EAGLE BROOK MEADOWS METROPOLITAN DISTRICT NO. 2

AUDITED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

December 31, 2025

Haynie

Table of Contents

Page

INDEPENDENT AUDITORS' REPORT 1-2

BASIC FINANCIAL STATEMENTS

Governmental Funds Balance Sheet and Statement of Net Position (Deficit) 3

Governmental Funds Revenues, Expenditures, and Changes in Fund Balances/ Net Position (Deficit) and Statement of Activities 4

Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit) —Actual and Budget—General Fund 5

Notes to Basic Financial Statements 6-11

SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures and Changes in Fund Balance —Actual and Budget—Debt Service Fund 12

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Eagle Brook Meadows Metropolitan District No. 2

Opinions

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

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 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.

Auditors' 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 auditors' 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.

Required Supplementary 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 opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Littleton, Colorado
September 28, 2026

Basic Financial Statements

EAGLE BROOK MEADOWS METROPOLITAN DISTRICT NO. 2
Governmental Funds Balance Sheet and Statement of Net Position (Deficit)
December 31, 2025

Assets	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
Cash and cash equivalents	$ 117,435	$ -	$ 117,435	$ -	$ 117,435
Other current assets	29	-	29	-	29
Property taxes receivable	214,876	729,851	944,727	-	944,727
Total Assets	$ 332,340	$ 729,851	$ 1,062,191	$ -	$ 1,062,191
Liabilities					
Due to other districts	$ 117,840	$ -	$ 117,840	$ -	$ 117,840
Total Liabilities	117,840	-	117,840	-	117,840
Deferred Inflows of Resources					
Deferred property tax revenue	214,876	729,851	944,727	-	944,727
Total Deferred Inflows of Resources	214,876	729,851	944,727	-	944,727
Fund Balances					
Fund Balances					
Restricted:					
Emergency reserves	12,601	408	13,009	(13,009)	-
Unrestricted, Unassigned	(12,977)	(408)	(13,385)	13,385	-
Total Fund Balances	(376)	-	(376)	376	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 332,340	$ 729,851	$ 1,062,191		
Net Position (Deficit)					
Restricted:					
Emergency reserves				13,009	13,009
Unrestricted				(13,385)	(13,385)
Total Net Position (Deficit)				$ (376)	$ (376)

The accompanying notes are an integral part of these financial statements.

EAGLE BROOK MEADOWS METROPOLITAN DISTRICT NO. 2
Governmental Funds Revenues, Expenditures, and Changes in Fund Balances - Net Position (Deficit) and Statement of Activities
For the Year Ended December 31, 2025

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
Revenues					
Property and other taxes	$ 203,800	$ 679,324	$ 883,124	$ -	$ 883,124
Specific ownership taxes	12,750	42,499	55,249	-	55,249
Charges for services	199,405	-	199,405	-	199,405
Fees, fines and late fees	3,880	-	3,880	-	3,880
Interest and other income	196	592	788	-	788
Total Revenues	420,031	722,415	1,142,446	-	1,142,446
Expenditures					
General government	415,951	-	415,951	-	415,951
Treasurer's fees	4,080	13,600	17,680	-	17,680
Payment for Debt Service to District 3	-	708,815	708,815	-	708,815
Total Expenditures	420,031	722,415	1,142,446	-	1,142,446
Net Change in Fund Balances	-	-	-	-	
Change in Net Position				-	-
Fund Balances/ Net Position (Deficit):					
Beginning of the Year	(376)	-	(376)	-	(376)
End of the Year	$ (376)	$ -	$ (376)	$ -	$ (376)

The accompanying notes are an integral part of these financial statements.

