

## VAIL SQUARE METROPOLITAN DISTRICT NOS. 1-3

### 2025 CONSOLIDATED ANNUAL REPORT

Pursuant to §32-1-207(3)(c) and the Consolidated Service Plan for the Vail Square Metropolitan District Nos. 1-3 (collectively the “**Districts**”), the Districts are required to provide an annual report to the Town of Vail (the “**Town**”) with regard to the following matters:

For the year ending December 31, 2025, the Districts make the following report:

#### §32-1-207(3) Statutory Requirements

**1. Boundary changes made.**

There were no changes made to the boundaries of the Districts in 2025.

**2. Intergovernmental Agreements entered into or terminated.**

The Districts did not enter into or terminate any Intergovernmental Agreements in 2025.

**3. Access information to obtain a copy of rules and regulations adopted by the board.**

The Districts have not adopted a set of rules and regulations.

**4. A summary of litigation involving public improvements owned by the Districts.**

To our actual knowledge, based on review of the court records in Eagle County, Colorado and the Public Access to Court Electronic Records (PACER), there is no litigation involving the Districts’ public improvements as of December 31, 2025.

**5. Status of the construction of public improvements by the Districts.**

The Districts did not undertake construction of public improvements during the reporting year.

**6. A list of facilities or improvements constructed by the Districts that were conveyed or dedicated to the county or municipality.**

No facilities or improvements constructed by the Districts were conveyed or dedicated to the county or municipality during the reporting year.

**7. The final assessed valuation of the Districts as of December 31<sup>st</sup> of the reporting year.**

The 2025 grossed assessed valuation for each District is as follows:

District No. 1: \$390

District No. 2: \$37,507,400

District No. 3: \$19,167,050

**8. A copy of the current year’s budget.**

Copies of the 2026 Budgets are attached hereto as **Exhibit A**.

9. **A copy of the audited financial statements, if required by the “Colorado Local Government Audit Law”, part 6 of article 1 of title 29, or the application for exemption from audit, as applicable.**

The 2025 Audits are attached hereto as **Exhibit B**.

10. **Notice of any uncured defaults existing for more than ninety (90) days under any debt instrument of the Districts.**

To our actual knowledge, the Districts did not receive notice of any uncured events of default by the Districts, which continued beyond a ninety (90) day period, under any Debt instrument.

11. **Any inability of the Districts to pay their obligations as they come due under any obligation which continues beyond a ninety (90) day period.**

To our actual knowledge, there was not any inability of the Districts to pay their obligations as they came due, in accordance with the terms of such obligations, which continued beyond a ninety (90) day period.

#### **Service Plan Requirements**

1. **Boundary changes made to the Districts’ boundaries as of December 31 of the prior year.**

There were no changes made to the boundaries of the Districts in 2025.

2. **Intergovernmental Agreements with other governmental entities entered into as of December 31 of the prior year.**

The Districts did not enter into or terminate any Intergovernmental Agreements in 2025.

3. **A list of all facilities and improvements constructed by the Districts that have been dedicated to and accepted by the Town as of December 31 of the prior year.**

No facilities or improvements constructed by the Districts were dedicated to the Town in the reporting year.

4. **The assessed valuation of the Districts for the current year.**

The 2025 grossed assessed valuation for each District is as follows:

District No. 1: \$390

District No. 2: \$37,507, 400

District No. 3: \$19,167,050

5. **Current year budget including a description of the Public Improvements to be constructed in such year.**

Copies of the 2026 Budgets are attached hereto as **Exhibit A**. The Districts did not undertake construction of public improvements during the reporting year.

6. **Audit of the District’s financial statements, for the year ending December 31 of the previous year, prepared in accordance with generally accepted accounting principles or audit exemption, if applicable.**

The 2025 Audits are attached hereto as **Exhibit B**.

**7. Notice of any uncured events of default by the Districts, which continue beyond a ninety (90) day period, under any debt instrument.**

To our actual knowledge, the Districts did not receive notice of any uncured events of default by the Districts, which continued beyond a ninety (90) day period, under any Debt instrument.

**EXHIBIT A**  
(2026 Budgets)

# VAIL SQUARE METROPOLITAN DISTRICT NO. 1

January 5, 2026

Division of Local Government  
Via: E-Filing Portal

RE: Vail Square Metropolitan District No. 1  
LGID #65508

Attached is the 2026 Budget for the Vail Square Metropolitan District No. 1 in Eagle County, Colorado, submitted pursuant to Section 29-1-113, C.R.S. This Budget was adopted on November 10, 2025. If there are any questions on the budget, please contact Mr. Jon Erickson telephone number 970-926-6060, Ext 101.

The mill levy certified to the County Commissioners of Eagle County is 0.000 mills for all general operating purposes, subject to statutory and/or TABOR limitations; 0.000 mills for G.O. bonds; 0.000 mills for contractual obligations; 0.000 for refund/abatement; and 0.000 mills for Temporary Tax Credit/Mill Levy Reduction. Based on a net assessed valuation of \$200, the total property tax revenue is \$0. A copy of the certification of mill levies sent to the County Commissioners for Eagle County is enclosed.

I hereby certify that the enclosed is a true and accurate copy of the budget and certification of tax levies to the Board of County Commissioners of Eagle County, Colorado.

Sincerely,



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Title: District Administrator

Enclosure(s)

## **VAIL SQUARE METROPOLITAN DISTRICT No. 1**

### 2026 BUDGET MESSAGE

Vail Square Metropolitan District No. 1 is a quasi-municipal corporation organized and operated pursuant to provisions set forth in the Colorado Special District Act. The District was established to supply the necessary services of roads, drainage facilities, streetscape, water and sewer utilities mains.

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

The following budget is prepared on the modified accrual basis of accounting, which is consistent with the basis of accounting used in presenting the District's financial statements.

### 2026 BUDGET STRATEGY

Vail Square Metropolitan District No.1 was formed in late 2005. The District has joined with Vail Square Metropolitan District No. 2 and Vail Square Metropolitan District No. 3 in adopting a consolidated service plan. Under this consolidated service plan, Vail Square Metro District No. 1 is the “service district” and Vail Square Metro District Nos. 2 and 3 are the “financing districts.” As such, Vail Square Metro District No. 1 will be responsible for managing the construction, maintenance and operation of facilities and improvements needed for the Vail Square Metro District Nos. 2 and 3 areas. Vail Square Metro District Nos. 2 and 3 will be responsible for providing the funding and tax bases needed to support the financing plan for capital improvements, services and operations and will utilize the property taxes they collect to pay for a portion of the obligations to the District No. 1 pursuant to a District Coordinating Services Agreement.

In 2008 the District issued a \$16 Million Tax Supported Loan Facility. The District used the net proceeds from the loan facility to finance the cost of the infrastructure improvements. In 2023 Vail Square Metropolitan District No. 3 took out a loan the proceeds of which were used to pay off the balance of the 2008 loan.

**RESOLUTIONS OF VAIL SQUARE METROPOLITAN DISTRICT NO. 1**

**TO ADOPT 2026 BUDGET**

A RESOLUTION SUMMARIZING EXPENDITURES AND REVENUES FOR EACH FUND AND ADOPTING A BUDGET FOR THE VAIL SQUARE METROPOLITAN DISTRICT NO. 1, COLORADO, FOR THE CALENDAR YEAR BEGINNING ON THE FIRST DAY OF JANUARY 2026 AND ENDING ON THE LAST DAY OF DECEMBER 2026.

WHEREAS, the Board of Directors of the Vail Square Metropolitan District No. 1 has appointed a budget committee to prepare and submit a proposed 2026 budget at the proper time; and

WHEREAS, such committee has submitted a proposed budget to this governing body at the proper time, for its consideration, and;

WHEREAS, upon due and proper notice, published or posted in accordance with the law, said proposed budget was open for inspection by the public at a designated place, and a public hearing was opened on August 11, 2025 and continued to November 10, 2025, and interested taxpayers were given the opportunity to file or register any objections to said proposed budget; and;

WHEREAS, whatever increases may have been made in the expenditures, like increases were added to the revenues or planned to be expended from reserves/fund balances so that the budget remains in balance, as required by law.

NOW, THEREFORE, BE IT RESOLVED by the Board of directors of the Vail Square Metropolitan District No. 1, Eagle County, Colorado:

Section 1. That the budget as submitted, amended, and summarized by fund, hereby is approved and adopted as the budget of the Vail Square Metropolitan District No.

1 for the year stated above, as adjusted for immaterial changes in the final certified assessed value of the District No. 1 as certified by the county assessor and corresponding adjustments resulting from such changes to the assessed value. In the event there are material changes to the assessed value then a subsequent meeting of the Board shall be called to consider such changes. Furthermore, to the extent specific capital expenditures budgeted and forecasted for the current year are unable to be completed by the end of the current year, the budget for such expenditures shall be transferred into next year's budget and the budgeted beginning fund balance for next year's budget shall be updated to reflect such changes.

Section 2. That the budget hereby approved and adopted shall be certified by any officer or the District Administrator of the District No. 1 and made a part of the public records of the District No. 1.

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**RESOLUTIONS OF VAIL SQUARE METROPOLITAN DISTRICT NO. 1**  
**(CONTINUED)**

**TO SET MILL LEVIES**

A RESOLUTION LEVYING PROPERTY TAXES FOR THE YEAR 2025, TO HELP DEFRAY THE COSTS OF GOVERNMENT FOR THE VAIL SQUARE METROPOLITAN DISTRICT NO. 1, EAGLE COUNTY, COLORADO, FOR THE 2026 BUDGET YEAR.

WHEREAS, the Board of Directors of the Vail Square Metropolitan District No. 1, has adopted the annual budget in accordance with the Local Government Budget Law, on November 10, 2025 and;

WHEREAS, the amount of money necessary to balance the budget for general operating expenses and capital expenditure purposes from property tax revenue is \$0.00 and;

WHEREAS, the amount of money necessary to balance the budget for capital expenditure purposes from property tax revenue approved by voters or at public hearing is \$0.00, and;

WHEREAS, the amount of money necessary to balance the budget for voter approved bonds and interest is \$0.00, and;

WHEREAS, the amount of money necessary to balance the budget for voter approved contractual obligations \$0.00, and;

WHEREAS, the 2025 valuation for assessment for the Vail Square Metropolitan District No. 1, as certified by the County Assessor is \$200.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the VAIL SQUARE METROPOLITAN DISTRICT NO. 1, EAGLE COUNTY, COLORADO:

Section 1. That for the purposes of meeting all general operating expenses of the Vail Square Metropolitan District No. 1 during the 2026 budget year, there is hereby levied a tax of 0.000 mills upon each dollar of the total valuation for assessment of all taxable property within the District No. 1 for the year 2025.

Section 2. That for the purposes of rendering a temporary credit/refund during budget year 2026 there is hereby levied a temporary tax credit/mill levy reduction of 0.000 mills upon each dollar of the total valuation for assessment of all taxable property within the District No. 1 for the year 2025.

Section 3. That for the purpose of meeting all capital expenditures of the Vail Square Metropolitan District No. 1 during the 2026 budget year, there is hereby levied a tax of 0.000 mills upon each dollar of the total valuation for assessment of all taxable property within the District No. 1 for the year 2025.

**RESOLUTIONS OF VAIL SQUARE METROPOLITAN DISTRICT NO. 1**  
**(CONTINUED)**

**TO SET MILL LEVIES (CONTINUED)**

- Section 4. That for the purpose of meeting all payments for bonds and interest of the Vail Square Metropolitan District No. 1 during the 2026 budget year, there is hereby levied a tax of 0.000 mills upon each dollar of the total valuation for assessment of all taxable property within the District No. 1 for the year 2025.
- Section 5. That for the purpose of recouping refunds and abatements of the Vail Square Metropolitan District No. 1 during the 2026 budget year, there is hereby levied a tax of 0.000 mills upon each dollar of the total valuation for assessment of all taxable property within the District No. 1 for the year 2025.
- Section 6. That any officer or the District Administrator is hereby authorized and directed to either immediately certify to the County Commissioners of Eagle County, Colorado, the mill levies for the Vail Square Metropolitan District No. 1 as hereinabove determined and set, or be authorized and directed to certify to the County Commissioners of Eagle County, Colorado, the mill levies for the Vail Square Metropolitan District No. 1 as hereinabove determined and set based upon the final (December) certification of valuation from the county assessor.

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**RESOLUTIONS OF VAIL SQUARE METROPOLITAN DISTRICT NO. 1**  
**(CONTINUED)**

**TO APPROPRIATE SUMS OF MONEY**  
**(PURSUANT TO SECTION 29-1-108, C.R.S.)**

A RESOLUTION APPROPRIATING SUMS OF MONEY TO THE VARIOUS FUNDS AND SPENDING AGENCIES, IN THE AMOUNT AND FOR THE PURPOSE AS SET FORTH BELOW, FOR THE VAIL SQUARE METROPOLITAN DISTRICT NO. 1, EAGLE COUNTY, COLORADO, FOR THE 2026 BUDGET YEAR.

WHEREAS, the Board of Directors has adopted the annual budget in accordance with the Local Government Budget Law, on November 10, 2025, and;

WHEREAS, the Board of Directors has made provision therein for revenues in an amount equal or greater to the total proposed expenditures as set forth in said budget, and;

WHEREAS, it is not only required by law, but also necessary to appropriate the revenues and reserves or fund balances provided in the budget to and for the purposes described below, thereby establishing a limitation on expenditures for the operations of the District No. 1.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE VAIL SQUARE METROPOLITAN DISTRICT NO. 1, EAGLE COUNTY, COLORADO:

Section 1. That the following sums are hereby appropriated from the revenues of each fund, to each fund, for the purposes stated:

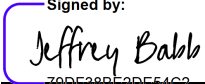
GENERAL FUND:	
Current Operating Expenses	<u>\$329,005</u>
Total General Fund	\$329,005

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**RESOLUTIONS OF VAIL SQUARE METROPOLITAN DISTRICT NO. 1**  
**(CONTINUED)**

**TO ADOPT 2026 BUDGET, SET MILL LEVIES AND**  
**APPROPRIATE SUMS OF MONEY**  
**(CONTINUED)**

The above resolutions to adopt the 2026 budget, set the mill levies and to appropriate sums of money were adopted this 10th day of November, 2025.

Attest:  Signed by:  
79DF38DE2DE5462...

