VILLAS METROPOLITAN DISTRICT

Douglas County, Colorado

FINANCIAL STATEMENTS

with Independent Auditors' Report

December 31, 2025

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors

Villas Metropolitan District

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Villas Metropolitan 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 Villas Metropolitan District, as of December 31, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Villas Metropolitan 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Villas Metropolitan District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Villas Metropolitan 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 Villas Metropolitan District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the general fund budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Villas Metropolitan District's basic financial statements. The Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual – Debt Service is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual – Debt Service Fund is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the report. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report



Haynie

Littleton, Colorado

September 28, 2026

BASIC FINANCIAL STATEMENTS

VILLAS METROPOLITAN DISTRICT
STATEMENT OF NET POSITION (DEFICIT)
December 31, 2025

	Governmental Activities
ASSETS	
Cash and investments - unrestricted	$ 299,858
Cash and investments - restricted	170,801
Accounts receivable	1,832
Receivable from county treasurer	9,466
Property taxes receivable	536,694
Prepaid expenses	3,074
Prepaid bond insurance costs	81,554
Capital assets, being depreciated	3,772,706
Total assets	4,875,985
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on bond refunding, net of amortization	478,657
Total deferred outflows of resources	478,657
LIABILITIES	
Accounts payable	9,958
Accrued interest payable	58,147
Deferred revenue	7,035
Noncurrent liabilities:	
Bonds payable - due in more than one year	5,205,843
Bonds payable - due within one year	125,000
Total liabilities	5,405,983
DEFERRED INFLOWS OF RESOURCES	
Deferred property tax revenue	536,694
Total deferred inflows of resources	536,694
NET POSITION (DEFICIT)	
Net investment in capital assets	(1,079,480)
Restricted for:	
Emergencies	8,100
Unrestricted	483,345
Total net position (deficit)	$ (588,035)

These financial statements should be read only in connection with the accompanying notes to financial statements.

VILLAS METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net Revenue (Expense) and Change in Net Position: Governmental Activities
Primary government:					
Governmental activities:					
General government	$ 274,088	$ 271,353	$ -	$ -	$ (2,735)
Interest and expenses on long-term debt	434,413	-	-	-	(434,413)
	$ 708,501	$ 271,353	$ -	$ -	(437,148)
General revenues:					
Property taxes					527,469
Specific ownership taxes					43,477
Miscellaneous					12,260
Interest					20,159
Total general revenues					603,365
Change in net position					166,217
Net position (deficit)- beginning					(754,252)
Net position (deficit)- ending					$ (588,035)

These financial statements should be read only in connection with
the accompanying notes to financial statements.

VILLAS METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2025

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash and investments - unrestricted	$ 299,858	$ -	$ 299,858
Cash and investments - restricted		170,801	170,801
Receivable from county treasurer	2,630	6,836	9,466
Property taxes receivable	152,870	383,824	536,694
Accounts receivable	1,832	-	1,832
Prepaid expenditures	3,074	-	3,074
Total assets	$ 460,264	$ 561,461	$ 1,021,725
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 9,958	$ -	$ 9,958
Deferred revenue	7,035	-	7,035
Total liabilities	16,993	-	16,993
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	152,870	383,824	536,694
Total deferred inflows of resources	152,870	383,824	536,694
FUND BALANCES			
Nonspendable:			
Prepaid expenditures	3,074	-	3,074
Restricted:			
Emergency reserves	8,100	-	8,100
Debt service	-	177,637	177,637
Unassigned	279,227	-	279,227
Total fund balances	290,401	177,637	468,038
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 460,264	$ 561,461	

Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	3,772,706
Deferred outflows of resources are not reported in the funds	
Bond refunding loss, net of amortization	478,657
Long-term liabilities are not due and payable in the current period and, therefore, are not in the funds	
Bond insurance premium, net	81,554
Long term obligations	(5,369,844)
Accrued interest on long-term obligations	(19,146)
Net position of governmental activities	$ (588,035)

These financial statements should be read only in connection with the accompanying notes to financial statements.