EAGLE BROOK MEADOWS METROPOLITAN DISTRICT NO. 2
Statement of Revenues, Expenditures, and Changes in Fund Balance (Deficit) —Actual and Budget—General Fund For the Year Ended December 31, 2025

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	$ 203,918	$ 203,800	$ (118)
Specific ownership taxes	12,235	12,750	515
Charges for services	-	199,405	199,405
Fees, fines and late fees	-	3,880	3,880
Interest and other income	2,500	196	(2,304)
Total Revenue	218,653	420,031	201,378
Expenditures			
Current			
General government	212,301	415,951	(203,650)
Treasurer's fees	4,078	4,080	(2)
Contingency	2,500	-	2,500
Total Expenditures	218,879	420,031	(201,152)
Net change in fund balances	(226)	-	(226)
Fund Balance—Beginning of year	-	(376)	(376)
Fund Balance (Deficit)—End of Year	$ (226)	$ (376)	$ 150

The accompanying notes are an integral part of these financial statements.

1. Definition of Reporting Entity

Eagle Brook Meadows Metropolitan District No. 2 (the "District") was established, pursuant to the Colorado Special District Act, Article 1 of Title 32 of the Colorado Revised Statutes, in November 2018, as a quasi-municipal corporation and a political subdivision of the State of Colorado. The District was formed in conjunction with Eagle Brook Meadows Metropolitan Districts 1 and 3 (collectively, the Districts) to provide financing for the construction, acquisition and operation and maintenance of water, wastewater, streets and other public improvements. The District serves as a taxing District. Eagle Brook Meadows Metropolitan District 1 serves as the "Operating District" for which the taxing districts are to provide funding to the Operating District. The District is governed by a five-member Board of Directors. The District is located in the City of Loveland, Colorado.

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 the GASB pronouncements, which provide 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. Management has determined that the District is not financially accountable for any other entity. Therefore, no component units are included within the District's reporting entity.

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

2. Summary of Significant Accounting Policies

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting.

The most significant of the District's accounting policies are described below.

Government-Wide and Fund Financial Statements

The government–wide financial statements, the Statement of Net Position and the Statement of Activities, report information on the accrual basis of accounting related to the governmental-type activities of the District. The Statement of Net Position presents information on all the District's assets, liabilities, deferred inflows of resources, and net position.

2. Summary of Significant Accounting Policies (continued)

Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The Statement of Activities demonstrates the degree to which the given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. General revenues including property tax revenues, specific ownership taxes, charges for services, fees and investment earnings are budgeted to meet the operational requirements of the function.

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 the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

The 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, specific ownership 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.

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.

The District reports the following major governmental funds:

- General Fund- The General Fund is the District’s primary operating fund. It accounts for all financial resources of the District, except for those required to be accounted for in another fund.
- Debt Service Fund- The Debt Service Fund accounts for the financial resources in regards to debt financing. The resources are transferred to District No. 3 for payment to the bondholders.

Budgets and Budgetary Accounting

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with the Local Government Budget Law of Colorado, the District's board of directors holds a public hearing 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 total appropriation can only be modified upon completion of public notification and hearing requirements.

2. Summary of Significant Accounting Policies (continued)

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.

For the year ended December 31, 2025, the General Fund expenditures exceeded appropriations by $201,152, which may be a violation of state statute.

Cash and Cash Equivalents

The District considers cash and cash equivalents to include cash on hand, unrestricted demand deposits, local government investment pools, money market accounts, and investments with original maturities of three months or less.

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents. 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.

Deferred Outflows (Inflows) of Resources

A deferred inflow of resources is an acquisition of net position by a government that is applicable to a future reporting period, and a deferred outflow of resources is a consumption of net position by a government that is applicable to a future reporting period. Both deferred inflows and outflows of resources are reported in the statement of net position, but are not recognized in the financial statement as revenues and expenses until the period(s) to which they relate.

Deferred property taxes represent property taxes for which an enforceable legal claim to assets exists, but for which the levy pertains to the subsequent year.

The District does not have any items that qualify for reporting as deferred outflows as of December 31, 2025.

Debt

As of December 31, 2025, Eagle Brook Meadows Metropolitan Districts Nos. 1-3 had no unissued voter authorized debt. The Districts' Service Plan limits the total debt issuance to $14,000,000.

2. Summary of Significant Accounting Policies (continued)

Property Taxes

Property taxes are levied on December 15 and attach an enforceable lien on the respective property on January 1. Taxes are payable in full on or before April 30 or in two installments on February 28 and June 15. The County Treasurer collects and remits the property taxes to the District on a monthly basis.

