

VALENTIA COURT METROPOLITAN DISTRICT

Financial Statements

Year Ended December 31, 2025

with

Independent Auditors' Report

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Valentia Court Metropolitan District
Arapahoe County, CO

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Valentia Court 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 Valentia Court Metropolitan 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 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.

A handwritten signature in blue ink that reads "Flynn CPA, LLC". The signature is stylized and includes a horizontal line underneath the text.

Flynn CPA, LLC

Castle Pines, CO

June 26, 2026

VALENTIA COURT METROPOLITAN DISTRICT

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

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	Statement of <u>Net Position</u>
ASSETS					
Cash and investments	\$ 59,161	\$ -	\$ 59,161	\$ -	\$ 59,161
Cash and investments - restricted	861	33,343	34,204	-	34,204
Receivable - County Treasurer	203	1,831	2,034	-	2,034
Property taxes receivable	<u>43,552</u>	<u>391,971</u>	<u>435,523</u>	<u>-</u>	<u>435,523</u>
 Total Assets	 <u>\$ 103,777</u>	 <u>\$ 427,145</u>	 <u>\$ 530,922</u>	 <u>-</u>	 <u>530,922</u>
LIABILITIES					
Accounts payable	\$ 2,034	\$ -	\$ 2,034	\$ -	\$ 2,034
Long-term liabilities:					
Due in more than one year	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,882,732</u>	<u>1,882,732</u>
 Total Liabilities	 <u>2,034</u>	 <u>-</u>	 <u>2,034</u>	 <u>1,882,732</u>	 <u>1,884,766</u>
DEFERRED INFLOW OF RESOURCES					
Deferred property taxes	<u>43,552</u>	<u>391,971</u>	<u>435,523</u>	<u>-</u>	<u>435,523</u>
 Total Deferred Inflows of Resources	 <u>43,552</u>	 <u>391,971</u>	 <u>435,523</u>	 <u>-</u>	 <u>435,523</u>
FUND BALANCES/NET POSITION					
Fund Balances:					
Restricted:					
Emergencies	861	-	861	(861)	-
Debt Service	-	35,174	35,174	(35,174)	-
Assigned:					
Subsequent years disbursements	2,245	-	2,245	(2,245)	-
Unassigned	<u>55,085</u>	<u>-</u>	<u>55,085</u>	<u>(55,085)</u>	<u>-</u>
 Total Fund Balances	 <u>58,191</u>	 <u>35,174</u>	 <u>93,365</u>	 <u>(93,365)</u>	 <u>-</u>
 Total Liabilities, Deferred Inflows of of Resources and Fund Balances	 <u>\$ 103,777</u>	 <u>\$ 427,145</u>	 <u>\$ 530,922</u>		
 Net Position:					
Restricted for:					
Emergencies				861	861
Debt service				35,174	35,174
Unrestricted				<u>(1,825,402)</u>	<u>(1,825,402)</u>
 Total Net Position				 <u>\$ (1,789,367)</u>	 <u>\$ (1,789,367)</u>

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

VALENTIA COURT METROPOLITAN DISTRICT

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

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES					
General expenses:					
Accounting	\$ 1,318	\$ -	\$ 1,318	\$ -	\$ 1,318
Insurance	2,700	-	2,700	-	2,700
Legal	15,152	-	15,152	-	15,152
Miscellaneous expenses	369	-	369	-	369
Treasurer's fees	649	5,840	6,489	-	6,489
Debt service:					
Bond interest expense	-	32,610	32,610	45,622	78,232
Bond principal	-	336,890	336,890	(336,890)	-
Bond issuance costs	-	97,946	97,946	-	97,946
Repay developer advances	<u>-</u>	<u>2,174,000</u>	<u>2,174,000</u>	<u>(2,133,293)</u>	<u>40,707</u>
Total Expenditures	<u>20,188</u>	<u>2,647,286</u>	<u>2,667,474</u>	<u>(2,424,561)</u>	<u>242,913</u>
GENERAL REVENUES					
Property taxes	43,220	388,995	432,215	-	432,215
Specific ownership taxes	2,351	21,160	23,511	-	23,511
Other Taxes-SB22/Vet Exemption	40	359	399	-	399
Interest income	<u>6,730</u>	<u>-</u>	<u>6,730</u>	<u>-</u>	<u>6,730</u>
Total General Revenues	<u>52,341</u>	<u>410,514</u>	<u>462,855</u>	<u>-</u>	<u>462,855</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	32,153	(2,236,772)	(2,204,619)	2,424,561	219,942
OTHER FINANCING SOURCES (USES)					
Developer advances	-	97,946	97,946	(97,946)	-
Bond proceeds	<u>-</u>	<u>2,174,000</u>	<u>2,174,000</u>	<u>(2,174,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>2,271,946</u>	<u>2,271,946</u>	<u>(2,271,946)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	32,153	35,174	67,327	(67,327)	
CHANGE IN NET POSITION				219,942	219,942
FUND BALANCES/NET POSITION:					
BEGINNING OF YEAR - RESTATED	<u>26,038</u>	<u>-</u>	<u>26,038</u>	<u>(2,035,347)</u>	<u>(2,009,309)</u>
END OF YEAR	<u>\$ 58,191</u>	<u>\$ 35,174</u>	<u>\$ 93,365</u>	<u>\$ (1,882,732)</u>	<u>\$ (1,789,367)</u>