VILLAS METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2025

	General	Debt Service	Total Governmental Funds
REVENUES			
Property taxes	$ 146,531	$ 380,938	$ 527,469
Specific ownership taxes	12,078	31,399	43,477
Operations fees	271,353	-	271,353
Miscellaneous	12,260	-	12,260
Interest	17,742	2,417	20,159
Total revenues	459,964	414,754	874,718
EXPENDITURES			
General			
Audit and accounting	23,139	-	23,139
Collection costs	4,885	-	4,885
County treasurer fees	2,201	5,723	7,924
District management	18,503	-	18,503
Election	34	-	34
Insurance and dues	3,925	-	3,925
Landscape	83,569	-	83,569
Legal	49,733	-	49,733
Miscellaneous	650	-	650
Capital outlay	22,750	-	22,750
Snow removal	11,911	-	11,911
Trash removal	35,548	-	35,548
Utilities	11,517	-	11,517
Debt service			
Bond interest	-	235,750	235,750
Bond principal	-	120,000	120,000
Trustee / paying agent fees	-	400	400
Total expenditures	268,365	361,873	630,238
NET CHANGES IN FUND BALANCES	191,599	52,881	244,480
FUND BALANCES - BEGINNING OF YEAR	98,802	124,756	223,558
FUND BALANCES - END OF YEAR	$ 290,401	$ 177,637	$ 468,038

These financial statements should be read only in connection with
the accompanying notes to financial statements.

VILLAS METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2025

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

Net change in fund balance - Total governmental funds		$ 244,480
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The net effect of these differences in the treatment of long-term debt is as follows:		
Principal payment on bonds		120,000
Governmental funds report capital outlays as expenditures. In the Statement of Activities depreciation expense is not reported as an expenditure.		
Depreciation expense		(196,352)
Capital outlay		22,750
Some revenues and expenses reported in the Statement of Activities do not require the use of financial resources and, therefore, are not reported as revenues or expenditures in governmental funds:		
Amortization of prepaid bond insurance	(3,552)	
Amortization of bond premium	5,215	
Debt refunding deferred loss amortization	(20,811)	
Net change in accrued interest on long-term obligations	(5,513)	(24,661)
Change in net position of governmental activities		$ 166,217

These financial statements should be read only in connection with the accompanying notes to financial statements.

NOTE 1 - DEFINITION OF REPORTING ENTITY

Villas Metropolitan District ("the District") a quasi-municipal corporation and political subdivision of the State of Colorado, was organized on November 15, 2016, existing and operating under the State of Colorado Special District Act. The District operates pursuant to a service plan approved by Douglas County on August 23, 2016 (Service Plan). The District was established for the purpose of providing the public improvements and services for the benefit of all inhabitants and taxpayers of the District. The District's primary source of revenue is property taxes. The District is governed by an elected board of directors.

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

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District is not financially accountable for any other district organization nor is the District a component unit of any other primary governmental entity.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the District are described as follows:

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities are normally supported by taxes and operations fees.

The statement of net position reports all financial and capital resources of the District. The difference between the assets plus deferred outflows of resources and liabilities plus deferred inflows of resources of the District is reported as net position.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Depreciation is computed and recorded as an operating expense. Expenditures for property and equipment are shown as increases in assets and redemption of bonds and promissory notes are recorded as a reduction in liabilities.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and operations fees. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred or the long-term obligation paid. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in other funds.

The Debt Service Fund accounts for the resources accumulated and payments made for principal, interest and related expenses on the long-term general obligation debt.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted first, then unrestricted resources as they are needed.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with the Local Government Budget Law of Colorado, the District's board of directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's board of directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated. For the year ended December 31, 2025, supplementary appropriations approved by the District's board of directors modified the appropriation for expenditures in its Debt Service Fund from $361,438 to $362,000.

Pooled Cash and Investments

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

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.

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 taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are 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 of resources in the year they are levied and measurable. The deferred inflows of resources related to property tax revenues are recorded as revenue in the year they are available or collected.

