VILLAGE EAST COMMUNITY METROPOLITAN DISTRICT

Financial Statements

Year Ended December 31, 2025

with

Independent Auditor's Report

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HIRATSUKA & ASSOCIATES, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Village East Community Metropolitan District
Weld County, Colorado

Opinion

We have audited the accompanying financial statements of the governmental activities and each major fund of the Village East Community Metropolitan District (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 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 opinion.

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 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.

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- 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 not presented Management's Discussion and Analysis. Such missing information, although not a part of the basic financial statements, is required by GASB, 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 the missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplemental Information as listed in the table of contents is presented for the purpose of additional analysis and was not a required part of the financial statements.

The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the 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 financial statements as a whole.

Hiratsuka & Associates, LLP

July 8, 2026
Wheat Ridge, Colorado

Village East Community Metropolitan District

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

	General	Debt Service	Capital Projects	Total	Adjustments	Statement of Net Position
ASSETS						
Cash	$ 65,559	$ -	$ -	$ 65,559	$ -	$ 65,559
Cash and investments - restricted	6,224	6,923	4,991	18,138	-	18,138
Property taxes receivable	70,519	298,904	-	369,423	-	369,423
Prepaid expenses	5,917	-	-	5,917	-	5,917
District fees receivable	26,147	-	-	26,147	-	26,147
Total Assets	$ 174,366	$ 305,827	$ 4,991	$ 485,184	-	485,184
DEFERRED OUTFLOWS OF RESOURCES						
Deferred loss on refunding	-	-	-	-	149,941	149,941
Total Deferred Outflows of Resources	-	-	-	-	149,941	149,941
Total Assets and Deferred Outflows of Resources	$ 174,366	$ 305,827	$ 4,991	$ 485,184		
LIABILITIES						
Accounts payable	$ 560	$ -	$ -	$ 560	-	560
Prepaid district fees	11,383	-	-	11,383	-	11,383
Town Mill Levy payable	26,541	-	-	26,541	-	26,541
Accrued interest on long term debt	-	-	-	-	25,725	25,725
Long-term liabilities:						
Due within one year	-	-	-	-	50,000	50,000
Due in more than one year	-	-	-	-	9,138,100	9,138,100
Total Liabilities	38,484	-	-	38,484	9,213,825	9,252,309
DEFERRED INFLOWS OF RESOURCES						
Deferred property taxes	70,519	298,904	-	369,423	-	369,423
Total Deferred Inflows of Resources	70,519	298,904	-	369,423	-	369,423
FUND BALANCES/NET POSITION						
Fund Balances:						
Nonspendable:						
Prepaids	5,917	-	-	5,917	(5,917)	-
Restricted:						
Emergencies	6,224	-	-	6,224	(6,224)	-
Debt service	-	6,923	-	6,923	(6,923)	-
Capital projects	-	-	4,991	4,991	(4,991)	-
Unassigned	53,222	-	-	53,222	(53,222)	-
Total Fund Balances	65,363	6,923	4,991	77,277	(77,277)	-
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 174,366	$ 305,827	$ 4,991	$ 485,184		
Net Position:						
Restricted for:						
Emergencies					6,224	6,224
Capital projects					4,991	4,991
Unrestricted					(8,997,822)	(8,997,822)
Total Net Position					$ (8,986,607)	$ (8,986,607)

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

Village East Community Metropolitan District

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						
General & Administrative						
Management & accounting	$ 48,360	$ -	$ -	$ 48,360	$ -	$ 48,360
Insurance	6,488	-	-	6,488	-	6,488
Legal	7,190	-	-	7,190	-	7,190
Audit	9,300	-	-	9,300	-	9,300
Town fee	26,541	-	-	26,541	-	26,541
Miscellaneous	1,610	54	-	1,664	-	1,664
Landscape costs	77,861	-	-	77,861	-	77,861
Office expense	1,437	-	-	1,437	-	1,437
Snow removal	13,830	-	-	13,830	-	13,830
Treasurer's fees	1,008	4,323	-	5,331	-	5,331
Utilities	2,644	-	-	2,644	-	2,644
Planning & engineering	1,250	-	-	1,250	-	1,250
Developer advance interest	-	-	-	-	197,301	197,301
Loan principal	-	85,000	-	85,000	(85,000)	-
Loan and Bond interest	-	320,763	-	320,763	12,085	332,848
Total Expenditures	197,519	410,140	-	607,659	124,386	732,045
PROGRAM REVENUES						
District fees	121,554	-	-	121,554	-	121,554
Total Program Revenues	121,554	-	-	121,554	-	121,554
Net Program Income (Expenses)	(75,965)	(410,140)	-	(486,105)	-	-
GENERAL REVENUES						
Property taxes	66,971	288,227	-	355,198	-	355,198
Specific ownership taxes	2,955	11,603	-	14,558	-	14,558
Interest income	4,786	377	-	5,163	-	5,163
Total General Revenues	74,712	300,207	-	374,919	-	374,919
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,253)	(109,933)	-	(111,186)	(124,386)	(235,572)
NET CHANGES IN FUND BALANCES	(1,253)	(109,933)	-	(111,186)	111,186	
CHANGE IN NET POSITION					(235,572)	(235,572)
FUND BALANCES/NET POSITION:						
BEGINNING OF YEAR - RESTATED	66,616	116,856	4,991	188,463	(8,939,498)	(8,751,035)
END OF YEAR	$ 65,363	$ 6,923	$ 4,991	$ 77,277	$ (9,063,884)	$ (8,986,607)