Since property tax revenues are collected in arrears during the succeeding year, a receivable and corresponding deferred revenue are recorded on December 31. As the tax is collected in the succeeding year, the deferred revenue is recognized as revenue and the receivable is reduced.

Property taxes revenue received from the District's operating and maintenance revenue is transferred to the Operating District. Property tax revenue received from the District's debt service mill levy is transferred to District No. 3.

Fund Balances and Net Position

The District utilizes the fund balance presentation as required under GASB Statement No. 54, *Fund Balance Reporting* and *Governmental Fund Type Definitions*. Fund balances are categorized as non-spendable, restricted, committed, assigned or unassigned.

- *Non-spendable Fund Balance-* Represents amounts that cannot be spent because they are either in non-spendable form or legally required to remain intact.
- *Restricted Fund Balance-* Represents amounts with external constraints placed on the use of these resources or imposed by enabling legislation.
- *Committed Fund Balance*- Represents amounts that can only be used for specific purposes imposed by a formal action of the District's highest level of decision-making authority, the District's Board of Directors. Committed resources cannot be used for any other purpose unless the District's Board of Directors removes or changes the specific uses by the same type of action used to commit those amounts, either by resolution or by ordinance.
- *Assigned Fund Balance*- Represents amounts that the District intends to use for specific purposes as expressed by the District's Board of Directors or a District official delegated the authority to assign amounts.
- *Unassigned Fund Balance*- Represents amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

Amounts are considered to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. Unrestricted amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

2. Summary of Significant Accounting Policies (continued)

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 of 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.

Subsequent Events

Subsequent to year-end, on March 18, 2026, the District was consolidated with the Eagle Brook Meadows Metropolitan District No. 1 and Eagle Brook Meadows Metropolitan District No. 3. Upon the effective date, the District's assets, liabilities, and operations were transferred to the consolidated district, Eagle Brook Meadows Metropolitan District, which assumed responsibility for all future operations and obligations. As a result, the District ceased to exist as a separate governmental and reporting entity.

3. Cash and Cash Equivalents

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 regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

At December 31, 2025, the District's carrying amount of deposits and bank balances were $117,435 and $115,195, respectively. The District's deposits did not exceed federal depository insurance limits; therefore, all deposits were fully insured.

4. Related Parties and Transactions

During fiscal year 2025, one member of the Board of Directors is under contract to purchase taxable real property from Front Range Investment Holdings, LLC (Front Range), the developer of the property in the District. The sale price of the property was $2,722.50.

5. Risk Management

The District is exposed to various risks of loss related to torts, theft 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) as of December 31, 2025. 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 the past three years.

The District pays annual premiums to the Pool for liability, property, and public officials' coverage. In the event aggregated losses incurred by the Pool exceeds 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.

6. Tax, Spending, and Debt Limitations

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue, and debt limitations, which apply to the State of Colorado and all local governments. In 2018, the District passed a ballot question authorizing the District to collect, retain, and spend for any lawful purpose the revenues generated from all sources in each fiscal year thereafter.

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 revenues.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bond 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.

Supplementary Information

EAGLE BROOK MEADOWS METROPOLITAN DISTRICT NO. 2
Schedule of Revenues, Expenditures and Changes in Fund Balance —Actual and Budget—Debt Service Fund For the Year Ended December 31, 2025

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property and other taxes	$ 679,721	$ 679,324	$ (397)
Specific ownership taxes	40,784	42,499	1,715
Interest and other income	5,000	592	(4,408)
Total Revenue	725,505	722,415	(3,090)
Expenditures:			
Debt Service payments to District 3	706,911	708,815	(1,904)
Treasurer's fees	13,594	13,600	(6)
Contingency	5,000	-	5,000
Total Expenditures	725,505	722,415	3,090
Net change in fund balances	-	-	-
Fund Balance—Beginning of year	-	-	-
Fund Balance—End of Year	$ -	$ -	$ -

The accompanying notes are an integral part of these financial statements.