Bond Premium

In the fund financial statements, governmental fund types recognize bond premiums at the time of issuance. The face amount of debt issued, and premiums received on debt issuance are reported as other financing sources.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In the government-wide financial statements, the bond premium is amortized over the term of the bonds using the effective interest method.

Capital Assets

Capital assets, which include property, plant and equipment and infrastructure assets (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. 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 capital 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.

Deferred Loss on Refunding

The deferred loss on refunding resulting from the difference between the reacquisition price of refunded debt and the net carrying amount of the old debt is reported as a deferred outflow of resources on the government-wide financial statements. This amount is amortized over the remaining life of the refunded debt or the life of the new debt, whichever is shorter, using the straight-line method, which approximates the effective interest method. At December 31, 2025, the accumulated amortization of the deferred loss on refunding was $26,017.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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 qualify for reporting in this category. The deferred loss on bond refunding is reported as a deferred outflow of resources and amortized over the applicable term of the refunding bonds.

In addition to liabilities, the statement of net 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 revenue continues to be recognized when earned in the government-wide statements. The District has one item that

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

qualifies for reporting in this category. Accordingly, the item, deferred property tax revenue, is deferred and recognized as inflows of resources in the period that the amount becomes available.

Fund Balances – Governmental Funds

The District's governmental fund balances may consist of five classifications based on the relative strength of the spending constraints:

Nonspendable fund balance - the amount of fund balance that is not in spendable form (such as inventory or prepaids) or is legally or contractually required to be maintained intact.

Restricted fund balance - the amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions or by enabling legislation.

Committed fund balance - amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., board of directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.

Assigned fund balance - amounts the District intends to use for a specific purpose. Intent can be expressed by the District board of directors or by an official or body to which the District board of directors delegates the authority.

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

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds, as needed, unless the District board of directors has provided otherwise in its commitment or assignment actions.

Net Position

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2025 are classified in the accompanying statement of net position as follows:

Cash and investments - unrestricted	$ 299,858
Cash and investments - restricted	170,801
Total cash and investments	$ 470,659

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

Deposits with financial institutions	$ 71,511
Investments	399,148
Total cash and investments	$ 470,659

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 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.

At December 31, 2025, the District's cash deposits had a bank balance of $91,975 and carrying balance of $71,511.

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Investments

Credit Risk

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

* Obligations of the United States and certain U.S. government agency securities and the World Bank
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Certain reverse repurchase agreements
- Certain securities and lending agreements
- Certain corporate bonds
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
* Local government investment pools

The District generally limits its concentration of investments to those noted with an asterisk (*) above, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial risk for investments that are in the possession of another party.

Colorado Revised Statutes limit investment maturities to five years or less unless formally approved by the board of directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

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

Investments	Maturity	Fair Value
Colorado Local Government Liquid Asset Trust	Weighted average under 60 days	$ 399,148

Colotrust
During 2025, the District invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing Colotrust. The District invested in COLOTRUST PLUS+ (PLUS+), one of the three portfolios offered by Colotrust. PLUS+ operates similarly to a money market fund and each

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

share is equal in value to $1.00. There are no unfunded commitments, the redemption period frequency is daily and there is no redemption notice period. PLUS+ may invest in U.S. Treasury securities, federal instrumentality and agency securities, repurchase agreements and tri-party repurchase agreements, collateralized bank deposits, government money market funds, corporate bonds and highest rated commercial paper. A designated custodial bank serves as custodian for Colotrust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for Colotrust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by Colotrust. As of December 31, 2025, the District had $399,148 invested in PLUS+ in the name of the District. Colotrust PLUS+ is rated as 'AAAm' by S&P Global Ratings.

Cash and investments of $170,801 are restricted in the Debt Service Fund for servicing the District's long-term debt (Note 5).

Investment Valuation

Certain investments measured at fair value on a recurring basis are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure an asset's fair value: 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. These investments are measured at amortized cost or in certain circumstances the value is calculated using the net asset value (NAV) per share, or its equivalent of the investment. These investments include 2a7-like external investment pools and money market investments. The District held investments in Colotrust at year end for which the investment valuations were determined as follows.