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

Village East Community Metropolitan District

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

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	$ 67,204	$ 66,971	$ (233)
Specific ownership taxes	4,032	2,955	(1,077)
Interest income	-	4,786	4,786
Design review fees	500	-	(500)
District fees	113,940	121,554	7,614
Total Revenues	185,676	196,266	10,590
EXPENDITURES			
Management & Accounting	48,360	48,360	-
Audit	7,100	9,300	(2,200)
Legal	14,000	7,190	6,810
Insurance/SDA Dues	7,640	6,488	1,152
Election	5,000	-	5,000
Miscellaneous	-	1,610	(1,610)
Town fee	27,428	26,541	887
Design review fees	500	-	500
Treasurer's fees	1,240	1,008	232
Snow removal	5,000	13,830	(8,830)
Landscape maintenance	78,744	77,861	883
Sprinkler repair	5,000	-	5,000
Pest control	500	-	500
Water & utilities	2,737	2,644	93
Planning & engineering	5,000	1,250	3,750
Office expense	1,000	1,437	(437)
Contingency	5,000	-	5,000
Total Expenditures	214,249	197,519	16,730
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(28,573)	(1,253)	27,320
FUND BALANCE:			
BEGINNING OF YEAR - RESTATED	71,714	66,616	(5,098)
END OF YEAR	$ 43,141	$ 65,363	$ 22,222

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 Village East Community Metropolitan District, (the "District"), located in the Town of Frederick, ("Town") Weld 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 July 28, 2016 as a quasi-municipal organization established under the State of Colorado Special Districts Act. The District operates pursuant to a service plan approved by the Town on September 8, 2015 (the "Service Plan"). The District was formed for the purpose of providing for the design, acquisition, completion, construction, installation and operation and maintenance of streets, sanitary and storm water, and park and recreation services for the District and its inhabitants, taxpayers and users. The District is responsible for operating and maintaining park and recreation improvements and is also required to undertake the operations and maintenance responsibilities for the public improvements that are not conveyed to the Town or other governmental entities. The District is governed by an elected Board of Directors.

The District's primary revenues are property taxes and District fees.

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.

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. 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. The District had one type of *Program revenues* to report as of December 31, 2025. District fees are collected from homeowners to assist with operating expenses. 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 in which 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 *availabl*e 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 and interest on long-term general obligation debt of the government funds.

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

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.

The District amended the total appropriations in the Debt Service Fund due to the December 2024 loan payment that was incorrectly not paid until January 2025 (See Note 4). The Debt Service Fund appropriations remained over budget which may be considered a violation of state budget laws.

Assets, Liabilities 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.

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 Loss on Refunding

The deferred loss on refunding of the 2020 Bonds is being amortized over the life of the 2024 Loan using the effective interest method. Accumulated amortization on the deferred loss on refunding amounted to $18,217 at December 31, 2025.

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 has one item that qualifies for reporting in this category, a deferred loss on bond refunding. 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 will be amortized as interest over the life of the 2024 Loan.

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 deferred property taxes are the one 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.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are recorded at cost.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable using the straight-line method. Land and certain improvements are not depreciated. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. All assets constructed by the District have been conveyed to other governments.

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.

Fund Balance

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. Nonspendable balances of $5,917 at year-end relates to prepaid insurance.

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 General Fund in the amount of $6,224 represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado.

The restricted fund balance in the Debt Service Fund in the amount of $6,923 is restricted for the payment of debt service costs associated with the Series 2024 Loan (see Note 4).

The restricted fund balance in the Capital Projects Fund in the amount of $4,991 is restricted for the payment of the costs for capital improvements within the District.

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. The District has no amounts to report as Committed Fund Balance as of December 31, 2025.