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

VALENTIA COURT 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	\$ 43,255	\$ 43,220	\$ (35)
Specific ownership taxes	2,595	2,351	(244)
Other Taxes-SB22/Vet Exemption	-	40	40
Interest income	<u>2,500</u>	<u>6,730</u>	<u>4,230</u>
Total Revenues	<u>48,350</u>	<u>52,341</u>	<u>3,991</u>
EXPENDITURES			
Accounting	6,000	1,318	4,682
Election	7,800	-	7,800
Insurance	3,500	2,700	800
Legal	10,000	15,152	(5,152)
Miscellaneous expenses	3,000	369	2,631
Treasurer's fees	649	649	-
Contingency	10,701	-	10,701
Emergency Reserve	<u>928</u>	<u>-</u>	<u>928</u>
Total Expenditures	<u>42,578</u>	<u>20,188</u>	<u>22,390</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,772	32,153	26,381
OTHER FINANCING SOURCES (USES)			
Transfer to (from) other funds	<u>(80,000)</u>	<u>-</u>	<u>80,000</u>
Total Other Financing Sources (Uses)	<u>(80,000)</u>	<u>-</u>	<u>80,000</u>
NET CHANGE IN FUND BALANCE	(74,228)	32,153	106,381
FUND BALANCE:			
BEGINNING OF YEAR	<u>74,228</u>	<u>26,038</u>	<u>(48,190)</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 58,191</u>	<u>\$ 58,191</u>
The notes to the financial statements are an integral part of these statements.			

VALENTIA COURT METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2025

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Valentia Court Metropolitan District ("the District"), located in Arapahoe County, Colorado, (the "County"), 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 26, 2007, as a quasi-municipal organization established under the State of Colorado Special District Act. The District was established to finance and construct certain public infrastructure improvements that benefit the citizens of the District. The District's primary revenues are property taxes. 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 Statement No. 61, The Financial Reporting Entity: Omnibus, which amended GASB Statement No. 14, The Financial Reporting Entity and GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, 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.

VALENTIA COURT METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2025

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 for 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 *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.

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.

On November 5, 2025, the District amended its total appropriations in the Debt Service Fund from \$492,672 to \$2,747,519 primarily due to the issuance of Bonds to repay outstanding Developer promissory notes.

VALENTIA COURT METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2025

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.

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 assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. As of December 31, 2025, the District has no items that qualify for reporting in this category.

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 assets 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 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 defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

VALENTIA COURT METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2025

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. 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. Land and certain landscaping improvements are not depreciated. No depreciation expense was recognized during 2025.

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.

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the 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.

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 General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$861 of the General Fund balance has been restricted in compliance with this requirement.

VALENTIA COURT METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2025

The restricted fund balance in the Debt Service Fund in the amount of \$35,174 is restricted for the payment of the debt service costs. (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.

The assigned fund balance in the General Fund represents the amount appropriated for use in the budget for the year ending December 31, 2025.

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 reports 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.

VALENTIA COURT METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2025

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	\$ 59,161
Cash and investments – restricted	<u>34,204</u>
	<u>\$ 93,365</u>

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

Deposits with financial institutions	\$ 4,377
Investments - COLOTRUST	<u>88,988</u>
	<u>\$ 93,365</u>

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 does not have a formal policy for deposits. None of the District's deposits were exposed to custodial credit risk.

VALENTIA COURT METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2025

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 investment, is not required to be categorized within the fair value hierarchy. This investment's value is calculated using the net asset value (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.

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 COLOTRUST. 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. 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. At December 31, 2025, the District had \$88,988 invested in COLOTRUST.