The NAV of the shares of each portfolio is determined as of the close of business on each day. The NAV per share of each portfolio is computed by dividing the total value of the securities and other assets of the portfolios, less any liabilities, by the total outstanding shares of the portfolios. Liabilities, which include all expenses and fees, are accrued daily. The NAV is calculated at fair value using various inputs to determine value in accordance with FASB guidance. It is the goal of the investment funds to maintain a NAV of $1.00 per share, however changes in interest rates may affect the fair value of the securities held and there can be no assurance that the NAV will not vary from $1.00 per share.

NOTE 4 – CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2025 follows:

Governmental Activities	Balance at December 31, 2024	Increases	Decreases	Balance at December 31, 2025
Capital assets, being depreciated:				
Public improvements	$ 2,437,288	$ 22,750	$ -	$ 2,460,038
Roads	862,173	-	-	862,173
Water, sewer and storm drainage	941,375	-	-	941,375
Total capital assets, being depreciated	$ 4,240,836	$ 22,750	$ -	$ 4,263,586
Less accumulated depreciation for:				
Public improvements	(182,796)	(121,864)	-	(304,660)
Roads	(64,663)	(43,109)	-	(107,772)
Water, sewer and storm drainage	(47,069)	(31,379)	-	(78,448)
Total accumulated depreciation	(294,528)	(196,352)	-	(490,880)
Total capital assets being depreciated, net	$ 3,946,308	$ (173,602)	$ -	$ 3,772,706

Add deferred loss on bond refunding	478,657
Less bond premium	(119,953)
Less developer advance	(85,890)
Less outstanding bonds payable	(5,125,000)
Net investment in capital assets	$ (1,079,480)

Pursuant to the Service Plan, the purpose of the District is to provide public improvements and services for benefit of all anticipated inhabitants and taxpayers of the District.

NOTE 5 - LONG-TERM OBLIGATIONS

The following is an analysis of changes in long-term obligations for the year ended December 31, 2025:

	Balance at December 31, 2024	Additions	Retirements/ Adjustments	Balance at December 31, 2025	Due Within One Year
Bonded debt					
G.O. Bonds, Series 2024	$ 5,245,000	$ -	$ 120,000	$ 5,125,000	$ 125,000
Total bonded debt	$ 5,245,000	$ -	$ 120,000	$ 5,125,000	$ 125,000
Other long-term liabilities					
Developer advances					
Advances	$ 85,890	$ -	$ -	$ 85,890	$ -
Advance interest	32,988	6,013	-	39,001	-
Total	118,878	6,013	-	124,891	-
Premium on 2024 bonds	125,168	-	5,215	119,953	-
Total other long-term liabilities	$ 244,046	$ 6,013	$ 5,215	$ 244,844	$ -
Total	$ 5,489,046	$ 6,013	$ 125,215	$ 5,369,844	$ 125,000

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

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

Limited Tax General Obligation Bonds, Series 2024
On September 12, 2024, the District issued $5,245,000 Limited Tax General Obligation Bonds, Series 2024 (the "Series 2024 Bonds") for the purpose (a) refunding the 2018A and 2018B Bonds (as defined in the bond documents); (b) lowering the interest rate and burden to the residents; and (c) paying other costs in connection with the issuance of the Series 2024 Bonds. The Series 2024 Bonds bear interest at the rate of 5.000 % through 2039 and 4.000% from 2040 through 2048, payable semiannually on each June 1 and December 1 and mature on December 1, 2048. The refunding resulted in an economic gain of $746,533 (present value of total payments prior to refunding compared to present value of total payments related to refunding).

The Series 2024 Bonds are secured by and payable solely from pledged revenue, which includes property taxes derived from the required mill levy, net of the costs of collection, specific ownership taxes, and any other legally available moneys of the District transferred to the paying agent.

The Series 2024 Bonds are subject to optional redemption prior to maturity, at the option of the District, as a whole or in integral multiples of $5,000, in any order of maturity and in whole or partial maturity, on December 1, 2034, and on any date thereafter, upon payment of par and accrued interest, without redemption premium. The bonds maturing December 1, 2039 are subject to mandatory sinking fund redemption, in part, by lot, on December 1, 2035, and on each December 1 thereafter prior to the maturity date of the Bonds.

