Tax Revenues; and (d) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Subordinate Bond Fund. Unpaid interest compounds annually on December 15 at the rate of 6.200%.

In the event that any of the principal and interest on the Series 2024B Bonds remains unpaid after the application of all Subordinate Pledged Revenue available on December 15, 2060, this amount shall be deemed discharged and paid in full.

Because of the uncertainty of the timing of payments for the Series 2024B Bonds, summaries of the long-term debt principal and interest requirements are not presented.

The following is an analysis of changes in long-term debt for the period ending December 31, 2025:

	Balance 1/1/2025	Additions	Deletions	Balance 12/31/2025	Current Portion
General Obligation Debt					
General Obligation Refunding Loan - Series 2024A	$ 15,610,000	$ -	$ -	$ 15,610,000	$ -
Subordinate General Obligation Bonds - Series 2024B	2,768,000	-	-	2,768,000	-
Total Long-Term Debt	$ 18,378,000	$ -	$ -	$ 18,378,000	$ -

Debt Authorization

As of December 31, 2025, the District had remaining voted debt authorization of approximately $335,702,000. Per the Districts' Service Plan, the District cannot issue debt in excess of $37,000,000. The District has not budgeted to issue any new debt during 2025.

Note 5: Related Party

All of the Board of Directors are employees, owners or are otherwise associated with the Developer and may have conflicts of interest in dealing with the District. Management believes that all potential conflicts, if any, have been disclosed to the Board.

Note 6: Agreements

Funding and Reimbursement Agreement

On December 4, 2019, the District and KF Developers Inc., ("KFD") entered into a Funding and Reimbursement Agreement, ("agreement"), under which KFD agreed to advance funds necessary to fund or directly pay the District's operations and maintenance expenses for the up to $100,000 through December 31, 2025. Under the agreement, simple interest accrues on each advance from the date of deposit into the District's account or from the date of direct payment by KFD, until paid, at the rate of six and a half percent (6.5%) per annum. As of December 31, 2025, there were no advances made under this agreement.

Capital Facilities Fees Resolution

On July 7, 2020, the District adopted the Capital Facilities Fees Resolution imposing a fee due on the date a building permit is issued. The rates are as follows: (a) $2,500/residential unit for a single-family detached and attached units and (b) $500/apartment unit for each apartment or other multi-family residential dwelling unit. The fees are not pledged to the repayment of the Series 2020A-3 Bonds and therefore, can be applied to the costs of acquiring, replacing, repairing, and maintaining certain amenities and facilities but are not to be used to pay for general administrative costs of the District. In 2025, the District earned and received $0 in fees.

Amended and Restated Offsite Improvement Agreement

On July 15, 2020, the District, the Developer, Southern Land, Richmond, and Meritage entered into an Amended and Restated Offsite Improvement Agreement (the "OFIA") which amended and restated in its entirety a prior agreement between the Developer, Southern Land, and the original owners of the Underlying Property. The OFIA sets forth the term and conditions upon which Richmond has agreed to construct certain offsite infrastructure required for development of property within Karl's Farm and provide for the payment thereof.

All of the infrastructure required to be constructed under the Development Agreement is included within the OFIA requirements. The OFIA contains additional grading and landscaping infrastructure that is not includes as a requirement under the Development Agreement.

Lot Finish Improvement Agreement

On July 15, 2020, the District entered into the Lot Finish Improvement Agreement with Richmond American Homes of Colorado, Inc., Meritage Homes of Colorado, Inc., KF Developers, Inc., and Land Title Guarantee Company (as Escrow Agent). This agreement details for responsibility for the development of the Project. Defines the lot finish improvements, and the payment for such improvements.

Amended and Restated Intergovernmental Agreement Regarding Facilities Funding and Construction ("IGA")

On September 20, 2023, the District and District Nos. 1 and 3 entered into an IGA whereby District No. 1 acknowledged it will coordinate the construction of all residential and commercial improvements by either constructing them or acquiring them from the Developer under the Acquisition and Reimbursement Agreement dated December 4, 2019. District No. 1 is designated as the Coordinating District and shall coordinate construction and funding of public improvements with and for the benefit of other District Nos. 2 and 3 ("Financing Districts") within the Development. The Coordinating District will own, operate and maintain the improvements within the boundaries of the Districts that are not dedicated to other governmental entities or an owner's association. The Financing Districts will be responsible for the costs associated with the financing of the improvements as well as costs associated for the administrative services and operation and maintenance services. This IGA is effective January 1, 2023, and resulted in all capital assets and developer advances previously recorded in the District, being transferred to District No. 1 on this date.