Title: President

**VAIL SQUARE METROPOLITAN DISTRICT #1  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET, ACTUAL AND FORECAST FOR THE PERIODS INDICATED**

Printed  
1/5/2026 Modified Accrual Basis

**GENERAL FUND**

	2024 Audited Actual	2025 Adopted Budget	2025 Amended Budget	2025 Forecast	9 Months Ended 9/30/2025 Actual	9 Months Ended 9/30/2025 Budget	Variance Favorable (Unfav)	2026 Adopted Budget	Budget Comments
<b>Assessed Valuation</b>									
Vail Square Metro Dist # 1 Net AV	220	230	230	230			200	Final AV	
Vail Square Metro Dist # 1 - TIF AV	200	200	200	200			190	Final AV	
Vail Square Metro Dist # 2	20,134,680	20,245,080	20,245,080	20,245,080			19,514,860	Final AV	
Vail Square Metro Dist # 2 - TIF AV	17,823,050	17,697,010	17,697,010	17,697,010			17,992,540	Final AV	
Vail Square Metro Dist # 3	11,618,610	10,969,870	10,969,870	10,969,870			13,810,140	Final AV	
Vail Square Metro Dist # 3 - TIF AV	10,284,700	9,589,190	9,589,190	9,589,190			5,356,910	Final AV	
	<b>59,861,460</b>	<b>58,501,580</b>	<b>58,501,580</b>	<b>58,501,580</b>			<b>56,674,840</b>		
<b>REVENUES</b>									
Xfer VSQ #2 Prop Tax.-Serv	58,893	58,913	58,913	58,913	57,873	58,913	(1,040)	75,718	AV x Mill levy
Xfer VSQ #2 TIF TOV Prop Tax.-Serv	51,951	51,498	51,498	51,498	50,326	51,498	(1,173)	67,717	AV x Mill levy
Xfer VSQ #3 Prop Tax.-Serv	33,859	31,922	31,922	31,978	31,977	31,922	55	53,583	AV x Mill levy
Xfer VSQ #3 TIF TOV Prop Tax.-Serv	29,925	27,905	27,905	27,067	27,904	27,905	(1)	20,161	AV x Mill levy
Interest Income	49,868	24,000	24,000	17,000	13,403	18,000	(4,597)	20,000	Estimated Interest
Property Tax Abatement to No. 3	-	-	-	-	-	-	-	-	
<b>TOTAL REVENUES</b>	<b>224,496</b>	<b>194,238</b>	<b>194,238</b>	<b>186,457</b>	<b>181,483</b>	<b>188,238</b>	<b>(6,755)</b>	<b>237,179</b>	
<b>EXPENDITURES</b>									
Accounting	63,930	38,000	47,500	47,500	38,302	28,500	(9,802)	50,000	Based on prior year
Audit	11,500	10,500	10,500	10,500	10,500	10,500	-	11,000	Per engagement letter
Elections	741	4,000	4,000	4,000	1,463	4,000	2,537	-	
Insurance	3,043	4,400	3,587	3,587	3,587	4,400	813	4,000	10% increase
Legal	16,039	26,250	12,000	12,000	8,766	19,688	10,921	12,480	4% increase
Miscellaneous	248	200	300	300	278	150	(128)	300	Misc and publications
Website	480	2,000	2,400	2,400	2,182	1,500	(682)	2,000	Streamline
Operations Expenses - AVS	68,304	52,500	52,500	52,500	32,550	39,375	6,825	55,125	Based on prior year + 5%
Snowmelt Energy	40,620	38,850	42,000	42,000	30,069	24,163	(5,907)	44,100	Based on prior year + 5%
Snowmelt Repairs & Maintenance Routine	96,498	126,000	50,000	50,000	478	94,500	94,022	100,000	
Snowmelt Repairs Non--routine	520,399	160,000	350,000	350,000	339,060	120,000	(219,060)	-	
Contingency	-	100,000	15,000	-	-	-	-	50,000	
<b>TOTAL EXPENDITURES</b>	<b>821,803</b>	<b>562,700</b>	<b>589,787</b>	<b>574,787</b>	<b>467,236</b>	<b>346,775</b>	<b>(120,461)</b>	<b>329,005</b>	
REVENUE OVER (UNDER) EXPEND.	(597,306)	(368,462)	(395,549)	(388,330)	(285,753)	(158,537)	(127,216)	(91,826)	
<b>OTHER FINANCING SOURCES/(USES)</b>									
Interdistrict Contrib - VSQ MD 3	-	-	-	-	-	-	-	-	
Xfer to Cap Imp Fund	-	-	-	-	-	-	-	-	
Interdistrict Advance - VSQ 3	-	-	-	-	-	-	-	-	
Transfer From (To) Prepaid Service Oblig	597,306	368,462	395,549	388,330	285,753	158,537	127,216	91,826	
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>597,306</b>	<b>368,462</b>	<b>395,549</b>	<b>388,330</b>	<b>285,753</b>	<b>158,537</b>	<b>127,216</b>	<b>91,826</b>	
BEGIN FUND BALANCE	-	-	-	-	-	-	-	-	
<b>END FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>	
	=	=	=	=	=	=	=	=	
Ending Prepaid Service Obligation (Info Only)	<b>541,626</b>	<b>173,164</b>	<b>146,077</b>	<b>153,295</b>	<b>255,873</b>	<b>383,089</b>	<b>127,216</b>	<b>61,469</b>	

No assurance is provided on these financial statements and substantially all disclosures required by GAAP have been omitted.

CERTIFICATION OF TAX LEVIES for NON-SCHOOL Governments

TO: County Commissioners<sup>1</sup> of Eagle County, Colorado.

On behalf of the Vail Square Metropolitan District No. 1

(taxing entity)<sup>A</sup>

the Board of Directors

(governing body)<sup>B</sup>

of the Vail Square Metropolitan District No. 1

(local government)<sup>C</sup>

Hereby officially certifies the following mills to be levied against the taxing entity's GROSS assessed valuation of:

\$ 390 (Gross<sup>D</sup> assessed valuation, Line 2 of the Certification of Valuation Form DLG 57<sup>E</sup>)

Note: If the assessor certified a NET assessed valuation (AV) different than the GROSS AV due to a Tax Increment Financing (TIF) Area<sup>F</sup> the tax levies must be calculated using the NET AV. The taxing entity's total property tax revenue will be derived from the mill levy multiplied against the NET assessed valuation of:

\$ 200 (NET<sup>G</sup> assessed valuation, Line 4 of the Certification of Valuation Form DLG 57)

USE VALUE FROM FINAL CERTIFICATION OF VALUATION PROVIDED BY ASSESSOR NO LATER THAN DECEMBER 10

Submitted: 12/10/2025 (not later than Dec 15) (mm/dd/yyyy)

for budget/fiscal year 2026 (yyyy)

Table with 3 columns: PURPOSE (see end notes for definitions and examples), LEVY<sup>2</sup>, and REVENUE<sup>2</sup>. Rows include General Operating Expenses, Temporary General Property Tax Credit/Temporary Mill Levy Rate Reduction, General Obligation Bonds and Interest, Contractual Obligations, Capital Expenditures, Refunds/Abatements, and Other. Total: 0.000 mills, \$ -.

Contact person: Jon Erickson
Signed: [Signature]

Daytime phone: 970-926-6060 ext. 101
Title: District Administrator

Include one copy of this tax entity's completed form when filing the local government's budget by January 31st, per 29-1-113 C.R.S. with the Division of Local Government (DLG), Room 521, 1313 Sherman Street, Denver, Colorado 80203. Questions? Call DLG (303) 864-7720.

1 If the taxing entity's boundaries include more than one county, you must certify the levies to each county. Use a separate form for each county and certify the same levies uniformly to each county per Article X, Section 3 of the Colorado Constitution.

2 Levies must be rounded to three decimal places and revenue must be calculated from the total NET assessed valuation (Line 4 of Form DLG57 on the County Assessor's FINAL certification of valuation).

# VAIL SQUARE METROPOLITAN DISTRICT NO. 2

January 5, 2026

Division of Local Government  
Via: E-Filing Portal

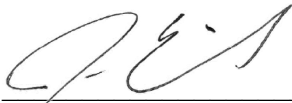
RE: Vail Square Metropolitan District No. 2  
LGID #65509

Attached is the 2026 Budget for the Vail Square Metropolitan District No. 2 in Eagle County, Colorado, submitted pursuant to Section 29-1-113, C.R.S. This Budget was adopted on November 10, 2025. If there are any questions on the budget, please contact Mr. Jon Erickson, telephone number 970-926-6060, Ext 101.

The mill levy certified to the County Commissioners of Eagle County is 4.000 mills for all general operating purposes, subject to statutory and/or TABOR limitations; 20.000 mills for general obligation debt; 0.000 mills for contractual obligations; 0.000 for refund/abatement; and 0.000 mills for Temporary Tax Credit/Mill Levy Reduction. Based on a net assessed valuation of \$19,514,860, the total property tax revenue is \$468,356.64. A copy of the certification of mill levies sent to the County Commissioners for Eagle County is enclosed.

I hereby certify that the enclosed is a true and accurate copy of the budget and certification of tax levies to the Board of County Commissioners of Eagle County, Colorado.

Sincerely,



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Title: District Administrator

Enclosure(s)

## **VAIL SQUARE METROPOLITAN DISTRICT NO. 2**

### 2026 BUDGET MESSAGE

Vail Square Metropolitan District No. 2 is a quasi-municipal corporation organized and operated pursuant to provisions set forth in the Colorado Special District Act. The District was established to supply the necessary services of roads, drainage facilities, streetscape, water and sewer utilities mains.

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

The following budget is prepared on the modified accrual basis of accounting, which is consistent with the basis of accounting used in presenting the District's financial statements.

### 2026 BUDGET STRATEGY

Vail Square Metropolitan District No. 2 was formed in late 2005. The District has joined with Vail Square Metropolitan District No.1 and Vail Square Metropolitan District No. 3 in adopting a consolidated service plan. Under this consolidated service plan, Vail Square Metro District No. 1 will be the “service district” and Vail Square Metro District Nos. 2 and 3 will be the “financing districts.” As such, Vail Square Metro District No.1 will be responsible for managing the construction, maintenance and operation of facilities and improvements needed for the Vail Square Metro District Nos. 2 and 3 areas. The District and Vail Square Metro District No. 3 will be responsible for providing the funding and tax bases needed to support the financing plan for capital improvements.

Vail Square Metropolitan District Nos. 2 and 3 anticipate utilizing the property taxes they collect to pay for a portion of their obligations under the District Coordinating Services Agreement with Vail Square Metropolitan District No. 1.

**RESOLUTIONS OF VAIL SQUARE METROPOLITAN DISTRICT NO. 2**

**TO ADOPT 2026 BUDGET**

A RESOLUTION SUMMARIZING EXPENDITURES AND REVENUES FOR EACH FUND AND ADOPTING A BUDGET FOR THE VAIL SQUARE METROPOLITAN DISTRICT NO. 2, COLORADO, FOR THE CALENDAR YEAR BEGINNING ON THE FIRST DAY OF JANUARY 2026 AND ENDING ON THE LAST DAY OF DECEMBER 2026.

WHEREAS, the Board of Directors of the Vail Square Metropolitan District No. 2 has appointed a budget committee to prepare and submit a proposed 2026 budget at the proper time; and

WHEREAS, such committee has submitted a proposed budget to this governing body at the proper time, for its consideration, and;

WHEREAS, upon due and proper notice, published or posted in accordance with the law, said proposed budget was open for inspection by the public at a designated place, and a public hearing was opened on August 11, 2025 and continued on November 10, 2025, and interested taxpayers were given the opportunity to file or register any objections to said proposed budget; and;

WHEREAS, whatever increases may have been made in the expenditures, like increases were added to the revenues or planned to be expended from reserves/fund balances so that the budget remains in balance, as required by law.

NOW, THEREFORE, BE IT RESOLVED by the Board of directors of the Vail Square Metropolitan District No. 2, Eagle County, Colorado:

Section 1. That the budget as submitted, amended, and summarized by fund, hereby is approved and adopted as the budget of the Vail Square Metropolitan District No. 2 for the year stated above, as adjusted for immaterial changes in the final certified assessed value of the District No. 2 as certified by the county assessor and corresponding adjustments resulting from such changes to the assessed value. In the event there are material changes to the assessed value then a subsequent meeting of the Board shall be called to consider such changes. Furthermore, to the extent specific capital expenditures budgeted and forecasted for the current year are unable to be completed by the end of the current year, the budget for such expenditures shall be transferred into next year's budget and the budgeted beginning fund balance for next year's budget shall be updated to reflect such changes.

Section 2. That the budget hereby approved and adopted shall be certified by any officer or the District Administrator of the District No. 2 and made a part of the public records of the District No. 2.

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**RESOLUTIONS OF VAIL SQUARE METROPOLITAN DISTRICT NO. 2**  
**(CONTINUED)**

**TO SET MILL LEVIES**

A RESOLUTION LEVYING PROPERTY TAXES FOR THE YEAR 2025, TO HELP DEFRAY THE COSTS OF GOVERNMENT FOR THE VAIL SQUARE METROPOLITAN DISTRICT NO. 2, EAGLE COUNTY, COLORADO, FOR THE 2026 BUDGET YEAR.

WHEREAS, the Board of Directors of the Vail Square Metropolitan District No. 2, has adopted the annual budget in accordance with the Local Government Budget Law, on November 10, 2025 and;

WHEREAS, the amount of money necessary to balance the budget for general operating expenses and capital expenditure purposes from property tax revenue is \$78,059.44 and;

WHEREAS, the amount of money necessary to balance the budget for capital expenditure purposes from property tax revenue approved by voters or at public hearing is \$0.00, and;

WHEREAS, the amount of money necessary to balance the budget for voter approved bonds and interest is \$390,297.20, and;

WHEREAS, the amount of money necessary to balance the budget for voter approved contractual obligations \$0.00, and;

WHEREAS, the 2025 valuation for assessment for the Vail Square Metropolitan District No. 2, as certified by the County Assessor is \$19,514,860.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the VAIL SQUARE METROPOLITAN DISTRICT NO. 2, EAGLE COUNTY, COLORADO:

Section 1. That for the purposes of meeting all general operating expenses of the Vail Square Metropolitan District No. 2 during the 2026 budget year, there is hereby levied a tax of 4.000 mills upon each dollar of the total valuation for assessment of all taxable property within the District No. 2 for the year 2025.

Section 2. That for the purposes of rendering a temporary credit/refund during budget year 2026 there is hereby levied a temporary tax credit/mill levy reduction of 0.000 mills upon each dollar of the total valuation for assessment of all taxable property within the District No. 2 for the year 2025.

Section 3. That for the purpose of meeting all capital expenditures of the Vail Square Metropolitan District No. 2 during the 2026 budget year, there is hereby levied a tax of 0.000 mills upon each dollar of the total valuation for assessment of all taxable property within the District No. 2 for the year 2025.

**RESOLUTIONS OF VAIL SQUARE METROPOLITAN DISTRICT NO. 2**  
**(CONTINUED)**

**TO SET MILL LEVIES (CONTINUED)**

- Section 4. That for the purpose of meeting all payments for bonds and interest of the Vail Square Metropolitan District No. 2 during the 2026 budget year, there is hereby levied a tax of 20.000 mills upon each dollar of the total valuation for assessment of all taxable property within the District No. 2 for the year 2025.
- Section 5. That for the purpose of recouping refunds and abatements of the Vail Square Metropolitan District No. 2 during the 2026 budget year, there is hereby levied a tax of 0.000 mills upon each dollar of the total valuation for assessment of all taxable property within the District No. 2 for the year 2025.
- Section 6. That any officer or the District Administrator is hereby authorized and directed to either immediately certify to the County Commissioners of Eagle County, Colorado, the mill levies for the Vail Square Metropolitan District No. 2 as hereinabove determined and set, or be authorized and directed to certify to the County Commissioners of Eagle County, Colorado, the mill levies for the Vail Square Metropolitan District No. 2 as hereinabove determined and set based upon the final (December) certification of valuation from the county assessor.