The Bonds are also secured by a debt service reserve fund (the "Reserve Account") which is to be fully funded upon issuance of the Bonds through the issuance of a Municipal Bond Debt Service Reserve Insurance Policy (the "Reserve Policy") to be issued by the Bond Insurer in the amount of $358,800 (the "Required Reserve"), representing the maximum annual debt service on the Bonds. The Reserve Policy will guarantee payments from the Reserve Account upon the terms and conditions set forth in the Bond Resolution.

Significant events of default under the Series 2024 Bonds include (i) The District fails or refuses to impose the Requirement Mill Levy or to apply the Pledged Revenue as required in the bond resolution, (ii) The District defaults in the performance or observance of any of the covenants, agreements or conditions on the part of the District in the bond resolution and fails to remedy the same after notice thereof, (iii) The District files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation presented by the bonds.

Immediately upon the occurrence and continuance of an event of default, the trustee has rights or remedies including (i) for the payment of interest on any installment of principal of any Bond that was not paid when due at the interest rate borne by such bond (ii) appointment of a receiver or an operating trustee (iii) for the specific performance of any covenant contained herein; (iv) to enjoin any act that may be unlawful or in violation of any right of any Owner of any Bond; (v) to require the District to act as if it were the trustee of an express trust; (vi) for any other proper

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

legal or equitable remedy as such Owner may deem most effectual to protect their rights; or (vii) any combination of such remedies or as otherwise may be authorized by any statue or other provision of law; provided, however, that acceleration of any amount not yet due on the Bonds according to their terms shall not be an available remedy.

The following table sets forth the estimated debt service payment schedule for the principal and interest on the Series 2024 Bonds:

Year	Principal	Interest	Total
2026	$ 125,000	$ 229,750	$ 354,750
2027	135,000	223,500	358,500
2028	140,000	216,750	356,750
2029	145,000	209,750	354,750
2030	155,000	202,500	357,500
2031-2035	890,000	889,000	1,779,000
2036-2040	1,135,000	643,500	1,778,500
2041-2045	1,410,000	371,800	1,781,800
2045-2048	990,000	80,400	1,070,400
	$ 5,125,000	$ 3,066,950	$ 8,191,950

Debt Authorization

A majority of the qualified electors of the District authorized the issuance of indebtedness in the amount not to exceed $42,000,000. Pursuant to the Service Plan, the District is permitted to issue bond indebtedness of up to $6,000,000. As of December 31, 2025, the District had $755,000 remaining authority under the Service Plan.

NOTE 6 – FUND EQUITY

At December 31, 2025, the District reported the following classification of fund equity.

Nonspendable Fund Balance

The nonspendable fund balance in the General Fund in the amount of $3,074 represents prepaid expenditures for the ensuing fiscal year and is therefore not in a spendable form.

Restricted Fund Balance

The restricted fund balance in the General Fund in the amount of $8,100 is comprised of the Emergency Reserves that have been provided for 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 $177,637 is to be used exclusively for debt service.

NOTE 7 – NET POSITION

The District's net position consists of three components – net investment in capital assets, restricted and unrestricted.

The net investment in capital assets consists of capital assets owned by the District, net of accumulated depreciation, if applicable, and reduced by the outstanding balances of bonds mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvements of those assets.

As of December 31, 2025, the District had a net deficit in capital assets is $(1,079,480). The restricted portion of the net position includes amounts that are restricted for use either externally by creditors, grantors, contributors, or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The District's restricted net position at December 31, 2025 consists of the TABOR emergency reserve in the amount of $8,100 (Note 9).

NOTE 8 – AGREEMENTS

Advance and Reimbursement Agreement

The District has entered into an Advance and Reimbursement Agreement with a partner in the Developer, Cardel Homes US Limited Partnership (the "Prior Developer") dated March 7, 2017, and as amended by that First Amendment to Reimbursement Agreement dated June 1, 2018 whereby it was acknowledged that Cardel Parker Limited Partnership (the "Company") was the successor in interest to the Prior Developer. Pursuant to the Advance and Reimbursement Agreement, the Company agreed to construct and complete certain public improvements described in the Service Plan and transfer such improvements to the District, the County or the Water District for public use or, in the alternative, the Company has agreed to advance the District funds necessary to construct and complete the public improvements described in the Service Plan and to provide funding for operating and administrative expenditures.