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. The District has no amounts to report as Assigned Fund Balance as of December 31, 2025.

Unassigned Fund Balance
Unassigned fund balance includes amounts that are available for any purpose.

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.

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 balance of deferred outflows or resources related to those assets. At December 31, 2025 the District did not have any amounts to report in this category.

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.

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	$	65,559
Cash and investments - Restricted		18,138
Total	$	83,697

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

Deposits with financial institutions	$	9,803
Colotrust		67,856
Business Money Market		6,038
	$	83,697

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

The District categorizes its fair value measurements 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 investments are not required to be categorized within the fair value hierarchy. The investment values are calculated using the net asset value method ("NAV") per share.

Credit Risk

The District's investment policy requires that the District follow state statutes for 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. The trusts operate similarly to a money market fund with each share maintaining a value of $1.00. The Trust offers shares in two portfolios, Colotrust Prime and Colotrust Plus+. Both investments consist of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. Colotrust Plus+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to the trusts. Substantially all securities owned by the trusts are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians' internal records identify the investments owned by Colotrust. At December 31, 2025, the District had $67,856 invested in Colotrust Plus+.

Central Bank Business Money Market

The District's funds that are included in the money market accounts at Central Bank are invested in a Business Money Market. This is a money market fund and each share is equal in value to $1.00. All investments with the money market fund are recorded at fair value. The maturity of the underlying securities is 30 days or less. As of December 31, 2025, the District has $6,038 invested in the fund, all of which was restricted for the repayment of bond principal and interest.

Note 3: Long-Term Obligations

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

$4,895,000 Taxable Convertible to Tax-Exempt Limited Tax General Obligation Refunding Loan, Series 2024

On June 25, 2024, the District entered into a Taxable Convertible to Tax-Exempt Limited Tax General Obligation Refunding Loan, Series 2024 ("2024 Loan") with Central Tax-Exempt Investments, LLC (the "Lender") to refund the Series 2020A and 2020B Bonds through defeasance. The 2024 Loan bears taxable interest of 6.57% through the tax-exempt reissuance date which is expected to be September 2, 2025 at which point the interest rate decreases to 5%. Payments of interest on the 2024 Loan are due each June and December 1 commencing December 1, 2024. Payments of principal on the 2024 Loan are due each December 1 commencing December 1, 2024. The 2024 Loan matures on December 1, 2043.

The District may, at its option and with 30 days prior written notice to the Lender prepay the 2024 Loan, in whole or in part, on any date at a prepayment price equal to the principal amount plus accrued and unpaid interest thereon to the date of prepayment without penalty or premium. The 2024 Loan is secured by the Required Mill Levy, the portion of the Specific Ownership Tax which is collected as a result of the Required Mill Levy, and any other legally available moneys as determined by the District.
Events of default under the 2024 Loan include failure to impose the Required Mill Levy, failure or refusal to apply the Pledged Revenue as required by the loan agreement, bankruptcy or insolvency of the District, and additional items as outlined in the loan agreement. Remedies for default include application of all amounts held by Lender of Pledged Revenues to unpaid principal of the 2024 Loan and interest accrued and unpaid thereon as determined by Lender, enforcement of rights by Lender under financing documents and any provision of law by suit, action or special proceedings as the Lender deems appropriate, and other options as outlined in the loan agreement.

The 2024 Loan payment was incorrectly not remitted in December 2024. The amount was paid in January 2025, with the principal expense being recorded during 2025. This was not considered an event of default.

Operating Reimbursement Agreement

The District and Melody Homes, Inc. ("Developer") entered into an Operating Reimbursement Agreement with an effective date of July 1, 2020 (the "ORA"). Pursuant to the ORA the District agreed to reimburse the Developer for all advances together with interest at 6.0% per annum, commencing as of the date of each advance. The District also acknowledged that there were prior advances of $74,480, however prior to making any reimbursement for prior advances the Developer shall provide reasonable documentation to the District's counsel and accountant to support the amount of prior advances. The total amount due under the ORA at December 31, 2025 was $111,319 including principal of $74,480 and interest of $36,839.

Infrastructure Acquisition and Fund Agreement

The District and the Developer entered into an Infrastructure Acquisition and Funding Agreement with an effective date of July 1, 2020 ("Acquisition Agreement"). The Acquisition Agreement permits the Developer to, in its sole discretion, provide advances to the District as requested from time to time in writing by the District to pay certain costs related to the planning, design, engineering, construction, installation and completion of public improvements for the District, including without limitation, soft costs, such as those related to engineering, architectural, surveying or construction planning. Subject to the verification of the costs of such improvements by the District and confirmation that such improvements have been constructed in accordance with applicable standards and specifications, such improvements may be conveyed, transferred or dedicated to the District, the City or other governmental entity for public use. Amounts advanced by the Developer under the Acquisition Agreement are subject to reimbursement by the District with the proceeds of its bonds or from other legally available revenue not otherwise pledged, together with interest thereon at 6% per annum from the date of any advance. The total amount due under to ORA at December 31, 2025 was $4,378,148 including principal of $3,213,869 and interest of $1,052,916.