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**RESOLUTIONS OF VAIL SQUARE METROPOLITAN DISTRICT NO. 2**  
**(CONTINUED)**

**TO APPROPRIATE SUMS OF MONEY**  
**(PURSUANT TO SECTION 29-1-108, C.R.S.)**

A RESOLUTION APPROPRIATING SUMS OF MONEY TO THE VARIOUS FUNDS AND SPENDING AGENCIES, IN THE AMOUNT AND FOR THE PURPOSE AS SET FORTH BELOW, FOR THE VAIL SQUARE METROPOLITAN DISTRICT NO. 2, EAGLE COUNTY, COLORADO, FOR THE 2026 BUDGET YEAR.

WHEREAS, the Board of Directors has adopted the annual budget in accordance with the Local Government Budget Law, on November 10, 2025, and;

WHEREAS, the Board of Directors has made provision therein for revenues in an amount equal or greater to the total proposed expenditures as set forth in said budget, and;

WHEREAS, it is not only required by law, but also necessary to appropriate the revenues and reserves or fund balances provided in the budget to and for the purposes described below, thereby establishing a limitation on expenditures for the operations of the District No. 2.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE VAIL SQUARE METROPOLITAN DISTRICT NO. 2, EAGLE COUNTY, COLORADO:

Section 1. That the following sums are hereby appropriated from the revenues of each fund, to each fund, for the purposes stated:

GENERAL FUND:	
Current Operating Expenses	<u>\$ 165,511</u>
DEBT SERVICE FUND:	
Debt Service Expenditures	\$ 772,152
Fund and Prepaid Obligations Transfers	\$ <u>77,951</u>
 TOTAL DEBT SERVICE FUND	 \$850,103

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**RESOLUTIONS OF VAIL SQUARE METROPOLITAN DISTRICT NO. 2**  
**(CONTINUED)**

**TO ADOPT 2026 BUDGET, SET MILL LEVIES AND**  
**APPROPRIATE SUMS OF MONEY**  
**(CONTINUED)**

The above resolutions to adopt the 2026 budget, set the mill levies and to appropriate sums of money were adopted this 10<sup>th</sup> day of November, 2025.

Signed by:  
Attest: Jeffrey Babb  
79DF38BE2DE54C2...

Title: President

VAIL SQUARE METROPOLITAN DISTRICT # 2  
 STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET, ACTUAL AND FORECAST FOR THE PERIODS INDICATED

Modified  
 Accrual  
 Basis Printed  
 1/5/2026

GENERAL FUND	2024 Audited Actual	2025 Adopted Budget	2025 Forecast	9 Months Ended 9/30/2025 Actual	9 Months Ended 9/30/2025 Budget	Variance Favorable (Unfav)	2026 Adopted Budget	BUDGET ASSUMPTIONS
Assessed Valuation - Net	20,134,680	20,245,080	20,245,080				19,514,860	Final AV
Assessed Valuation - TIF	17,823,050	17,697,010	17,697,010				17,992,540	Final AV
<b>Total Gross AV</b>	<b>37,957,730</b>	<b>37,942,090</b>	<b>37,942,090</b>				<b>37,507,400</b>	
	37.2%	0.0%	0.0%				-1.1%	Percent change
Operating Mill Levy	3.000	3.000	3.000				4.000	
<b>REVENUES</b>								
Property Taxes - Operating Mill Levy	60,718	60,735	60,735	59,665	57,539	2,126	78,059	AV x Mill levy
Property Taxes - TIF Operating Mill Levy	51,951	53,091	51,498	50,326	50,297	29	69,811	AV x Mill levy
Specific Ownership Taxes	5,565	4,553	5,000	3,790	3,415	376	6,654	4.5% of Prop Tax
Vail Sq # 1 Interdistrict Contrib	-	-	-	-	-	-	-	
Interest Income	-	1,000	-	-	750	(750)	-	
<b>TOTAL REVENUES</b>	<b>118,234</b>	<b>119,379</b>	<b>117,234</b>	<b>113,781</b>	<b>112,000</b>	<b>1,781</b>	<b>154,525</b>	
<b>EXPENDITURES</b>								
Audit	5,000	5,250	5,250	5,250	5,250	-	5,500	Per engagement letter
Insurance	3,282	3,850	3,788	3,788	3,850	62	4,235	10% increase
Treasurers Fees	1,825	3,415	1,822	1,792	3,235	1,444	2,342	3% of Prop Tax
VSQ 1 Interdistrict Advance repayment	-	-	-	-	-	-	-	
Pmt to VSQ 1 for Svcs Prop Tx Less Treas Fees	58,893	58,913	58,913	57,873	58,913	1,040	75,718	
Pmt to VSQ 1 for Svcs TIF Prop Tx Less Treas Fees	51,951	51,498	51,498	50,326	51,498	1,173	67,717	
Contingency Allowance	-	10,000	-	-	-	-	10,000	
<b>TOTAL EXPENDITURES</b>	<b>120,951</b>	<b>132,926</b>	<b>121,272</b>	<b>119,028</b>	<b>122,747</b>	<b>3,718</b>	<b>165,511</b>	
<b>REVENUE OVER (UNDER) EXPEND.</b>	<b>(2,717)</b>	<b>(13,547)</b>	<b>(4,038)</b>	<b>(5,247)</b>	<b>(10,746)</b>	<b>5,499</b>	<b>(10,986)</b>	
<b>OTHER SOURCES AND (USES)</b>								
Xfer Net Int & SO tax fr DS Fund	14,745	18,000	10,000	-	-	-	10,000	
<b>TOTAL OTHER SOURCES &amp; (USES)</b>	<b>14,745</b>	<b>18,000</b>	<b>10,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,000</b>	
FUND BALANCE - BEGINNING	28,855	41,322	40,882	40,882	41,322	(440)	46,844	
<b>FUND BALANCE - ENDING</b>	<b>40,882</b>	<b>45,775</b>	<b>46,844</b>	<b>35,635</b>	<b>30,576</b>	<b>5,059</b>	<b>45,858</b>	
	=	=	=	=	=	=	=	

No assurance is provided on these financial statements and substantially all disclosures required by GAAP have been omitted.

VAIL SQUARE METROPOLITAN DISTRICT # 2  
 STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET, ACTUAL AND FORECAST FOR THE PERIODS INDICATED

Modified  
 Accrual  
 Basis  
 Printed  
 1/5/2026

DEBT SERVICE FUND	2024 Audited Actual	2025 Adopted Budget	2025 Forecast	9 Months Ended 9/30/2025 Actual	9 Months Ended 9/30/2025 Budget	Variance Favorable (Unfav)	2026 Adopted Budget	BUDGET ASSUMPTIONS
Assessed Valuation -Net	20,134,680	20,245,080	20,245,080				19,514,860	Final AV
Assessed Valuation - TIF TOV URA	17,823,050	17,697,010	17,697,010				17,992,540	Final AV
<b>Total Gross AV</b>	<b>37,957,730</b>	<b>37,942,090</b>	<b>37,942,090</b>				<b>37,507,400</b>	Percent change
	37.2%	0.0%	0.0%				-1.1%	
<b>Mill Levy Rates</b>								
IGA Services Mill Levy Rate (Moved to GF)	0.000	0.000	0.000				0.000	
Capital Pledge Mill Levy Rate	20.000	20.000	20.000				20.000	
Total Mill Levy Rate	20.000	20.000	20.000				20.000	
<b>REVENUES</b>								
Prop Taxes-IGA Serv	-	-	-	-	-	-	-	AV x Mill levy
Prop Taxes-TIF IGA Serv	-	-	-	-	-	-	-	AV x Mill levy
Prop Taxes-D/S Oblig	404,787	404,902	404,902	397,766	383,591	14,175	390,297	AV x Mill levy
Prop Taxes-TIF D/S Oblig	346,338	353,940	343,322	335,505	335,312	193	349,055	AV x Mill levy
Specific Ownership Taxes	37,101	34,148	33,670	25,269	22,765	2,504	33,271	4.5% of Prop Tax
Interest Income	14,745	18,000	10,000	5,564	13,500	(7,936)	10,000	
<b>TOTAL REVENUES</b>	<b>802,971</b>	<b>810,990</b>	<b>791,894</b>	<b>764,104</b>	<b>755,168</b>	<b>8,936</b>	<b>782,623</b>	
<b>EXPENDITURES</b>								
Xfer Prop Taxes to VSQ #1 - Serv Oblig	-	-	-	-	-	-	-	Service mills less Treas Fee
Xfer Prop Taxes to VSQ #1 - Serv TIF TOV	-	-	-	-	-	-	-	TOV URA
Xfer Prop Taxes to VSQ #3 - D/S Oblig	392,622	392,755	392,755	385,822	372,083	(13,739)	378,588	DS mills less Treas Fee
Xfer Prop Taxes to VSQ #3 - D/S TIF TOV	346,338	343,322	333,022	335,505	325,252	(10,253)	338,584	TOV URA
Xfer Specific Ownership Tax - D/S	37,101	34,148	33,670	25,269	25,611	342	33,271	IGA DS % of SO tax
Treasurer's Fees	12,165	22,765	12,147	11,944	21,567	9,623	11,709	3% of Prop. Taxes
Contingency	-	10,000	-	-	-	-	10,000	
<b>TOTAL EXPENDITURES</b>	<b>788,226</b>	<b>802,990</b>	<b>771,594</b>	<b>758,540</b>	<b>744,514</b>	<b>(14,026)</b>	<b>772,152</b>	
<b>REVENUE OVER (UNDER) EXPEND.</b>	<b>14,745</b>	<b>8,000</b>	<b>20,300</b>	<b>5,564</b>	<b>10,654</b>	<b>(5,090)</b>	<b>10,472</b>	
<b>OTHER SOURCES/(USES)</b>								
Xfer Net Interest to Gen Fund	(14,745)	(18,000)	(10,000)	-	-	-	(10,000)	
Xfer Prepaid Service Obligation to Expense	(447,423)	(272,662)	(287,364)	(208,600)	(117,317)	(91,283)	(67,951)	
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>(462,168)</b>	<b>(290,662)</b>	<b>(297,364)</b>	<b>(208,600)</b>	<b>(117,317)</b>	<b>(91,283)</b>	<b>(77,951)</b>	
FUND BALANCE - BEGINNING	868,309	527,383	420,886	420,886	527,383	(106,497)	143,822	
FUND BALANCE - RESTATEMENT								
Reverse contingency			-					
<b>FUND BALANCE - ENDING</b>	<b>420,886</b>	<b>244,721</b>	<b>143,822</b>	<b>217,851</b>	<b>420,720</b>	<b>(202,870)</b>	<b>76,342</b>	

No assurance is provided on these financial statements and substantially all disclosures required by GAAP have been omitted.

**CERTIFICATION OF TAX LEVIES for NON-SCHOOL Governments**

**TO:** County Commissioners<sup>1</sup> of Eagle County, Colorado.

On behalf of the Vail Square Metropolitan District No. 2

(taxing entity)<sup>A</sup>

the Board of Directors

(governing body)<sup>B</sup>

of the Vail Square Metropolitan District No. 2

(local government)<sup>C</sup>

**Hereby** officially certifies the following mills to be levied against the taxing entity's GROSS assessed valuation of:

\$ 37,507,400  
(Gross<sup>D</sup> assessed valuation, Line 2 of the Certification of Valuation Form DLG 57<sup>F</sup>)

**Note:** If the assessor certified a NET assessed valuation (AV) different than the GROSS AV due to a Tax Increment Financing (TIF) Area<sup>F</sup> the tax levies must be calculated using the NET AV. The taxing entity's total property tax revenue will be derived from the mill levy multiplied against the NET assessed valuation of:

\$ 19,514,860  
(NET<sup>G</sup> assessed valuation, Line 4 of the Certification of Valuation Form DLG 57)

**USE VALUE FROM FINAL CERTIFICATION OF VALUATION PROVIDED BY ASSESSOR NO LATER THAN DECEMBER 10**

**Submitted:** 12/10/2025  
(not later than Dec 15) (mm/dd/yyyy)

for budget/fiscal year 2026  
(yyyy)

PURPOSE (see end notes for definitions and examples)	LEVY <sup>2</sup>	REVENUE <sup>2</sup>
1. General Operating Expenses <sup>H</sup>	<u>4.000</u> mills	\$ <u>78,059.44</u>
2. <Minus> Temporary General Property Tax Credit/ Temporary Mill Levy Rate Reduction <sup>I</sup>	<u>(0.000)</u> mills	\$ <u>-</u>
<b>SUBTOTAL FOR GENERAL OPERATING:</b>	<b>4.000</b> mills	<b>\$ 78,059.44</b>
3. General Obligation Bonds and Interest <sup>J</sup>	<u>20.000</u> mills	\$ <u>390,297.20</u>
4. Contractual Obligations <sup>K</sup>	<u>0.000</u> mills	\$ <u>-</u>
5. Capital Expenditures <sup>L</sup>	<u>0.000</u> mills	\$ <u>-</u>
6. Refunds/Abatements <sup>M</sup>	<u>0.000</u> mills	\$ <u>-</u>
7. Other <sup>N</sup> (specify): _____	<u>0.000</u> mills	\$ <u>-</u>
	<u>0.000</u> mills	\$ <u>-</u>
<b>TOTAL:</b> [ Sum of General Operating Subtotal and Lines 3 to 7 ]	<b>24.000</b> mills	<b>\$ 468,356.64</b>

Contact person: Jon Erickson Daytime phone: 970-926-6060 ext. 101  
 Signed: [Signature] Title: District Administrator

Include one copy of this tax entity's completed form when filing the local government's budget by January 31st, per 29-1-113 C.R.S. with the Division of Local Government (DLG), Room 521, 1313 Sherman Street, Denver, Colorado 80203. Questions? Call DLG (303) 864-7720.

<sup>1</sup> If the taxing entity's boundaries include more than one county, you must certify the levies to each county. Use a separate form for each county and certify the same levies uniformly to each county per Article X, Section 3 of the Colorado Constitution.

<sup>2</sup> Levies must be rounded to three decimal places and revenue must be calculated from the total NET assessed valuation (Line 4 of Form DLG57 on the County Assessor's **FINAL** certification of valuation).

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**CERTIFICATION OF TAX LEVIES, continued**

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**Vail Square Metropolitan District No. 2**

**THIS SECTION APPLIES TO TITLE 32, ARTICLE 1 SPECIAL DISTRICTS THAT LEVY TAXES FOR PAYMENT OF GENERAL OBLIGATION DEBT (32-1-603 C.R.S.)**. Taxing entities that are

Special Districts or Subdistricts of Special Districts must certify separate mill levies and revenue to the Board of County Commissioners, one each for the funding requirements of each debt (32-1-603, C.R.S.) Use additional pages as necessary. The Special District's or Subdistrict's total levies for general obligation bonds and total levies for contractual obligations should be recorded on Page 1, Lines 3 and 4 respectively.

**CERTIFY A SEPARATE MILL LEVY FOR EACH BOND OR CONTRACT:**

**BONDS<sup>J</sup>:**

1. Purpose of Issue: Pledge funds to Vail Square Metropolitan District No. 3 to be used to refinance the Vail Square Metropolitan District No. 1 loan in the original principal amount of \$16,000,000, the proceeds of which were used to finance, among other things, certain public improvements for the benefit of the District along with Vail Square Metropolitan District Nos. 1 and 2  
Series: 2023  
Date of Issue: April 26, 2023  
Coupon rate: 3.33%  
Maturity Date: December 1, 2034  
Levy: 20.000 Mills  
Revenue: \$390,297.20

2. Purpose of Issue:  
Series:  
Date of Issue:  
Coupon rate:  
Maturity Date:  
Levy:  
Revenue:

**CONTRACTS<sup>K</sup>:**

3. Purpose of Contract:  
Title:  
Date:  
Principal Amount:  
Maturity Date:  
Levy:  
Revenue:

4. Purpose of Contract:  
Title:  
Date:  
Principal Amount:  
Maturity Date:  
Levy:  
Revenue:

Use multiple copies of this page as necessary to separately report all bond and contractual obligations per 32-1-1603, C.R.S.