The Advance and Reimbursement Agreement requires that all public improvements be constructed, installed and completed in conformance with all duly approved designs, plans and specification and requirements, standards and specification of the District, the County or the Water District, as applicable. The Advance and Reimbursement Agreement further requires that the Company transfer the public improvements to the District, the County or the Water District upon completion and acceptance of the public improvements by the District, the County or the Water District, as applicable. The Advance and Reimbursement Agreement requires that as a precondition to the conveyance, dedication or other transfer of any public improvements to the District, the County or the Water District for ownership, maintenance, and repair, the Company shall provide the District, the County or the Water District, as applicable with a guarantee, to secure performance of warranty obligations against defects in materials, workmanship, construction and installation of the facilities or improvements, all for a two year period from acceptance of the public improvements.

The amount of Reimbursable Costs incurred under the Advance and Reimbursement Agreement was not to exceed $4,242,550. On December 31, 2020, as required under the Advance and Reimbursement Agreement, the District reimbursed the Company $4,242,550 for actual capital

NOTE 8 – AGREEMENTS (CONTINUED)

costs expended. In addition, the Advance and Reimbursement Agreement provides that the District submit a written request to the Company for any funding shortfall and that, after reasonable verification of such funding shortfall, the Company may, in its sole discretion, but shall have no obligation to in any manner, make an advance after such notice from the District.

The term of the Advance and Reimbursement Agreement shall expire on the date all reimbursable costs of the public improvements and operations advances have been paid to the Company or its assignee or on December 31, 2056, whichever date occurs first at an interest rate of 7%. The Advance and Reimbursement Agreement further states that the payment obligations under the Advance and Reimbursement Agreement are subject to annual appropriation by the board of directors in the exercise of their sole discretion. As of December 31, 2025 the outstanding balance is $124,891 which includes $39,001 of accumulated interest.

NOTE 9 – TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments, except Enterprise.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

On November 8, 2016, 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 10 – RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, the District may be exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets, errors or omissions, injuries to employees or acts of God.

NOTE 10 – RISK MANAGEMENT (CONTINUED)

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property, public officials' liability and workers compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 11 – SUBSEQUENT EVENTS

During the board meeting held on January 27, 2026 the Board approved the Bill of Sale and Termination Agreement with Cardel Homes. The Bill of Sale and Termination Agreement agreed to acceptance of the Landscaping Improvements "As Is" in Phase 2 along with a Termination and Waiver of Advance Reimbursement Agreement dated June1, 2018 by and between the District, Cardel Limited Partnership as Assignee of Cardel Homes, U.S. Limited Partnership. The Termination and Wavier of this agreement forgives all outstanding Developer Advances and accrued interest. As of December 31, 2025 this was a combined amount of $124,891. Management evaluated subsequent events through September 22, 2026, the date the financial statements were available to be issued.

This information is an integral part of the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAS METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2025

	Budget Amounts Original & Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property taxes	$ 145,859	$ 146,531	$ 672
Specific ownership taxes	11,669	12,078	409
Operations fee	270,000	271,353	1,353
Legal collections	2,000	260	(1,740)
Miscellaneous income	-	12,000	12,000
Interest	1,200	17,742	16,542
Total revenues	430,728	459,964	29,236
EXPENDITURES			
Audit and accounting	42,000	23,139	18,861
Collection costs	7,500	4,885	2,615
County treasurer fees	2,188	2,201	(13)
District management	19,120	18,503	617
Election	50,000	34	49,966
Insurance and dues	3,750	3,925	(175)
Landscape	66,960	83,569	(16,609)
Legal	60,000	49,733	10,267
Miscellaneous	10,000	650	9,350
Capital outlay	-	22,750	(22,750)
Snow removal	50,000	11,911	38,089
Trash removal	48,000	35,548	12,452
Utilities	15,000	11,517	3,483
Emergency reserve - 3%	11,240	-	11,240
Total expenditures	385,758	268,365	117,393
NET CHANGE IN FUND BALANCE	44,970	191,599	146,629
FUND BALANCE - BEGINNING OF YEAR	64,255	98,802	34,547
FUND BALANCE - END OF YEAR	$ 109,225	$ 290,401	$ 181,176

These financial statements should be read only in connection wit
the accompanying notes to financial statements.