VALENTIA COURT METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2025

Note 3: Long Term Debt

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

	Balance 12/31/24	Additions	Deletions	Balance 12/31/25	Current Portion
<u>General Obligation Bonds</u>					
Limited Tax General Obligation Bonds, Series 2025	\$ -	\$ 2,174,000	\$ 336,890	\$ 1,837,110	\$ -
Limited Tax General Obligation Bonds, Series 2025 - Accrued Interest	-	78,232	32,610	45,622	-
Total	-	2,252,232	369,500	1,882,732	-
<u>Other</u>					
Developer Notes - Capital	\$ 2,035,347	\$ 97,946	\$ 2,133,293	\$ -	\$ -
Developer Notes - Capital - Accrued Interest	-	40,707	40,707	-	-
Total	2,035,347	138,653	2,174,000	-	-
	<u>\$ 2,035,347</u>	<u>\$ 2,390,885</u>	<u>\$ 2,543,500</u>	<u>\$ 1,882,732</u>	<u>\$ -</u>

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

Limited Tax General Obligation Bonds Series 2025

On May 1, 2025, the District issued \$2,174,000 of Limited Tax General Obligation Bonds (the “Series 2025 Bonds”). The Series 2025 Bonds were issued for the purposes of repaying Developer Notes and paying the costs of issuance of the Series 2025 Bonds. The Series 2025 Bonds bear interest at the rate of 6.00%, payable annually on August 1, commencing on August 1, 2025, to the extent that Pledged Revenue is available. The Series 2025 Bonds are secured by Pledged Revenues including the Pledged Property Tax Revenues (as defined in the Bond Resolution for the Series 2025 Bonds or the “Series 2025 Resolution”), specific ownership taxes attributable to the District’s Pledged Property Tax Revenues and any other legally available moneys that the District determines in its sole discretion to credit to the Bond Fund.

The Series 2025 Bonds are “cash flow” bonds meaning that no regularly scheduled principal payments are due prior to the maturity date, and interest not paid will accrue and compound until there is sufficient Pledged Revenue for payment. In the event any amounts due and owing on the Series 2025 Bonds remain outstanding on August 2, 2064, such amounts shall be deemed discharged and shall no longer be due and outstanding.

The Series 2025 Bonds are also subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, on June 1, 2030, and on any date thereafter, upon payment of par, accrued interest and a redemption premium equal to a percentage of the principal amounts so redeemed, as follows:

- 3% of the amount redeemed from June 1, 2030 to May 31, 2031
- 2% of the amount redeemed from June 1, 2031 to May 31, 2032
- 1% of the amount redeemed from June 1, 2032 to May 31, 2033
- Redemptions on and after June 1, 2033 are at par

VALENTIA COURT METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2025

Due to the uncertainty of the timing of the principal and interest on the Bonds, a schedule of the estimated timing of these payments is not available.

In accordance with the Bond documents, due to the limited nature of the pledged revenues, the District will not be in default of its obligations by reason of failure to pay interest or principal when due. Any unpaid interest will compound on the due date commencing August 1, 2025.

Funding and Reimbursement Agreements

On December 2, 2011, the District and Valentia Development, Inc. ("Valentia") entered into a Funding and Reimbursement Agreement (the "FRA"), which set forth the rights, obligations and procedures for the funding of Operations & Maintenance Costs ("O&M Costs"), the funding and acquisition of certain public improvements ("Capital Costs") and for the District to reimburse Valentia for such costs. Valentia agrees to loan to the District one or more sums of money, not to exceed the aggregate of \$5,000,000 (the "Maximum Loan Amount") through December 31, 2016. As of December 31, 2025, there were no amounts due to Valentia under the FRA.

On November 1, 2016, the District and Willowmiss Development, Inc. ("Willowmiss") entered into a Funding and Reimbursement Agreement (the "Willowmiss FRA"), which set forth the rights, obligations and procedures for the funding of Operations & Maintenance Costs ("O&M Costs"), the funding and acquisition of certain public improvements (Capital Costs") and for the District to reimburse Willowmiss for such costs. Willowmiss agreed to loan to the District one or more sums of money, not to exceed the aggregate of \$5,000,000 (the "Maximum Loan Amount") available to the District through December 31, 2020. As of December 31, 2025, there were no amounts due to Willowmiss under the Willowmiss FRA.