# VAIL SQUARE METROPOLITAN DISTRICT NO. 3

January 5, 2026

Division of Local Government  
Via: E-Filing Portal

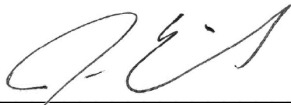
RE: Vail Square Metropolitan District No. 3  
LGID #65510

Attached is the 2026 Budget for the Vail Square Metropolitan District No. 3 in Eagle County, Colorado, submitted pursuant to Section 29-1-113, C.R.S. This Budget was adopted on November 10, 2025. If there are any questions on the budget, please contact Mr. Jon Erickson telephone number 970-926-6060, Ext 101.

The mill levy certified to the County Commissioners of Eagle County is 4.000 mills for all general operating purposes, subject to statutory and/or TABOR limitations; 11.797 mills for general obligation debt; 0.000 mills for contractual obligations; 0.000 for refund/abatement; and 0.000 mills for Temporary Tax Credit/Mill Levy Reduction. Based on a net assessed valuation of \$13,810,140, the total property tax revenue is \$218,158.78. A copy of the certification of mill levies sent to the County Commissioners for Eagle County is enclosed.

I hereby certify that the enclosed is a true and accurate copy of the budget and certification of tax levies to the Board of County Commissioners of Eagle County, Colorado.

Sincerely,



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Title: District Administrator

Enclosure(s)

## **VAIL SQUARE METROPOLITAN DISTRICT NO. 3**

### 2026 BUDGET MESSAGE

Vail Square Metropolitan District No. 3 is a quasi-municipal corporation organized and operated pursuant to provisions set forth in the Colorado Special District Act. The District was established to supply the necessary services of roads, drainage facilities, streetscape, water and sewer utilities mains.

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

The following budget is prepared on the modified accrual basis of accounting, which is consistent with the basis of accounting used in presenting the District's financial statements.

### 2026 BUDGET STRATEGY

Vail Square Metropolitan District No. 3 was formed in late 2005. The District has joined with Vail Square Metropolitan District No.1 and Vail Square Metropolitan District No. 2 in adopting a consolidated service plan. Under this consolidated service plan, Vail Square Metro District No. 1 will be the “service district” and Vail Square Metro District Nos. 2 and 3 will be the “financing districts.” As such, Vail Square Metro District No.1 will be responsible for managing the construction, maintenance and operation of facilities and improvements needed for the Vail Square Metro District Nos. 2 and 3 areas. The District and Vail Square Metro District No. 2 will be responsible for providing the funding and tax bases needed to support the financing plan for capital improvements.

Vail Square Metropolitan District Nos. 2 and 3 anticipate utilizing the property taxes they collect to pay for a portion of their obligations under the District Coordinating Services Agreement with Vail Square Metropolitan District No. 1.

**RESOLUTIONS OF VAIL SQUARE METROPOLITAN DISTRICT NO. 3**

**TO ADOPT 2026 BUDGET**

A RESOLUTION SUMMARIZING EXPENDITURES AND REVENUES FOR EACH FUND AND ADOPTING A BUDGET FOR THE VAIL SQUARE METROPOLITAN DISTRICT NO. 3, COLORADO, FOR THE CALENDAR YEAR BEGINNING ON THE FIRST DAY OF JANUARY 2026 AND ENDING ON THE LAST DAY OF DECEMBER 2026.

WHEREAS, the Board of Directors of the Vail Square Metropolitan District No. 3 has appointed a budget committee to prepare and submit a proposed 2026 budget at the proper time; and

WHEREAS, such committee has submitted a proposed budget to this governing body at the proper time, for its consideration, and;

WHEREAS, upon due and proper notice, published or posted in accordance with the law, said proposed budget was open for inspection by the public at a designated place, and a public hearing was opened on August 11, 2025 and continued on November 10, 2025, and interested taxpayers were given the opportunity to file or register any objections to said proposed budget; and;

WHEREAS, whatever increases may have been made in the expenditures, like increases were added to the revenues or planned to be expended from reserves/fund balances so that the budget remains in balance, as required by law.

NOW, THEREFORE, BE IT RESOLVED by the Board of directors of the Vail Square Metropolitan District No. 3, Eagle County, Colorado:

Section 1. That the budget as submitted, amended, and summarized by fund, hereby is approved and adopted as the budget of the Vail Square Metropolitan District No. 3 for the year stated above, as adjusted for immaterial changes in the final certified assessed value of the District No. 3 as certified by the county assessor and corresponding adjustments resulting from such changes to the assessed value. In the event there are material changes to the assessed value then a subsequent meeting of the Board shall be called to consider such changes. Furthermore, to the extent specific capital expenditures budgeted and forecasted for the current year are unable to be completed by the end of the current year, the budget for such expenditures shall be transferred into next year's budget and the budgeted beginning fund balance for next year's budget shall be updated to reflect such changes.

Section 2. That the budget hereby approved and adopted shall be certified by any officer or the District Administrator of the District No. 3 and made a part of the public records of the District No. 3.

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**RESOLUTIONS OF VAIL SQUARE METROPOLITAN DISTRICT NO. 3**  
**(CONTINUED)**

**TO SET MILL LEVIES**

A RESOLUTION LEVYING PROPERTY TAXES FOR THE YEAR 2025, TO HELP DEFRAID THE COSTS OF GOVERNMENT FOR THE VAIL SQUARE METROPOLITAN DISTRICT NO. 3, EAGLE COUNTY, COLORADO, FOR THE 2026 BUDGET YEAR.

WHEREAS, the Board of Directors of the Vail Square Metropolitan District No. 3, has adopted the annual budget in accordance with the Local Government Budget Law, on November 10, 2025 and;

WHEREAS, the amount of money necessary to balance the budget for general operating expenses and capital expenditure purposes from property tax revenue is \$55,240.56 and;

WHEREAS, the amount of money necessary to balance the budget for capital expenditure purposes from property tax revenue approved by voters or at public hearing is \$0.00, and;

WHEREAS, the amount of money necessary to balance the budget for voter approved bonds and interest is \$162,918.22, and;

WHEREAS, the amount of money necessary to balance the budget for voter approved contractual obligations \$0.00, and;

WHEREAS, the 2025 valuation for assessment for the Vail Square Metropolitan District No. 3, as certified by the County Assessor is \$13,810,140.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the VAIL SQUARE METROPOLITAN DISTRICT NO. 3, EAGLE COUNTY, COLORADO:

Section 1. That for the purposes of meeting all general operating expenses of the Vail Square Metropolitan District No. 3 during the 2026 budget year, there is hereby levied a tax of 4.000 mills upon each dollar of the total valuation for assessment of all taxable property within the District No. 3 for the year 2025.

Section 2. That for the purposes of rendering a temporary credit/refund during budget year 2026 there is hereby levied a temporary tax credit/mill levy reduction of 0.000 mills upon each dollar of the total valuation for assessment of all taxable property within the District No. 3 for the year 2025.

Section 3. That for the purpose of meeting all capital expenditures of the Vail Square Metropolitan District No. 3 during the 2026 budget year, there is hereby levied a tax of 0.000 mills upon each dollar of the total valuation for assessment of all taxable property within the District No. 3 for the year 2025.

**RESOLUTIONS OF VAIL SQUARE METROPOLITAN DISTRICT NO. 3**  
**(CONTINUED)**

**TO SET MILL LEVIES (CONTINUED)**

- Section 4. That for the purpose of meeting all payments for bonds and interest of the Vail Square Metropolitan District No. 3 during the 2026 budget year, there is hereby levied a tax of 11.797 mills upon each dollar of the total valuation for assessment of all taxable property within the District No. 3 for the year 2025.
- Section 5. That for the purpose of recouping refunds and abatements of the Vail Square Metropolitan District No. 3 during the 2026 budget year, there is hereby levied a tax of 0.000 mills upon each dollar of the total valuation for assessment of all taxable property within the District No. 3 for the year 2025.
- Section 6. That any officer or the District Administrator is hereby authorized and directed to either immediately certify to the County Commissioners of Eagle County, Colorado, the mill levies for the Vail Square Metropolitan District No. 3 as hereinabove determined and set, or be authorized and directed to certify to the County Commissioners of Eagle County, Colorado, the mill levies for the Vail Square Metropolitan District No. 3 as hereinabove determined and set based upon the final (December) certification of valuation from the county assessor.

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**RESOLUTIONS OF VAIL SQUARE METROPOLITAN DISTRICT NO. 3**  
**(CONTINUED)**

**TO APPROPRIATE SUMS OF MONEY**  
**(PURSUANT TO SECTION 29-1-108, C.R.S.)**

A RESOLUTION APPROPRIATING SUMS OF MONEY TO THE VARIOUS FUNDS AND SPENDING AGENCIES, IN THE AMOUNT AND FOR THE PURPOSE AS SET FORTH BELOW, FOR THE VAIL SQUARE METROPOLITAN DISTRICT NO. 3, EAGLE COUNTY, COLORADO, FOR THE 2026 BUDGET YEAR.

WHEREAS, the Board of Directors has adopted the annual budget in accordance with the Local Government Budget Law, on November 10, 2025, and;

WHEREAS, the Board of Directors has made provision therein for revenues in an amount equal or greater to the total proposed expenditures as set forth in said budget, and;

WHEREAS, it is not only required by law, but also necessary to appropriate the revenues and reserves or fund balances provided in the budget to and for the purposes described below, thereby establishing a limitation on expenditures for the operations of the District No. 3.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE VAIL SQUARE METROPOLITAN DISTRICT NO. 3, EAGLE COUNTY, COLORADO:

Section 1. That the following sums are hereby appropriated from the revenues of each fund, to each fund, for the purposes stated:

GENERAL FUND:	
Current Operating Expenses	<u>\$88,137</u>
DEBT SERVICE FUND:	
Debt Service and Contractual Obligation Expenditures	\$1,006,668
Fund Transfers	<u>48,851</u>
 TOTAL DEBT SERVICE FUND	 \$1,055,519

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**RESOLUTIONS OF VAIL SQUARE METROPOLITAN DISTRICT NO. 3**  
**(CONTINUED)**

**TO ADOPT 2026 BUDGET, SET MILL LEVIES AND**  
**APPROPRIATE SUMS OF MONEY**  
**(CONTINUED)**

The above resolutions to adopt the 2026 budget, set the mill levies and to appropriate sums of money were adopted this 10th day of November, 2025.

Signed by:  
*Jeffrey Babbs*  
Attest: 79DF38BE2DE54C2...

Title: President

VAIL SQUARE METROPOLITAN DISTRICT # 3  
 STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET, ACTUAL AND FORECAST FOR THE PERIODS INDICATED

GENERAL FUND				9 Months	9 Months	Modified	Printed	BUDGET ASSUMPTIONS
	2024 Audited Actual	2025 Adopted Budget	2025 Forecast	Ended 9/30/2025 Actual	Ended 9/30/2025 Budget	Accrual Basis Variance Favorable (Unfav)	1/5/2026 2026 Adopted Budget	
Assessed Valuation - Net	11,618,610	10,969,870	10,969,870				13,810,140	Final AV
Assessed Valuation - TIF	10,284,700	9,589,190	9,589,190				5,356,910	Final AV
<b>Total Gross AV</b>	<b>21,903,310</b>	<b>20,559,060</b>	<b>20,559,060</b>				<b>19,167,050</b>	
	-8.9%	-6.1%	-6.1%				-6.8%	Percent change
<b>Operating Mill Levy</b>	<b>3.000</b>	<b>3.000</b>	<b>3.000</b>				<b>4.000</b>	Operating Mill Levy Rate
<b>REVENUES</b>								
Property Taxes - Operating Mill Levy	34,907	32,910	32,967	32,967	32,910	57	55,241	AV x Mill levy
Property Taxes - TIF Operating Mill Levy	29,925	28,768	27,905	27,904	28,768	(864)	20,785	AV x Mill levy
Specific Ownership Taxes	3,216	2,775	2,739	2,053	2,082	(28)	3,421	4.5% of Prop Tax
Vail Sq # 1 InterDistrict Contrib	-	-	-	-	-	-	-	
Interest Income	-	-	-	-	-	-	-	
<b>TOTAL REVENUES</b>	<b>68,047</b>	<b>64,453</b>	<b>63,611</b>	<b>62,924</b>	<b>63,759</b>	<b>(835)</b>	<b>79,447</b>	
<b>EXPENDITURES</b>								
Audit	4,750	5,250	5,250	5,250	5,250	-	5,500	Per engagement letter
Insurance	3,348	3,850	3,783	3,783	3,850	67	4,235	10% increase
Treasurers Fees	1,047	1,850	989	989	925	(64)	1,657	3% of Prop Tax
Pmt to VSQ 1 for Svcs Prop Tx Less Treas Fees	33,859	31,922	31,978	31,928	31,922	(6)	53,583	Service Payment
Pmt to VSQ 1 for Svcs TIF Prop Tx Less Treas Fees	29,925	27,905	27,067	27,860	27,905	44	20,161	Service Payment
Contingency Allowance	-	3,000	-	-	-	-	3,000	
<b>TOTAL EXPENDITURES</b>	<b>72,929</b>	<b>73,777</b>	<b>69,067</b>	<b>69,810</b>	<b>69,852</b>	<b>42</b>	<b>88,137</b>	
<b>REVENUE OVER (UNDER) EXPEND.</b>	<b>(4,882)</b>	<b>(9,325)</b>	<b>(5,457)</b>	<b>(6,886)</b>	<b>(6,093)</b>	<b>(793)</b>	<b>(8,690)</b>	
<b>OTHER SOURCES AND (USES)</b>								
Xfer Net Int & SO tax fr DS Fund	50,758	27,176	27,176	-	-	-	24,976	
<b>TOTAL OTHER SOURCES &amp; (USES)</b>	<b>50,758</b>	<b>27,176</b>	<b>27,176</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,976</b>	
FUND BALANCE - BEGINNING	200	29,858	46,077	46,077	29,858	16,219	67,796	
<b>FUND BALANCE - ENDING</b>	<b>46,077</b>	<b>47,709</b>	<b>67,796</b>	<b>39,190</b>	<b>23,765</b>	<b>15,425</b>	<b>84,081</b>	
	=	=	=	=	=	=	=	

No assurance is provided on these financial statements and substantially all disclosures required by GAAP have been omitted.