SUPPLEMENTARY INFORMATION

VILLAS METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
DEBT SERVICE FUND
Year Ended December 31, 2025

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Property taxes	$ 379,209	$ 380,938	$ 380,938	$ -
Specific ownership taxes	30,337	31,399	31,399	-
Interest	7,500	2,417	2,417	-
Total revenues	417,046	414,754	414,754	-
EXPENDITURES				
Bond interest - Series 2024	235,750	235,750	235,750	-
Bond principal - Series 2024	120,000	120,000	120,000	-
County treasurer fees	5,688	5,723	5,723	-
Trustee / paying agent fees	-	527	400	127
Total expenditures	361,438	362,000	361,873	127
NET CHANGE IN FUND BALANCE	55,608	52,754	52,881	127
FUND BALANCE - BEGINNING OF YEAR	117,681	124,756	124,756	-
FUND BALANCE - END OF YEAR	$ 173,289	$ 177,510	$ 177,637	$ 127

OTHER INFORMATION

VILLAS METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2025

$5,245,000
General Obligation Limited Tax (Convertible to Unlimited Tax) Bonds
Series 2024

Dated September 12, 2024
Interest Rate 5.000%, 4.000%
Interest payable June 1 and December 1; Principal due December 1

	Principal	Interest	Total
2026	$ 125,000	$ 229,750	$ 354,750
2027	135,000	223,500	358,500
2028	140,000	216,750	356,750
2029	145,000	209,750	354,750
2030	155,000	202,500	357,500
2031	160,000	194,750	354,750
2032	170,000	186,750	356,750
2033	180,000	178,250	358,250
2034	185,000	169,250	354,250
2035	195,000	160,000	355,000
2036	205,000	150,250	355,250
2037	215,000	140,000	355,000
2038	225,000	129,250	354,250
2039	240,000	118,000	358,000
2040	250,000	106,000	356,000
2041	260,000	96,000	356,000
2042	270,000	85,600	355,600
2043	280,000	74,800	354,800
2044	295,000	63,600	358,600
2045	305,000	51,800	356,800
2046	315,000	39,600	354,600
2047	330,000	27,000	357,000
2048	345,000	13,800	358,800
	$ 5,125,000	$ 3,066,950	$ 8,191,950

VILLAS METROPOLITAN DISTRICT
SUMMARY OF ASSESSED VALUATION, MILL LEVY
AND PROPERTY TAXES COLLECTED
December 31, 2025

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied	Total Property Taxes Levied	Total Property Taxes Collected	Percentage Collected to Levied
2018	$ 538,340	70.000	$ 37,684	$ 37,684	100.00%
2019	$ 1,492,790	70.585	$ 105,369	$ 105,369	100.00%
2020	$ 2,339,860	74.831	$ 175,094	$ 175,094	100.00%
2021	$ 2,942,800	74.831	$ 220,213	$ 220,213	100.00%
2022	$ 3,721,310	75.059	$ 279,318	$ 279,318	100.00%
2023	$ 4,215,560	76.767	$ 323,616	$ 323,617	100.00%
2024	$ 6,424,690	76.767	$ 493,204	$ 498,388	100.00%
2025	$ 6,907,150	76.018	$ 525,068	$ 527,469	100.00%
Estimated for the year ending December 31, 2026	$ 6,991,200	76.767	$ 536,693		

NOTE:
Property taxes collected in any one year include collection of delinquent property taxes assessed in prior years, as well as reductions for property tax refunds or abatements. Information received from the county treasurer does not permit identification of specific year of assessment.