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					
Series 2024 Loan	$ 4,895,000	$ -	$ 85,000	$ 4,810,000	$ 50,000
Direct Borrowing					
Developer advance	3,288,349	-	-	3,288,349	-
Developer advance interest	892,450	197,301	-	1,089,751	-
Total	$ 9,075,799	$ 197,301	$ 85,000	$ 9,188,100	$ 50,000

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

	Principal	Interest	Total
2026	50,000	275,935	325,935
2027	55,000	241,306	296,306
2028	60,000	238,517	298,517
2029	65,000	235,476	300,476
2030	75,000	232,181	307,181
2031-2035	450,000	1,099,563	1,549,563
2036-2040	630,000	968,517	1,598,517
2041-2043	3,425,000	496,551	3,921,552
	$ 4,810,000	$ 3,788,047	$ 8,598,047

Debt Authorization

On May 3, 2016, a majority of the qualified elects of the District authorized the issuance of indebtedness in the amount not to exceed $92,000,000. Pursuant to the Service Plan, the District is permitted to issue bond indebtedness of up to $9,200,000. As of December 31, 2025, the District had $4,390,000 remaining authority under the Service Plan. The District has not budgeted any debt issuance during 2026.

Note 4: Other Agreements

Amended and Restated Resolution Concerning the Imposition of District Fees

Pursuant to an Amended and Restated Resolution Concerning the Imposition of District Fees, dated October 23, 2020 (the “Fee Resolution”), the Board of Directors approved the imposition of a monthly operations fee, against properties within the District. The operation fee was set at $10 per month for Undeveloped Lots, $35 per month for Developed Lots, and $50 per month for Developed Duplex Lots. The fees for the Developed Lots are to be collected in quarterly payments due on the 30th day of the first month of each quarter.

Contribution Mill Levy

Pursuant to the Service Plan, the District is required to impose a Contribution Mill levy of 3 mills for the purpose of financing capital improvements or for financing operations and maintenance expenses associated with the Town’s capital improvements. The revenue derived is to be remitted to the Town as collected. Amounts are recorded as Town Fee expenses on the accompanying financial statements.

Note 5: Related Parties

During 2025, some of the Board of Directors were 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: 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 May 3, 2016, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all current levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

Note 7: 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 8: 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 fund; and,

2) long-term liabilities such as bonds payable, developer advances payable and accrued bond/loan 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 interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities; and,

2) governmental funds report developer advances, loan and/or bond proceeds as revenue, which are as changes to long term liabilities on the Statement of Net Position; and,

3) 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 transfers to other governmental entities.

Note 9: Restatement of Beginning Balances

The beginning fund balance for the General Fund was decreased by $9,000 to account for audit expenses which should have been recognized in the prior period, and the beginning net position for the District was decreased by $7,159,242 to account for assets which were conveyed to other governments in prior years.

SUPPLEMENTAL INFORMATION

Village East Community Metropolitan District

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

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Property tax revenue	$ 288,158	$ 288,227	$ 288,227	$ -
Specific ownership tax	17,289	12,862	11,603	(1,259)
Interest income	-	390	377	(13)
Total Revenues	305,447	301,479	300,207	(1,272)
EXPENDITURES				
Bond principal	-	85,000	85,000	-
Bond interest	278,598	278,598	320,763	(42,165)
Bank fees	-	50	54	(4)
Paying agent fees	7,000	4,000	-	4,000
Treasurer's fees	8,645	5,188	4,323	865
Total Expenditures	294,243	372,836	410,140	(37,304)
NET CHANGE IN FUND BALANCE	11,204	(71,357)	(109,933)	(38,576)
FUND BALANCE:				
BEGINNING OF YEAR	26,285	116,859	116,856	(3)
END OF YEAR	$ 37,489	$ 45,502	$ 6,923	$ (38,579)

Village East Community Metropolitan District

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

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Interest income	$ -	$ -	$ -
Total Revenues	-	-	-
EXPENDITURES			
Capital expenditures	-	-	-
Transfer to debt service	-	-	-
Total Expenditures	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	-
FUND BALANCE:			
BEGINNING OF YEAR	4,991	4,991	-
END OF YEAR	$ 4,991	$ 4,991	$ -

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