VAIL SQUARE METROPOLITAN DISTRICT # 3  
 STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET, ACTUAL AND FORECAST FOR THE PERIODS INDICATED

Modified  
 Accrual Basis  
 Printed  
 1/5/2026

DEBT SERVICE FUND	2024 Audited Actual	2025 Adopted Budget	2025 Forecast	9 Months Ended 9/30/2025 Actual	9 Months Ended 9/30/2025 Budget	Variance Favorable (Unfav)	2026 Adopted Budget	BUDGET ASSUMPTIONS
Assessed Valuation - Net	11,618,610	10,969,870	10,969,870				13,810,140	Final AV
Assessed Valuation - TIF	10,284,700	9,589,190	9,589,190				5,356,910	Final AV
<b>Total Gross AV</b>	<b>21,903,310</b>	<b>20,559,060</b>	<b>20,559,060</b>				<b>19,167,050</b>	Percent change
	-8.9%	-6.1%	-6.1%				<b>-6.8%</b>	
<b>Mill Levy Rates</b>								
IGA Services Mill Levy Rate (Moved to GF)	0.000	0.000	0.000				0.000	
Capital Pledge Mill Levy Rate	11.797	11.797	11.797				11.797	
Total Mill Levy Rate	11.797	11.797	11.797				11.797	
<b>REVENUES</b>								
Prop Taxes-IGA Serv	-	-	-	-	-	-	-	AV x Mill levy
Prop Taxes-TIF IGA Serv	-	-	-	-	-	-	-	AV x Mill levy
Prop Taxes - D/S Oblig	137,264	129,412	129,635	129,635	129,412	224	162,918	AV x Mill levy
Prop Taxes - TIF D/S Oblig	117,676	109,730	109,730	109,727	109,730	(3)	61,300	AV x Mill levy
Property Tax Abatement and Interest	-	-	-	-	-	-	-	
Xfer IGA D/S - VSQ # 2	392,622	392,755	392,755	385,822	372,083	13,739	378,588	
Xfer IGA D/S - VSQ # 2 TIF TOV	346,338	343,322	333,022	335,505	325,252	10,253	338,584	
Xfer DS Spec Own Tax - VSQ 2	37,101	34,148	33,670	25,269	25,611	(342)	33,271	
Specific Ownership Taxes	12,645	9,566	9,575	8,075	6,377	1,698	10,090	
Interest Income	50,758	27,176	27,176	19,506	20,382	(876)	24,976	
<b>TOTAL REVENUES</b>	<b>1,094,405</b>	<b>1,046,107</b>	<b>1,035,562</b>	<b>1,013,539</b>	<b>988,847</b>	<b>24,692</b>	<b>1,009,726</b>	
<b>EXPENDITURES</b>								
Xfer Prop Taxes to VSQ #1 - Serv Oblig	-	-	-	-	-	-	-	Service mills less treas fe
Xfer Prop Taxes to VSQ #1 - Serv TIF	-	-	-	-	-	-	-	TOV URA
Xfer Prop Taxes to VSQ #1 - D/S Oblig	-	-	-	-	-	-	-	DS mills less treas fee
Xfer Prop Taxes to VSQ #1 - D/S TIF	-	-	-	-	-	-	-	TOV URA
Series 2023 Refi Loan - Interest	299,567	276,557	276,557	-	-	-	252,780	Per Bond Docs
Series 2023 Refi Loan - Principal	691,000	714,000	714,000	-	-	-	737,000	Per Bond Docs
Agent/Bank Fees	1,500	10,000	1,500	1,500	2,000	500	2,000	Based on Prior Year
Xfer Specific Ownership Tax - D/S	-	-	-	-	-	-	-	
Treasurer's Fees	4,118	7,174	3,889	3,889	3,882	(7)	4,888	3% of Prop. Taxes
Contingency	-	10,000	-	-	-	-	10,000	
<b>TOTAL EXPENDITURES</b>	<b>996,185</b>	<b>1,017,731</b>	<b>995,946</b>	<b>5,389</b>	<b>5,882</b>	<b>493</b>	<b>1,006,668</b>	
<b>REVENUE OVER (UNDER) EXPEND.</b>	<b>98,220</b>	<b>28,376</b>	<b>39,617</b>	<b>1,008,149</b>	<b>982,965</b>	<b>25,185</b>	<b>3,059</b>	
<b>OTHER SOURCES/(USES)</b>								
2023 Refi Proceeds	-	-	-	-	-	-	-	
2023 Cost of Issuance	-	-	-	-	-	-	-	
Transfer to VSQ 1 for payoff of hedged 2008 loan	-	-	-	-	-	-	-	
Transfer from VSQ 1 debt service	-	-	-	-	-	-	-	
Xfer Prepaid Service Obligation to Expense	(149,883)	(95,800)	(100,966)	(77,153)	-	(77,153)	(23,875)	
Xfer Int	(50,758)	(27,176)	(27,176)	-	-	-	(24,976)	
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>(200,641.64)</b>	<b>(122,976)</b>	<b>(128,141)</b>	<b>(77,153)</b>	<b>-</b>	<b>(77,153)</b>	<b>(48,851)</b>	
FUND BALANCE - BEGINNING	1,023,481	905,853	921,060	921,060	905,853	15,207	832,535	
FUND BALANCE - RESTATEMENT								
<b>FUND BALANCE - ENDING</b>	<b>921,060</b>	<b>811,253</b>	<b>832,535</b>	<b>1,852,056</b>	<b>1,888,817</b>	<b>(36,761)</b>	<b>786,743</b>	

No assurance is provided on these financial statements and substantially all disclosures required by GAAP have been omitted.

CERTIFICATION OF TAX LEVIES for NON-SCHOOL Governments

TO: County Commissioners<sup>1</sup> of Eagle County, Colorado.

On behalf of the Vail Square Metropolitan District No. 3

(taxing entity)<sup>A</sup>

the Board of Directors

(governing body)<sup>B</sup>

of the Vail Square Metropolitan District No. 3

(local government)<sup>C</sup>

Hereby officially certifies the following mills to be levied against the taxing entity's GROSS assessed valuation of:

\$ 19,167,050 (Gross<sup>D</sup> assessed valuation, Line 2 of the Certification of Valuation Form DLG 57<sup>E</sup>)

Note: If the assessor certified a NET assessed valuation (AV) different than the GROSS AV due to a Tax Increment Financing (TIF) Area<sup>F</sup> the tax levies must be calculated using the NET AV. The taxing entity's total property tax revenue will be derived from the mill levy multiplied against the NET assessed valuation of:

\$ 13,810,140 (NET<sup>G</sup> assessed valuation, Line 4 of the Certification of Valuation Form DLG 57)

USE VALUE FROM FINAL CERTIFICATION OF VALUATION PROVIDED BY ASSESSOR NO LATER THAN DECEMBER 10

Submitted: 12/10/2025 (not later than Dec 15) (mm/dd/yyyy)

for budget/fiscal year 2026 (yyyy)

Table with 3 columns: PURPOSE (see end notes for definitions and examples), LEVY<sup>2</sup>, and REVENUE<sup>2</sup>. Rows include General Operating Expenses, Temporary General Property Tax Credit, General Obligation Bonds and Interest, Contractual Obligations, Capital Expenditures, Refunds/Abatements, and Other. Total: 15.797 mills, \$ 218,158.78.

Contact person: Jon Erickson
Signed: [Signature]

Daytime phone: 970-926-6060 ext. 101
Title: District Administrator

Include one copy of this tax entity's completed form when filing the local government's budget by January 31st, per 29-1-113 C.R.S. with the Division of Local Government (DLG), Room 521, 1313 Sherman Street, Denver, Colorado 80203. Questions? Call DLG (303) 864-7720.

1 If the taxing entity's boundaries include more than one county, you must certify the levies to each county. Use a separate form for each county and certify the same levies uniformly to each county per Article X, Section 3 of the Colorado Constitution.

2 Levies must be rounded to three decimal places and revenue must be calculated from the total NET assessed valuation (Line 4 of Form DLG57 on the County Assessor's FINAL certification of valuation).

**CERTIFICATION OF TAX LEVIES, continued**

**Vail Square Metropolitan District No. 3**

**THIS SECTION APPLIES TO TITLE 32, ARTICLE 1 SPECIAL DISTRICTS THAT LEVY TAXES FOR PAYMENT OF GENERAL OBLIGATION DEBT (32-1-603 C.R.S.)**

Taxing entities that are Special Districts or Subdistricts of Special Districts must certify separate mill levies and revenue to the Board of County Commissioners, one each for the funding requirements of each debt (32-1-603, C.R.S.) Use additional pages as necessary. The Special District's or Subdistrict's total levies for general obligation bonds and total levies for contractual obligations should be recorded on Page 1, Lines 3 and 4 respectively.

**CERTIFY A SEPARATE MILL LEVY FOR EACH BOND OR CONTRACT:**

**BONDS<sup>J</sup>:**

1. Purpose of Issue: Refinance the Vail Square Metropolitan District No. 1 loan in the original principal amount of \$16,000,000, the proceeds of which were used to finance, among other things, certain public improvements for the benefit of the District along with Vail Square Metropolitan District Nos. 1 and 2  
Series: 2023  
Date of Issue: April 26, 2023  
Coupon rate: 3.33%  
Maturity Date: December 1, 2034  
Levy: 11.797 Mills  
Revenue: \$162,918.22

2. Purpose of Issue:  
Series:  
Date of Issue:  
Coupon rate:  
Maturity Date:  
Levy:  
Revenue:

**CONTRACTS<sup>K</sup>:**

3. Purpose of Contract:  
Title:  
Date:  
Principal Amount:  
Maturity Date:  
Levy:  
Revenue:

4. Purpose of Contract:  
Title:  
Date:  
Principal Amount:  
Maturity Date:  
Levy:  
Revenue:

Use multiple copies of this page as necessary to separately report all bond and contractual obligations per 32-1-1603, C.R.S.

EXHIBIT B  
(2025 Audits)

**Vail Square Metropolitan District No. 1**

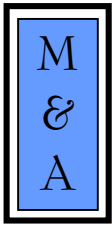
**Financial Statements**

**December 31, 2025**

**Vail Square Metropolitan District No. 1  
Financial Statements  
December 31, 2025**

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# McMAHAN AND ASSOCIATES, L.L.C.

*Certified Public Accountants and Consultants*

WEB SITE: [www.McMAHANCPA.COM](http://www.McMAHANCPA.COM)

MAIN OFFICE: (970) 845-8800

## INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors  
Vail Square Metropolitan District No. 1  
Vail, Colorado**

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities and the general fund of Vail Square Metropolitan District No. 1 (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 the general fund of the District, as of December 31, 2025 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). 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***

The District's management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, 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 one year after the date that the financial statements are issued.

*Member: American Institute of Certified Public Accountants*

**INDEPENDENT AUDITOR'S REPORT**  
**To the Board of Directors**  
**Vail Square Metropolitan District No. 1**  
**Vail, Colorado**

***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 U.S. GAAS 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 U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

***Required Supplementary Information***

U.S. GAAP require that the Management's Discussion and Analysis in Section B 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 U.S. GAAS, 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.

**INDEPENDENT AUDITOR'S REPORT  
To the Board of Directors  
Vail Square Metropolitan District No. 1  
Vail, Colorado**

***Required Supplementary Information (continued)***

The budgetary comparison information in section E is not a required part of the basic financial statements but is supplementary information required by U.S. GAAP. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*McMahan and Associates, L.L.C.*

**McMahan and Associates, L.L.C.  
Avon, Colorado  
June 22, 2026**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **Vail Square Metropolitan District No. 1**

### **Management's Discussion and Analysis December 31, 2025**

As management of Vail Square Metropolitan District No. 1 (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2025.

#### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are composed of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains additional supplementary information after the notes to the financial statements.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the District's assets, deferred outflows, liabilities, and deferred inflows with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The governmental activity of the District is primarily financing the construction, operation, and maintenance of the basic public infrastructure within the District. There are no business-type activities within the District.

The government-wide financial statements can be found on pages C1 and C2 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District currently has one fund, the General Fund, which is a governmental fund.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. A reconciliation of the fund balance as reported in the governmental funds to the net position reported in the government-wide financial statements and a reconciliation of the net change in fund balance to the change in net position has been provided to facilitate the comparison between governmental funds and governmental activities.

The fund financial statements are contained on pages C3 through C6 of the report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages D1 through D14 of this report.

**Condensed Financial Information** A condensed comparative summary of the District’s government-wide assets, deferred outflows, liabilities, deferred inflows, net position, revenues and expenditures follows:

	<b>Governmental Activities</b>	
	<b>2025</b>	<b>2024</b>
<b>ASSETS &amp; DEFERRED OUTFLOWS:</b>		
Current assets	\$ 251,299	\$ 621,991
Non-current assets	495,590	561,669
<b>Total Assets</b>	<b>746,889</b>	<b>1,183,660</b>
Deferred outflows of resources	-	-
<b>LIABILITIES:</b>		
Current liabilities	19,820	80,365
Non-current liabilities	231,479	541,626
<b>Total Liabilities</b>	<b>251,299</b>	<b>621,991</b>
<b>NET POSITION:</b>		
Net Investment in capital assets	495,590	561,669
Restricted for emergencies	14,900	24,650
Unrestricted	(14,900)	(24,650)
<b>Total Net Position</b>	<b>\$ 495,590</b>	<b>\$ 561,669</b>
<b>REVENUES:</b>		
Operating grants and contributions	\$ 480,892	\$ 771,934
Interest and other revenue	15,930	49,868
<b>Total Revenues</b>	<b>496,822</b>	<b>821,802</b>
<b>EXPENSES:</b>		
General government	76,406	95,981
Public works	486,495	791,901
Interest on long-term debt	-	-
<b>Total Expenses</b>	<b>562,901</b>	<b>887,882</b>
<b>Change in Net Position</b>	<b>(66,079)</b>	<b>(66,080)</b>
<b>Net Position - Beginning</b>	<b>561,669</b>	<b>627,749</b>
<b>Net Position - Ending</b>	<b>\$ 495,590</b>	<b>\$ 561,669</b>

The District is the operating district in a triple district structure whereby the District is coordinating the financing and constructing public infrastructure for Vail Square Metropolitan District Nos. 2 and 3. Such functions are furnished through a District Coordinating Services Agreement among the District and Vail Square Metropolitan District Nos. 2 and 3. Vail Square Metropolitan District Nos. 2 & 3 are the “financing districts” and as such, have and will continue to pay “capital and service obligations” to the District for construction and operation of the infrastructure in the Districts. The District’s revenues consisted primarily of funds received from the financing Districts and the Vail Reinvestment Authority, as defined in agreements between the District and those entities.

**Government-wide Financial Analysis.** The District’s primary activity has been the construction, acquisition and operation of infrastructure and the issuance of debt to pay for the infrastructure. The debt was originally issued by the District in 2008 but was refinanced in 2023 and transferred to Vail Square Metropolitan District No. 3.

#### **Financial Analysis of the District’s Funds**

As mentioned earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the District’s governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the District’s financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

The District adopts budgets for each fund on an annual basis. Budgetary comparisons have been provided on page E1 for the General Fund.

**Capital assets.** The District’s capital assets consist primarily of infrastructure in the Districts. During 2025 the District recognized depreciation expense of \$66,079. Details can be seen in Note III B on page D11 of this report.

**Long-term debts.** The outstanding balance of the District’s debt for the tax-exempt loan taken out in 2008 was moved from the District to Vail Square Metropolitan District No. 3 and accordingly, the District has no remaining long-term debt.