Note 7: Tax, Spending and Debt Limitations

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

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.

On November 5, 2019, 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 Article X, Section 20 of the Colorado Constitution.

Note 8: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool ("Pool") which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials' liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other 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: Interfund and Operating Transfers

The Capital Projects Fund transferred $272 to the Debt Service Fund due to the closing of a couple of accounts with the trustee.

Note 10: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

The Governmental Funds Balance Sheet/Statement of Net Position includes an adjustments column. The adjustments may have the following elements:

1) capital improvements used in government activities are not financial resources and, therefore are not reported in the funds; and

2) deferred loss on refunding costs are recorded as a deferred outflow of resources and amortized over the term of the related debt.

3) long-term liabilities such as bonds payable and accrued bond interest payable are not due and payable in the current period and, therefore, are not in the funds.

The Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities includes an adjustments column. The adjustments may have the following elements:

1) governmental funds report capital outlays as expenditures, however, in the statement of activities, the costs of those assets are held as construction in process pending transfer to other governmental entities or depreciated over their useful lives;

2) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities;

3) governmental funds report developer advances and/or bond proceeds as revenue; and,

4) governmental funds report long-term debt payments as expenditures, however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.

SUPPLEMENTAL INFORMATION

Karl's Farm Metropolitan District No. 2

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
DEBT SERVICE FUND
For the Year Ended December 31, 2025

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	$ 805,561	$ 805,236	$ (325)
Specific ownership taxes	40,279	39,484	(795)
Interest income	10,000	12,553	2,553
Total Revenues	855,840	857,273	1,433
EXPENDITURES			
Interest expense	990,000	1,000,341	(10,341)
Principal expense	200,000	-	200,000
Trustee fees	10,000	3,000	7,000
Cost of issuance	-	8,420	(8,420)
Treasurer's fees	12,083	12,081	2
Total Expenditures	1,212,083	1,023,842	188,241
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(356,243)	(166,569)	189,674
OTHER FINANCING SOURCES (USES)			
Loan proceeds	2,015	-	(2,015)
Transfers (to) from other funds	-	272	272
Total Other Financing Sources (Uses)	2,015	272	(1,743)
NET CHANGE IN FUND BALANCE	(354,228)	(166,297)	187,931
FUND BALANCE:			
BEGINNING OF YEAR	1,822,483	346,330	(1,476,153)
END OF YEAR	$ 1,468,255	$ 180,033	$ (1,288,222)

The notes to the financial statements are an integral part of these statements.

Karl's Farm Metropolitan District No. 2

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
CAPITAL PROJECTS FUND
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Interest income	-	$ 500	$ 272	$ (228)
Total Revenues	-	500	272	(228)
EXPENDITURES				
Transfer to District 1	-	-	-	-
Total Expenditures	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	500	272	(228)
OTHER FINANCING SOURCES (USES)				
Transfers (to) from other funds	-	(500)	(272)	228
Total Other Financing Sources (Uses)	-	(500)	(272)	228
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE:				
BEGINNING OF YEAR	343,985	-	-	-
END OF YEAR	$ 343,985	$ -	$ -	$ -

The notes to the financial statements are an integral part of these statements.

Karl's Farm Metropolitan District No. 2

SUMMARY OF ASSESSED VALUATION, MILL LEVY
AND PROPERTY TAXES COLLECTED
December 31, 2025
(Unaudited)

Collection Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied		Total Property Tax		Percent Collected to Levied
		General Fund	Debt Service	Levied	Collected	
2020	$ 385,580	0.000	0.000	$ -	$ -	0.00%
2021	$ 187,650	10.000	55.664	$ 12,322	$ 12,322	100.00%
2022	$ 208,550	10.000	55.664	$ 13,694	$ 13,695	100.01%
2023	$ 3,797,310	10.000	55.698	$ 249,476	$ 249,477	100.00%
2024	$ 9,866,540	10.658	62.142	$ 718,284	$ 669,150	93.16% (1)
2025	$ 12,963,230	10.658	62.142	$ 943,723	$ 943,342	99.96%
Estimated for year ending December 31, 2026	$ 16,816,070	8.870	66.569	$ 1,268,588		

NOTE

Property taxes collected in any one year include collection of delinquent property taxes levied and/or abatements or valuations in prior years. Information received from the County Treasurer does not permit identification of specific year assessment.

(1) - Property taxes from Adams County included abatements from the prior year.