Infrastructure Acquisition Agreements

On December 2, 2011, the District and Valentia entered into an Infrastructure Acquisition Agreement (the "IAA"), which set forth the rights, obligations and procedures for the acquisition of certain public improvements from Valentia. The District agreed to purchase from Valentia each completed Public Improvement authorized by the District's Service Plan upon satisfaction of the requirement and conditions of the IAA and adoption of a resolution by the District's Board of Directors accepting the Public Infrastructure as of the date stated in the resolution and pursuant to the conveyance documents attached thereto. The purchase price was be the actual cost of construction including related softs costs, but excluding Developer overhead and profit. The aggregate purchase price is limited to the sum of the amounts: (1) authorized in the Service Plan; (2) approved in the District's TABOR election conducted in November 2007 and November 2010; and (3) that may be available from the proceeds of any District debt issued.

VALENTIA COURT METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2025

On November 1, 2016, the District and Willowmiss entered into an Infrastructure Acquisition Agreement (the "Willowmiss IAA"), which set forth the rights, obligations and procedures for the acquisition of certain public improvements from Willowmiss. The District agreed to purchase from Willowmiss each completed Public Improvement authorized by the District's Service Plan upon satisfaction of the requirement and conditions of the IAA and adoption of a resolution by the District's Board of Directors accepting the Public Infrastructure as of the date stated in the resolution and pursuant to the conveyance documents attached thereto. The purchase price was the actual cost of construction including related softs costs, but excluding Developer overhead and profit. The aggregate purchase price is limited to the sum of the amounts: (1) authorized in the Service Plan; (2) approved in the District's TABOR election conducted in November 2007 and November 2010; and (3) that may be available from the proceeds of any District debt issued.

Debt Authorization

As of December 31, 2025, the District had remaining voted debt authorization of approximately \$79,076. The District has not budgeted to issue any debt during 2026. Per the District's Service Plan, the District can not issue debt in excess of \$5,000,000.

Note 4: Related Party

Three of the Board of Directors are employees, owners or are otherwise associated with Valentia 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 5: 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.

VALENTIA COURT METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2025

On November 6, 2007 and November 2, 2010, 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 6: Risk Management

Except as provided in the Colorado Governmental Immunity Act, Section 24-10-101, et seq., C.R.S., 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 (the "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 7: 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 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) long-term liabilities such as bonds payable, developer advances and accrued developer advance/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 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 progress 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;

VALENTIA COURT METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2025

- 3) governmental funds report developer advances/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.

Note 8: Restatement

Net position as of December 31, 2024 was restated to correctly reflect the conveyance of assets to other governmental entities in a prior year. The effect of the restatement is as follows:

Net position, December 31, 2024 as originally reported	\$ 803,594
Capital improvements conveyed to other governmental entities	(2,812,903)
Net position, December 31, 2024, restated	<u>\$ (2,009,309)</u>

SUPPLEMENTAL INFORMATION

VALENTIA COURT 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 <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES				
Property taxes	\$ 389,314	\$ 389,314	\$ 388,995	\$ (319)
Specific ownership taxes	23,359	20,900	21,160	260
Other Taxes-SB22/Vet Exemption	<u>-</u>	<u>359</u>	<u>359</u>	<u>-</u>
Total Revenues	<u>412,673</u>	<u>410,573</u>	<u>410,514</u>	<u>(59)</u>
EXPENDITURES				
Bond interest expense	-	132,842	32,610	100,232
Bond principal	-	336,890	336,890	-
Bond issuance cots	-	97,946	97,946	-
Paying agent/trustee fees	5,840	-	-	-
Repay developer advances	486,832	2,174,000	2,174,000	-
Treasurer's fees	<u>-</u>	<u>5,841</u>	<u>5,840</u>	<u>1</u>
Total Expenditures	<u>492,672</u>	<u>2,747,519</u>	<u>2,647,286</u>	<u>100,233</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(79,999)	(2,336,946)	(2,236,772)	100,174
OTHER FINANCING SOURCES (USES)				
Developer advances	-	97,946	97,946	-
Bond proceeds	-	2,174,000	2,174,000	-
Transfer to (from) other funds	<u>80,000</u>	<u>65,000</u>	<u>-</u>	<u>(65,000)</u>
Total Other Financing Sources (Uses)	<u>80,000</u>	<u>2,336,946</u>	<u>2,271,946</u>	<u>(65,000)</u>
NET CHANGE IN FUND BALANCE	1	-	35,174	35,174
FUND BALANCE:				
BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
END OF YEAR	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 35,174</u>	<u>\$ 35,174</u>