#### **Request for Information**

This financial report is designed to provide a general overview of the District’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Marchetti & Weaver LLC, 28 Second Street, Suite 213, Edwards, CO 81632 or you may call (970) 926-6060.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**Vail Square Metropolitan District No. 1**  
**Statement of Net Position**  
**December 31, 2025**

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**Assets:**

Cash and investments	239,080
Amounts due from VSMD No. 2 & 3	1,276
Prepaid items	10,943
Capital assets, net	<u>495,590</u>
<b>Total Assets</b>	<u><u>746,889</u></u>

**Liabilities:**

Current liabilities due in less than one year:	
Accounts payable	19,820
Unearned service obligation revenue from VSMD No. 2 & 3	<u>231,479</u>
<b>Total Liabilities</b>	<u><u>251,299</u></u>

**Net Position:**

Net investment in capital assets	495,590
Restricted for emergencies	14,900
Unrestricted	<u>(14,900)</u>
<b>Total Net Position</b>	<u><u>495,590</u></u>

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

**Vail Square Metropolitan District No. 1  
Statement of Activities  
For the Year Ended December 31, 2025**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
<b>Functions/Programs:</b>					
<b>Governmental activities:</b>					
General government	76,406	-	480,892	-	404,486
Public works	486,495	-	-	-	(486,495)
<b>Total primary government</b>	<u>562,901</u>	<u>-</u>	<u>480,892</u>	<u>-</u>	<u>(82,009)</u>
<b>General revenues:</b>					
Interest income					15,930
Total General Revenues					<u>15,930</u>
<b>Change in Net Position</b>					(66,079)
<b>Net Position - Beginning</b>					<u>561,669</u>
<b>Net Position - Ending</b>					<u><u>495,590</u></u>

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

## **FUND FINANCIAL STATEMENTS**

**Vail Square Metropolitan District No. 1  
Balance Sheet  
Governmental Funds  
December 31, 2025**

	<b>General</b>
<b>Assets:</b>	
Cash and investments	239,080
Amounts due from VSMD No. 2 & 3	1,276
Prepaid expenses	10,943
<b>Total Assets</b>	<b>251,299</b>
<b>Liabilities:</b>	
Accounts payable	19,820
Unearned service obligation revenue from VSMD No. 2 & 3	231,479
<b>Total Liabilities</b>	<b>251,299</b>
<b>Fund Balances:</b>	
Nonspendable	10,943
Restricted for emergencies	14,900
Unassigned	(25,843)
<b>Total Fund Balances</b>	<b>-</b>
<b>Total Liabilities, Deferred Inflow of Resources, and Fund Balances</b>	<b>251,299</b>

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

**Vail Square Metropolitan District No. 1**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**December 31, 2025**

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**Governmental Funds Total Fund Balance** -

Capital assets used in governmental activities are not considered current financial resources and, therefore, are not reported in the funds. Details of these amounts are as follows:

Capital assets	1,863,895	
Accumulated depreciation	<u>(1,368,305)</u>	
		<u>495,590</u>
<b>Net Position of Governmental Activities</b>		<u><u>495,590</u></u>

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

**Vail Square Metropolitan District No. 1  
Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2025**

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	<b>General</b>
<b>Revenues:</b>	
Intergovernmental agreement	480,892
Interest	15,930
<b>Total Revenues</b>	496,822
<b>Expenditures:</b>	
General government	76,406
Public works	420,416
<b>Total Expenditures</b>	496,822
<b>Net Change in Fund Balances</b>	-
<b>Fund Balances - Beginning</b>	-
<b>Fund Balances - Ending</b>	-

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

**Vail Square Metropolitan District No. 1**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances of Governmental Funds to the**  
**Statement of Activities**  
**For the Year Ended December 31, 2025**

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**Net change in fund balances for total governmental funds** -

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of the assets is allocated over their estimated useful lives as depreciation expense. This is the net difference between depreciation and capital additions during the year. Details of these differences are as follows:

Depreciation and amortization expense	(66,079)	
		(66,079)
<b>Change in Net Position of Governmental Activities</b>		<b>(66,079)</b>

## **NOTES TO THE FINANCIAL STATEMENTS**

**Vail Square Metropolitan District No. 1**  
**Notes to the Financial Statements**  
**December 31, 2025**

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**I. Summary of Significant Accounting Policies**

The Vail Square Metropolitan District No. 1 (the “District”) was established December 5, 2005, as a quasi-municipal corporation and political subdivision of the State of Colorado. The District was established as part of a triple district structure with Vail Square Metropolitan District Nos. 2 and 3. The District is considered the Operating District and was formed to coordinate the financing and construction of all public improvements which will be constructed for the use and benefit of all anticipated inhabitants and taxpayers of Vail Square Metropolitan District Nos. 1-3. Vail Square Metropolitan District Nos. 2 and 3 are the Financing Districts and as such have paid and will continue to pay capital and service obligations to the District for the infrastructure in the Districts.

The District’s financial statements are prepared in accordance with generally accepted accounting principles (“GAAP”). The Governmental Accounting Standards Board (“GASB”) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established by GAAP used by the District are discussed below.

**A. Reporting Entity**

The reporting entity consists of (a) the primary government; i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization’s governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits, to, or to impose specific financial burdens on, the District. Consideration is also given to other organizations which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria discussed above, the District is not financially accountable for any other entity, nor is the District a component unit of any other government.

**B. Government-wide and Fund Financial Statements**

The District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). Both the government-wide and fund financial statements categorize primary activities as governmental type.

**1. Government-wide Financial Statements**

In the government-wide Statement of Net Position, all balances are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The government-wide focus is on the sustainability of the District as an entity and the change in the District’s net position resulting from the current year’s activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**Vail Square Metropolitan District No. 1**  
**Notes to the Financial Statements**  
**December 31, 2025**  
**(continued)**

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**I. Summary of Significant Accounting Policies (continued)**

**B. Government-wide and Fund Financial Statements (continued)**

**2. Fund Financial Statements**

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The fund focus is on current available resources and budget compliance.

The District reports the following governmental funds:

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

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements. Financial statement presentation refers to classification of revenues by source and expenses by function.

**1. Long-term Economic Focus and Accrual Basis**

Governmental activities in the government-wide financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

**2. Current Financial Focus and Modified Accrual Basis**

The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter (60 days) to be used to pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

**Vail Square Metropolitan District No. 1**  
**Notes to the Financial Statements**  
**December 31, 2025**  
(continued)

**I. Summary of Significant Accounting Policies (continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)**

**3. Financial Statement Presentation**

Amounts reported as program revenues include capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and interest income.

**D. Financial Statement Accounts**

**1. Cash and Cash Equivalents**

Cash and equivalents are defined as deposits that can be withdrawn at any time without notice or penalty and investments with maturities of three months or less.

Investments are stated at net asset value or amortized cost. The change in fair value, net asset value, and amortized cost of investments is recognized as an increase or decrease to investment assets and investment income. The District's investment policy is detailed in note III.A.

**2. Receivables**

Receivables are reported net of an allowance for uncollectible accounts. There was no allowance as of December 31, 2025.

**3. Prepaid Items**

Certain payments to vendors reflect costs applicable to future years and are reported as prepaid items, thus utilizing the consumption method.

**4. Capital Assets**

Capital assets, which include land, buildings, equipment, vehicles, and infrastructure assets, are reported in the governmental activity columns in the government-wide financial statements. The District defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of five years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

Infrastructure, buildings, and equipment are depreciated using the straight-line method over the following estimated useful lives:

<b>Assets</b>	<b>Years</b>
Buildings and improvements	20 to 40
Infrastructure	25 to 40
Equipment and machinery	5 to 15

**Vail Square Metropolitan District No. 1**  
**Notes to the Financial Statements**  
**December 31, 2025**  
**(continued)**

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**I. Summary of Significant Accounting Policies (continued)**

**D. Financial Statement Accounts (continued)**

**5. Long-term Debt**

In the government-wide financial statements, in the fund financial statements, long-term debt is reported as a liability in the applicable governmental activities, in the statement of net position.

**6. Deferred Outflows and 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 assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items to report under this category.

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 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 does not have any items to report under this category.

**7. Fund Balance**

The District classifies governmental fund balances as follows:

*Nonspendable* - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.

*Restricted* – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

*Committed* – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority which is the Board of Directors.

*Assigned* – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Board of Directors or its management designee.

*Unassigned* - includes residual positive fund balance within the General Fund which has not been classified within the other above-mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

**Vail Square Metropolitan District No. 1**  
**Notes to the Financial Statements**  
**December 31, 2025**  
**(continued)**

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**I. Summary of Significant Accounting Policies (continued)**

**D. Financial Statement Accounts (continued)**

**7. Fund Balance (continued)**

The District uses restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the District first uses committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The District does not have a formal minimum fund balance policy. However, the District's budget includes a calculation of targeted reserve positions and management reports the targeted amounts annually to Board of Directors.

**E. Use of Estimates**

The preparation of financial statements in conformity with GAAP requires the District's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

**II. Stewardship, Compliance, and Accountability**

**A. Budgetary Information**

In the fall of each year, the District's Board of Directors formally adopts a budget with appropriations by fund for the ensuing year pursuant to the Local Government Budget Law of Colorado. The budgets for the funds are adopted on a basis consistent with GAAP.

As required by Colorado statutes, the District followed the following timetable in approving and enacting a budget for 2025:

- (1) For the 2025 budget year, prior to August 25, 2024, the County Assessor sent to the District the certified assessed valuation of all taxable property within the District's boundaries and prior to December 10, 2024, the County Assessor sent the final recertified assessed valuation to the District.
- (2) On or before October 15, 2024, the District's accountant submitted to the District's Board of Directors a recommended budget which detailed the necessary property taxes needed along with other available revenues to meet the District's operating requirements.
- (3) A public hearing on the proposed budget and capital program was held by the Board no later than 45 days prior to the close of the fiscal year.

**Vail Square Metropolitan District No. 1**  
**Notes to the Financial Statements**  
**December 31, 2025**  
**(continued)**

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**II. Stewardship, Compliance, and Accountability (continued)**

**A. Budgetary Information (continued)**

- (4) For the 2025 budget, prior to December 15, 2024, the District computed and certified to the County Commissioners a rate of levy that derived the necessary property taxes as computed in the proposed budget.
- (5) For the 2025 budget, the final budget and appropriating resolution was adopted prior to December 31, 2024.

After adoption of the budget resolution, the District may make the following changes: a) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; b) it may approve supplemental appropriations to the extent of revenues in excess of the estimated in the budget; c) it may approve emergency appropriations; and d) it may reduce appropriations for which originally estimated revenues are insufficient.

Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2024 were collected in 2025 and taxes certified in 2025 will be collected in 2026. Taxes are due on January 1<sup>st</sup> in the year of collection; however, they may be paid in either one installment (no later than April 30<sup>th</sup>) or two equal installments (not later than February 28<sup>th</sup> and June 15<sup>th</sup>) without interest or penalty. Taxes which are not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 15<sup>th</sup>.

**B. TABOR Amendment**

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government. Any revenues earned in excess of the fiscal year spending limit must be refunded in the next fiscal year, unless voters approve retention of such excess revenue.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR also requires local governments to establish an emergency reserve to be used for declared emergencies only. The reserve is calculated at 3% of fiscal year spending. Fiscal year spending excludes bonded debt service and enterprise spending. The District has reserved \$14,900, which is the approximate required reserve, at December 31, 2025.

**Vail Square Metropolitan District No. 1**  
**Notes to the Financial Statements**  
**December 31, 2025**  
**(continued)**

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**II. Stewardship, Compliance, and Accountability (continued)**

**B. TABOR Amendment (continued)**

Under TABOR, the initial base for local government spending and revenue limits is December 31, 1992, fiscal year spending. The District's first year of operations ended December 31, 1995. Future spending and revenue limits are determined based on the prior year's fiscal year spending adjusted for inflation in the prior calendar year plus annual local growth. Fiscal year spending is generally defined as expenditures and reserve increases with certain exceptions. Revenue, if any, in excess of the fiscal year spending limit must be refunded in the next fiscal year unless voters approve retention of such revenue.

The electorate of the District authorized property taxes to be increased up to \$1,500,000 in 2005, plus up to an additional \$3,000,000 in 2007, and each year thereafter to pay the District's operations, maintenance, and other expenses, such amounts to increase annually in an amount not to exceed the applicable limitations of Article X, Section 20 of the Colorado Constitution and Colorado Law.

The District's electorate further approved that the District's taxes be increased \$120,000,000 annually, or by such lesser annual amount as may be necessary to pay the District's general or special obligation bonds, revenue bonds or other multiple fiscal year financial obligations, including contracts, issued for the purpose of refunding, paying or defeasing, in whole or in part, bonds, notes or other financial obligations of the District. Such taxes may consist of an ad valorem property tax mill levy imposed without limitation of rate and in amounts sufficient to produce the annual increase set forth above or such lesser amount as may be necessary. The revenue from such taxes and any other monies used to pay such general or special obligation bonds, revenue bonds or other multiple fiscal year financial obligations costs, and investment income thereon, may be collected and spent by the District without regard to any expenditure, revenue raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution.

The District's management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation.

**Vail Square Metropolitan District No. 1**  
**Notes to the Financial Statements**  
**December 31, 2025**  
**(continued)**

**II. Stewardship, Compliance, and Accountability (continued)**

**C. Authorized But Unissued Debt**

Pursuant to C.R.S. 32-1-1101(2) a District is authorized to issue bonds for a period up to twenty years following the date of the election at which such bonds were authorized by the District's voters. The District has the following remaining authorizations at December 31, 2025:

<u>Purpose</u>	<u>Date of Authorization</u>	<u>Amount</u>	<u>Authorization Used</u>	<u>Authorization Remaining</u>
Street Facilities	11/1/2005	20,000,000	8,785,393	11,214,607
Drainage Facilities	11/1/2005	2,000,000	-	2,000,000
Security Facilities	11/1/2005	1,000,000	-	1,000,000
Traffic/Safety Protection Facilities	11/1/2005	2,000,000	851,532	1,148,468
Operations and Administration	11/1/2005	20,000,000	-	20,000,000
Costs of Acquiring/Constructing Facilities	11/1/2005	20,000,000	-	20,000,000
Costs of Acquiring/Constructing Facilities	11/1/2005	20,000,000	-	20,000,000
Water Facilities	11/6/2007	5,000,000	1,795,410	3,204,590
Sanitary Sewer Facilities	11/6/2007	5,000,000	1,795,410	3,204,590
Parks and Recreation	11/6/2007	5,000,000	2,532,490	2,467,510
Public Transportation	11/6/2007	5,000,000	-	5,000,000
Mosquito Control	11/6/2007	1,000,000	-	1,000,000
Fire Protection	11/6/2007	5,000,000	-	5,000,000
Television Relay	11/6/2007	1,000,000	239,765	760,235
Operations and Administration	11/6/2007	5,000,000	-	5,000,000
Refunding	11/1/2005	40,000,000	-	40,000,000
		157,000,000	16,000,000	141,000,000

The District's Service Plan further limits debt issuances to \$20,000,000.

**III. Detailed Notes on all Funds**

**A. Deposits and Investments**

The District's deposits are entirely covered by federal depository insurance ("FDIC") or by collateral held under Colorado's Public Deposit Protection Act ("PDPA"). The FDIC insures the first \$250,000 of the District's deposits at each financial institution. Deposit balances over \$250,000 are collateralized as required by PDPA. The carrying amount of the District's demand deposits was \$4,516 at year end.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments, and entities such as the District, may invest which include:

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

**Vail Square Metropolitan District No. 1**  
**Notes to the Financial Statements**  
**December 31, 2025**  
(continued)

**III. Detailed Notes on all Funds (continued)**

**A. Deposits and Investments (continued)**

*Interest Rate Risk.* As a means of limiting its exposure to interest rate risk, the District diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer and type of issuer. The District coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term to less than five years (less in some cases) from the purchase date. As a result of the limited length of maturities the District has limited its interest rate risk.

*Credit Risk.* District investment policy limits investments to those authorized by State statutes. The District's general investment policy is to apply the prudent-person rule: investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

*Concentration of Credit Risk.* The District diversifies its investments by security type and institution. Financial institutions holding District funds must provide the District a copy of the certificate from the Banking Authority that states that the institution is an eligible public depository.

At year end, the District had the following deposits and investments with the following maturities:

	<b>Standard &amp; Poors Rating</b>	<b>Carrying Amounts</b>	<b>Term to Maturity</b>	
			<b>Less than one year</b>	<b>More than one year</b>
<i>Deposits:</i>				
Checking and savings	Not rated	4,516	4,516	-
<i>Investments:</i>				
Investment pool	AAAm	234,564	234,564	-
		<u>239,080</u>	<u>239,080</u>	<u>-</u>

At December 31, 2025, the District had the following recurring fair value measurements.

<b>Investments Measured at Amortized Cost</b>	<b>Total</b>
CSAFE	234,564
	<u>234,564</u>

*Fair Value of Investments.* The District measures and records its investments using fair value measurement guidelines established by GAAP. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

**Vail Square Metropolitan District No. 1**  
**Notes to the Financial Statements**  
**December 31, 2025**  
**(continued)**

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**III. Detailed Notes on all Funds (continued)**

**A. Deposits and Investments (continued)**

Investments classified in Level 1 are valued using prices quoted in active markets for those securities. Investments classified in Level 2 are valued using the following approaches:

- U.S. Treasuries, U.S. Agencies, and Commercial Paper: quoted prices for identical securities in markets that are not active;
- Repurchase Agreements, Negotiable Certificates of Deposit, and Collateralized Debt Obligations: matrix pricing based on the securities' relationship to benchmark quoted prices;
- Money Market, Bond, and Equity Mutual Funds: published fair value per share (unit) for each fund.

The Investment Pool represents investments in CSAFE. The net asset value of the pool is determined by the pool's share price. The District has no regulatory oversight for the pool. At December 31, 2025, the District's investments in CSAFE were 100% of the District's investment portfolio.

The District had invested \$234,564 in the Colorado Surplus Asset Fund ("CSAFE"). The Trust is 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 the Trust. The Trust operates similarly to a money market fund, measured at net asset value, and each share is equal in value to \$1.00. Investments consist of U.S. Treasury bills, notes and note strips, and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank.

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**Vail Square Metropolitan District No. 1**  
**Notes to the Financial Statements**  
**December 31, 2025**  
(continued)

**III. Detailed Notes on all Funds (continued)**

**B. Capital Assets**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Land improvements	1,428,437	-	-	1,428,437
Signage	211,913	-	-	211,913
Utility improvements	223,545	-	-	223,545
Total capital assets	<u>1,863,895</u>	<u>-</u>	<u>-</u>	<u>1,863,895</u>
Less accumulated depreciation for:				
Land improvements	(942,771)	(57,137)	-	(999,908)
Signage	(211,913)	-	-	(211,913)
Utility improvements	(147,542)	(8,942)	-	(156,484)
Total accumulated depreciation	<u>(1,302,226)</u>	<u>(66,079)</u>	<u>-</u>	<u>(1,368,305)</u>
<b>Net Capital Assets</b>	<u>561,669</u>	<u>(66,079)</u>	<u>-</u>	<u>495,590</u>

Depreciation expense is classified by function as follows:

	<u>Depreciation Expense</u>
Public works	<u>66,079</u>
	<u>66,079</u>

**Vail Square Metropolitan District No. 1**  
**Notes to the Financial Statements**  
**December 31, 2025**  
**(continued)**

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**IV. Other Information**

**A. Risk Management**

**Colorado Special Districts Property and Liability Pool**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; and general liability. The District is a member of the Colorado Special District Property and Liability Pool ("Pool") for property and liability insurance.

The Pool was formed by an intergovernmental agreement to provide public officials, property, general and automobile liability coverage for claims up to \$1,000,000, except if the claim falls within the government immunity statute, then the coverage is \$150,000 per person and a \$600,000 aggregate claim. The Pool is reinsured for 80% of the first \$250,000 of all claims and 100% for claims in excess of \$250,000. The District may be required to make additional contributions in the event aggregate losses incurred by the Pool exceed amounts recoverable from reinsurance contracts. 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. Any settled claims are not expected to exceed coverage. A summary of audited statutory basis financial information for the Pool can be found here: <https://csdpool.org/financials>.

During the normal course of business, the District may incur claims and other assertions against it from various agencies and individuals. Management of the District and their legal representatives have disclosed that they are not aware of any material outstanding claims against the District at December 31, 2025.

**V. Intergovernmental Agreements**

**A. Joint Funding Agreement**

The Operating District obtained two loans in the aggregate principal amount of \$16,000,000 on July 23, 2008, for the purpose of constructing certain public infrastructure (the "Facilities") for the benefit of the Districts. Concurrent with obtaining the loans the Operating District entered into a Joint Funding Agreement with the Financing Districts to provide funding to the Operating District for the repayment of the loans. The Joint Funding Agreement generally provides that the Financing Districts will assess mill levies to collect property tax revenues which will be paid to and used by the Operating District to pay Financing Costs related to the loans. Financing Costs are defined as the principal and interest payments required by debt and interest rate swaps obtained or entered into by the Districts, including replenishment of debt reserve funds.

Concurrent with District No. 3 obtaining the refunding loan in the principal amount of \$9,400,000 on April 1, 2023 (the "2023 Loan"), the Joint Funding Agreement described above was replaced with the Amended and Restated Joint Funding Agreement, dated as of April 1, 2023, among the Operating District and Financing Districts. The Amended and Restated Joint Funding Agreement generally provides that the Financing Districts will assess mill levies to collect property tax revenues which will be paid to and used by the District No. 3 to pay Financing Costs related to the 2023 Loan. Financing Costs are defined as the principal of, and interest on, the 2023 Loan.

**Vail Square Metropolitan District No. 1**  
**Notes to the Financial Statements**  
**December 31, 2025**  
**(continued)**

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**V. Intergovernmental Agreements (continued)**

**A. Joint Funding Agreement (continued)**

In 2025, the mill levy assessed for collection in 2026 was 24.000 mills in Vail Square Metropolitan District No. 2, with 20.000 mills allocated for the Amended and Restated Joint Funding Agreement and 4.000 mills for general operating expenses and, 15.797 mills in Vail Square Metropolitan District No. 3, with 11.797 mills allocated for the Amended and Restated Joint Funding Agreement and 4.000 mills for the District Coordinating Services Agreement.

**B. District Coordinating Services Agreement**

Vail Square Metropolitan District No. 1 (the “Coordinating District”) and Vail Square Metropolitan District No. 2 and 3 (the “Financing Districts”) entered into the District Coordinating Service Agreement on November 13, 2023. The Agreement terminated the District Facilities Joint Financing, Construction and Service Agreement, dated July 21, 2008. The Agreement generally provides an obligation for the Districts to pay for the operation and maintenance of public improvements and administrative expenses incurred by the Coordinating District. The Financing Districts are obligated to generate and pay to the Coordinating District certain tax and other revenues. The Coordinating District is responsible for preparing annual preliminary budget proposals to the Financing Districts for their consideration. The Financing Districts are required to deposit 1/12<sup>th</sup> of the annual costs from the budget with the Coordinating District on a monthly basis.

The Coordinating District has recorded deferred service obligation revenue from the Financing Districts as of December 31, 2025 in the amounts of \$168,980 and \$62,499 which represents prepaid service obligations. The capital costs incurred for infrastructure construction and costs related to issuance of and debt service on the loans in the Coordinating District have been fully repaid and no Capital Obligations is outstanding to the Coordinating District.

The Agreement specifies certain termination rights on the part of the Districts. Various limitations and conditions to such termination rights exist and reference to the text of the Agreement should be made for specific terms.

**C. Pledge Agreements**

The Districts have entered into an Intergovernmental Agreement and Amended and Restated Pledge Agreement with the Vail Reinvestment Authority.

Under these agreements and in consideration for the Districts’ commitment to undertake construction of certain public improvements, the Vail Reinvestment Authority agrees to transfer to the Districts the District Tax Increment Revenues, to which the Authority would otherwise be entitled under an Urban Renewal Plan relating to the project.

Under the second agreement the Authority pledged the Tax Incremental Revenue to the 2008 Loan.

The Districts entered into an Amended and Restated Pledge Agreement on April 1, 2023, with Vail Reinvestment Authority. The agreement replaces the previous pledge agreement and pledges the Authority’s Debt Service District Tax Increment Revenues to District No. 3 to assist with repayment of the 2023 Loan and Operations District Tax Increment Revenues to District No. 1 to assist with paying the Financing Districts operation and maintenance costs.

**Vail Square Metropolitan District No. 1**  
**Notes to the Financial Statements**  
**December 31, 2025**  
**(continued)**

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**VI. Other Information**

The District's Board of Directors are either officers or employees of or have business or professional relationships with the Developer. The District had the following payments to related parties via certain agreements within Note V for the year ended December 31, 2025:

<u>Purpose</u>	<u>Amount</u>
Operations	37,072
Snowmelt	41,537
	<u>78,609</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**Vail Square Metropolitan District No. 1**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**Governmental Funds - General Fund**  
**For the Year Ended December 31, 2025**  
**(With Comparative Actual Amounts For the Year Ended 2024)**

	2025			Final Budget Variance Positive (Negative)	2024
	Original Budget	Final Budget	Actual		Actual
<b>Revenues:</b>					
Intergovernmental agreement	538,700	565,787	480,892	(84,895)	771,934
Interest	24,000	24,000	15,930	(8,070)	49,868
<b>Total Revenues</b>	<u>562,700</u>	<u>589,787</u>	<u>496,822</u>	<u>(92,965)</u>	<u>821,802</u>
<b>Expenditures:</b>					
General government:					
Accounting and auditing	48,500	58,000	52,209	5,791	75,430
Insurance	4,400	3,587	3,587	-	3,043
Legal	26,250	12,000	11,258	742	16,039
Administration - Other	6,200	6,700	9,352	(2,652)	1,469
Public works:					
Operations expense	212,500	402,500	378,880	23,620	588,703
Snowmelt	164,850	92,000	41,536	50,464	137,118
Contingency	100,000	15,000	-	15,000	-
<b>Total General Government Expenditures</b>	<u>562,700</u>	<u>589,787</u>	<u>496,822</u>	<u>92,965</u>	<u>821,802</u>
<b>Net Change in Fund Balance</b>	-	-	-	-	-
<b>Fund Balance - Beginning</b>	-	-	-	-	-
<b>Fund Balance - Ending</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**Vail Square Metropolitan District No. 2**

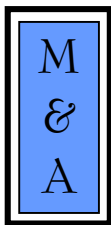
**Financial Statements**

**December 31, 2025**

**Vail Square Metropolitan District No. 2  
Financial Statements  
December 31, 2025**

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# MCMAHAN AND ASSOCIATES, L.L.C.

*Certified Public Accountants and Consultants*

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WEB SITE: [WWW.MCMAHANCPA.COM](http://WWW.MCMAHANCPA.COM)

MAIN OFFICE: (970) 845-8800

## INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors  
Vail Square Metropolitan District No. 2  
Vail, Colorado**

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

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

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

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). 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***

The District's management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, 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 one year after the date that the financial statements are issued.

*Member: American Institute of Certified Public Accountants*

**INDEPENDENT AUDITOR'S REPORT**  
**To the Board of Directors**  
**Vail Square Metropolitan District No. 2**  
**Vail, Colorado**

***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 U.S. GAAS 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 U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

***Required Supplementary Information***

U.S. GAAP require that the Management's Discussion and Analysis in Section B 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 U.S. GAAS, 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.

The budgetary comparison information in section E is not a required part of the basic financial statements but is supplementary information required by U.S. GAAP. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

**INDEPENDENT AUDITOR'S REPORT**  
**To the Board of Directors**  
**Vail Square Metropolitan District No. 2**  
**Vail, Colorado**

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The individual fund budgetary comparison in Section F is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison found in Section F is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*McMahan and Associates, L.L.C.*

**McMahan and Associates, L.L.C.**  
**Avon, Colorado**  
**June 22, 2026**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **Vail Square Metropolitan District No. 2**

### **Management's Discussion and Analysis December 31, 2025**

As management of Vail Square Metropolitan District No. 2 (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2025.

#### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are composed of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains additional other information after the notes to the financial statements.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the District's assets, liabilities, and deferred inflows with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The governmental activity of the District is primarily financing the Intergovernmental Service Costs and Capital Costs due to Vail Square Metropolitan District No. 1. There are no business-type activities within the District.

The government-wide financial statements can be found on pages C1 and C2 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District currently has two funds, the General Fund and the Debt Service Fund, both of which are governmental funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

A reconciliation of the fund balance as reported in the governmental funds to the net position reported in the government-wide financial statements and a reconciliation of the net change in fund balance to the change in net position has been provided to facilitate the comparison between governmental funds and governmental activities.

The fund financial statements are contained on pages C3 through C6 of the report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page D1 of this report.

**(Table shown on following page; remainder of page intentionally left blank to accommodate table.)**

## Condensed Financial Information

A condensed comparative summary of the District's government-wide assets, liabilities, deferred inflows, net position, revenues and expenditures follows:

	Governmental Activities	
	2025	2024
<b>ASSETS:</b>		
Current assets	\$ 557,175	\$ 575,353
Non-current assets	\$ 168,979	\$ 395,386
<b>Total Assets</b>	<u>726,154</u>	<u>970,739</u>
<b>LIABILITIES &amp; DEFERRED INFLOWS:</b>		
Current liabilities	18,945	43,334
Non-current liabilities	<u>5,208,663</u>	<u>5,743,472</u>
<b>Total Liabilities</b>	<u>5,227,608</u>	<u>5,786,806</u>
Deferred inflows of resources	<u>468,356</u>	<u>465,637</u>
<b>NET POSITION:</b>		
Restricted	29,150	29,130
Unrestricted	<u>(4,998,960)</u>	<u>(5,310,834)</u>
<b>Total Net Position</b>	<u>\$ (4,969,810)</u>	<u>\$ (5,281,704)</u>
<b>REVENUES:</b>		
Property and other taxes	\$ 907,331	\$ 906,460
Interest and other revenue	<u>6,884</u>	<u>14,745</u>
<b>Total Revenues</b>	<u>914,215</u>	<u>921,205</u>
<b>EXPENSES:</b>		
General government	<u>602,321</u>	<u>897,677</u>
<b>Total Expenses</b>	<u>602,321</u>	<u>897,677</u>
<b>Change in Net Position</b>	311,894	23,528
<b>Net Position - Beginning</b>	<u>(5,281,704)</u>	<u>(5,305,232)</u>
<b>Net Position - Ending</b>	<u>\$ (4,969,810)</u>	<u>\$ (5,281,704)</u>

The District is one of the “financing districts” in a triple district structure whereby the District is supporting financing the construction of infrastructure being coordinated by Vail Square Metropolitan District No. 1. The District consists of residential properties whereas the commercial properties are in District No. 3. Financing, constructing and operating the infrastructure was initially furnished through a District Facilities Joint Financing Construction and Service Agreement which has now been replaced with a District Coordinating Services Agreement among the District and Vail Square Metropolitan District Nos. 1 and 3. During 2023 District No. 3 assumed the loan that was initially taken out by District No. 1 to finance the infrastructure. In conjunction with District No. 3 assuming the obligation for the loan, District No. 2 moved its capital pledge from No. 1 to No. 3.

**Government-wide Financial Analysis** During 2025 the District’s primary activity was to collect property taxes to pay the debt service payments and to pay the service obligation to District No. 1 for the infrastructure in the Districts.

### **Financial Analysis of the District’s Funds**

As mentioned earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the District’s governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the District’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the District’s governmental funds reported a combined ending fund balance of \$238,853. Of this fund balance, \$168,979 is nonspendable as it has been prepaid to District No. 1 to be used to provide future services to the District’s constituents and \$25,500 is restricted for future debt service.

The District adopts budgets for each fund on an annual basis. A budgetary comparison has been provided on page E1 for the General Fund and on page F1 for the Debt Service Fund.

**Capital assets.** All capital assets inside of the District boundaries are constructed and operated by District No. 1. Therefore, no capital assets are reported by the District.

**Long-term debts.** District No. 2 is an additional obligor for the annual financing costs related to District No. 3 2023 Unlimited Tax General Obligation Refunding Loan as more fully described in the Amended and Restated Joint Funding Agreement between the Districts dated April 1, 2023. More details and information related to the District’s obligation under the Amended and Restated Joint Funding Agreement can be found in the Notes to the Financial Statement in Note V. A. on page D11 of this report.

### **Request for Information**

This financial report is designed to provide a general overview of the District’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Marchetti & Weaver LLC, 28 Second Street, Suite 213, Edwards, CO 81632 or you may call (970) 926-6060.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**Vail Square Metropolitan District No. 2**  
**Statement of Net Position**  
**December 31, 2025**

<b>Assets:</b>	
Cash and investments	75,029
Amounts due from Treasurer	4,007
Property taxes receivable	468,356
Other receivables	9,783
Prepaid service obligation to VSMD No. 1	168,979
<b>Total Assets</b>	<b>726,154</b>
 <b>Liabilities:</b>	
Current liabilities due in less than one year:	
Amounts due to VMD No. 1 & 3	18,945
Non-current liabilities due in excess of one year:	
Capital obligation to VSMD No. 3	5,208,663
<b>Total Liabilities</b>	<b>5,227,608</b>
 <b>Deferred Inflow of Resources:</b>	
Property tax revenue	468,356
<b>Total Deferred Inflow of Resources</b>	<b>468,356</b>
 <b>Net Position:</b>	
Restricted for debt service	25,500
Restricted for emergencies	3,650
Unrestricted	(4,998,960)
<b>Total Net Position</b>	<b>(4,969,810)</b>

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

**Vail Square Metropolitan District No. 2**  
**Statement of Activities**  
**For the Year Ended December 31, 2025**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
<b>Functions/Programs:</b>					
<b>Governmental activities:</b>					
General government	602,321	-	-	-	(602,321)
<b>Total primary government</b>	<u>602,321</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(602,321)</u>
<b>General revenues:</b>					
Taxes:					
Property tax					864,036
Specific ownership tax					43,295
Interest income					6,884
Total General Revenues					<u>914,215</u>
<b>Change in Net Position</b>					311,894
<b>Net Position - Beginning</b>					<u>(5,281,704)</u>
<b>Net Position - Ending</b>					<u><u>(4,969,810)</u></u>

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

## **FUND FINANCIAL STATEMENTS**

**Vail Square Metropolitan District No. 2**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2025**

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Cash and investments	44,374	30,655	75,029
Amounts due from Treasurer	-	4,007	4,007
Property taxes receivable	78,059	390,297	468,356
Other receivables	-	9,783	9,783
Prepaid service obligation to VSMD No. 1	-	168,979	168,979
<b>Total Assets</b>	<u>122,433</u>	<u>603,721</u>	<u>726,154</u>
<b>Liabilities:</b>			
Amounts due to VMD No. 1 & 3	-	18,945	18,945
<b>Total Liabilities</b>	<u>-</u>	<u>18,945</u>	<u>18,945</u>
<b>Deferred Inflow of Resources:</b>			
Unavailable property tax revenue	78,059	390,297	468,356
<b>Total Deferred Inflow of Resources</b>	<u>78,059</u>	<u>390,297</u>	<u>468,356</u>
<b>Fund Balances:</b>			
Nonspendable	-	168,979	168,979
Restricted for debt service	-	25,500	25,500
Restricted for emergencies	3,650	-	3,650
Unassigned	40,724	-	40,724
<b>Total Fund Balances</b>	<u>44,374</u>	<u>194,479</u>	<u>238,853</u>
<b>Total Liabilities, Deferred Inflow of Resources, and Fund Balances</b>	<u>122,433</u>	<u>603,721</u>	<u>726,154</u>

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

**Vail Square Metropolitan District No. 2**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**December 31, 2025**

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<b>Governmental Funds Total Fund Balance</b>	238,853
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Long-term liabilities, including bonds payable and leases payable, are not due and payable in the current period and, therefore, are not reported in the funds. This is the amount of District long-term liabilities. Details of these amounts are as follows:

Capital obligation to VSMD No. 3	<u>(5,208,663)</u>	(5,208,663)
<b>Net Position of Governmental Activities</b>		<u><u>(4,969,810)</u></u>

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

**Vail Square Metropolitan District No. 2**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2025**

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Property taxes	112,700	751,336	864,036
Specific ownership taxes	5,647	37,648	43,295
Interest income	-	6,884	6,884
<b>Total Revenues</b>	<u>118,347</u>	<u>795,868</u>	<u>914,215</u>
<b>Expenditures:</b>			
General government	121,738	1,015,392	1,137,130
<b>Total Expenditures</b>	<u>121,738</u>	<u>1,015,392</u>	<u>1,137,130</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>(3,391)</u>	<u>(219,524)</u>	<u>(222,915)</u>
<b>Other Financial Sources (Uses):</b>			
Transfers in	6,883	-	6,883
Transfers (out)	-	(6,883)	(6,883)
<b>Total Other Financing Sources (Uses)</b>	<u>6,883</u>	<u>(6,883)</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	3,492	(226,407)	(222,915)
<b>Fund Balances - Beginning</b>	40,882	420,886	461,768
<b>Fund Balances - Ending</b>	<u>44,374</u>	<u>194,479</u>	<u>238,853</u>

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

**Vail Square Metropolitan District No. 2**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances of Governmental Funds to the**  
**Statement of Activities**  
**For the Year Ended December 31, 2025**

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<b>Net change in fund balances for total governmental funds</b>	(222,915)
Amounts due to Vail Square Metropolitan District No. 3 for capital costs does not require a use of current financial resources and, therefore, are not reported as an expenditure in the governmental funds.	534,809
<b>Change in Net Position of Governmental Activities</b>	<u><u>311,894</u></u>

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

## **NOTES TO THE FINANCIAL STATEMENTS**

**Vail Square Metropolitan District No. 2**  
**Notes to the Financial Statements**  
**December 31, 2025**

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**I. Summary of Significant Accounting Policies**

The Vail Square Metropolitan District No. 2 (the “District”) was established December 5, 2005, as a quasi-municipal corporation and political subdivision of the State of Colorado. The District was established as part of a triple district structure with Vail Square Metropolitan District Nos. 1 and 3. District No. 1 is considered the Operating District and was formed to coordinate the financing and construction of all public improvements which will be constructed for the use and benefit of all anticipated inhabitants and taxpayers of Vail Square Metropolitan District Nos. 1-3. Vail Square Metropolitan District Nos. 2 and 3 are the Financing Districts and as such have paid and will continue to pay capital and service obligations to the District for the infrastructure in the Districts.

The District’s financial statements are prepared in accordance with generally accepted accounting principles (“GAAP”). The Governmental Accounting Standards Board (“GASB”) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established by GAAP used by the District are discussed below.

**A. Reporting Entity**

The reporting entity consists of (a) the primary government; i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization’s governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits, to, or to impose specific financial burdens on, the District. Consideration is also given to other organizations which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria discussed above, the District is not financially accountable for any other entity, nor is the District a component unit of any other government.

**B. Government-wide and Fund Financial Statements**

The District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). Both the government-wide and fund financial statements categorize primary activities as governmental type.

**1. Government-wide Financial Statements**

In the government-wide Statement of Net Position, all balances are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The government-wide focus is on the sustainability of the District as an entity and the change in the District’s net position resulting from the current year’s activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**Vail Square Metropolitan District No. 2**  
**Notes to the Financial Statements**  
**December 31, 2025**  
**(continued)**

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**I. Summary of Significant Accounting Policies (continued)**

**B. Government-wide and Fund Financial Statements (continued)**

**2. Fund Financial Statements**

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The fund focus is on current available resources and budget compliance.

The District reports the following governmental funds:

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

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements. Financial statement presentation refers to classification of revenues by source and expenses by function.

**1. Long-term Economic Focus and Accrual Basis**

Governmental activities in the government-wide financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

**2. Current Financial Focus and Modified Accrual Basis**

The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter (60 days) to be used to pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

**Vail Square Metropolitan District No. 2**  
**Notes to the Financial Statements**  
**December 31, 2025**  
**(continued)**

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**I. Summary of Significant Accounting Policies (continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)**

**3. Financial Statement Presentation**

Amounts reported as program revenues include capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and interest income.

**D. Financial Statement Accounts**

**1. Cash and Cash Equivalents**

Cash and equivalents are defined as deposits that can be withdrawn at any time without notice or penalty and investments with maturities of three months or less.

Investments are stated at net asset value or amortized cost. The change in fair value, net asset value, and amortized cost of investments is recognized as an increase or decrease to investment assets and investment income. The District's investment policy is detailed in note III.A.

**2. Receivables**

Receivables are reported net of an allowance for uncollectible accounts. There was no allowance as of December 31, 2025.

**3. Prepaid Expenses and Service Obligations**

Certain payments reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as an expenditure/expense when consumed.

**4. Long-term Debt and Capital Obligations**

In the government-wide financial statements, in the fund financial statements, long-term debt is reported as a liability in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

**Vail Square Metropolitan District No. 2**  
**Notes to the Financial Statements**  
**December 31, 2025**  
**(continued)**

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**I. Summary of Significant Accounting Policies (continued)**

**D. Financial Statement Accounts (continued)**

**5. Deferred Outflows and 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 assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items to report under this category.

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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Unavailable property tax revenue is deferred and recognized as an inflow of resources in the period that the amounts become available and earned.

**6. Fund Balance**

The District classifies governmental fund balances as follows:

*Nonspendable* - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.

*Restricted* – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

*Committed* – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority which is the Board of Directors.

*Assigned* – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Board of Directors or its management designee.

*Unassigned* - includes residual positive fund balance within the General Fund which has not been classified within the other above-mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

**Vail Square Metropolitan District No. 2**  
**Notes to the Financial Statements**  
**December 31, 2025**  
**(continued)**

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**I. Summary of Significant Accounting Policies (continued)**

**D. Financial Statement Accounts (continued)**

**6. Fund Balance (continued)**

The District uses restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the District first uses committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The District does not have a formal minimum fund balance policy. However, the District's budget includes a calculation of targeted reserve positions and management reports the targeted amounts annually to Board of Directors.

**E. Use of Estimates**

The preparation of financial statements in conformity with GAAP requires the District's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

**II. Stewardship, Compliance, and Accountability**

**A. Budgetary Information**

In the fall of each year, the District's Board of Directors formally adopts a budget with appropriations by fund for the ensuing year pursuant to the Local Government Budget Law of Colorado. The budgets for the funds are adopted on a basis consistent with GAAP.

As required by Colorado statutes, the District followed the following timetable in approving and enacting a budget for 2025:

- (1) For the 2025 budget year, prior to August 25, 2024, the County Assessor sent to the District the certified assessed valuation of all taxable property within the District's boundaries and prior to December 10, 2024, the County Assessor sent the final recertified assessed valuation to the District.
- (2) On or before October 15, 2024, the District's accountant submitted to the District's Board of Directors a recommended budget which detailed the necessary property taxes needed along with other available revenues to meet the District's operating requirements.
- (3) A public hearing on the proposed budget and capital program was held by the Board no later than 45 days prior to the close of the fiscal year.

**Vail Square Metropolitan District No. 2**  
**Notes to the Financial Statements**  
**December 31, 2025**  
**(continued)**

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**II. Stewardship, Compliance, and Accountability (continued)**

**A. Budgetary Information (continued)**

- (4) For the 2025 budget, prior to December 15, 2024, the District computed and certified to the County Commissioners a rate of levy that derived the necessary property taxes as computed in the proposed budget.
- (5) For the 2025 budget, the final budget and appropriating resolution was adopted prior to December 31, 2024.

After adoption of the budget resolution, the District may make the following changes: a) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; b) it may approve supplemental appropriations to the extent of revenues in excess of the estimated in the budget; c) it may approve emergency appropriations; and d) it may reduce appropriations for which originally estimated revenues are insufficient.

Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2024 were collected in 2025 and taxes certified in 2025 will be collected in 2026. Taxes are due on January 1<sup>st</sup> in the year of collection; however, they may be paid in either one installment (no later than April 30<sup>th</sup>) or two equal installments (not later than February 28<sup>th</sup> and June 15<sup>th</sup>) without interest or penalty. Taxes which are not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 15<sup>th</sup>.

The level of control in the budget at which expenditures exceed appropriations is at the fund level. All appropriations lapse at year end.

**B. TABOR Amendment**

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government. Any revenues earned in excess of the fiscal year spending limit must be refunded in the next fiscal year, unless voters approve retention of such excess revenue.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR also requires local governments to establish an emergency reserve to be used for declared emergencies only. The reserve is calculated at 3% of fiscal year spending. Fiscal year spending excludes bonded debt service and enterprise spending. The District has reserved \$3,650, which is the approximate required reserve, at December 31, 2025.

**Vail Square Metropolitan District No. 2**  
**Notes to the Financial Statements**  
**December 31, 2025**  
**(continued)**

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**II. Stewardship, Compliance, and Accountability (continued)**

**B. TABOR Amendment (continued)**

Under TABOR, the initial base for local government spending and revenue limits is December 31, 1992 fiscal year spending. The District's first year of operations ended December 31, 1995. Future spending and revenue limits are determined based on the prior year's fiscal year spending adjusted for inflation in the prior calendar year plus annual local growth. Fiscal year spending is generally defined as expenditures and reserve increases with certain exceptions. Revenue, if any, in excess of the fiscal year spending limit must be refunded in the next fiscal year unless voters approve retention of such revenue.

The electorate of the District authorized property taxes to be increased up to \$1,500,000 in 2005, plus up to an additional \$3,000,000 in 2007, and each year thereafter to pay the District's operations, maintenance, and other expenses, such amounts to increase annually in an amount not to exceed the applicable limitations of Article X, Section 20 of the Colorado Constitution and Colorado Law.

The District's electorate further approved that the District's taxes be increased \$120,000,000 annually, or by such lesser annual amount as may be necessary to pay the District's general or special obligation bonds, revenue bonds or other multiple fiscal year financial obligations, including contracts, issued for the purpose of refunding, paying or defeasing, in whole or in part, bonds, notes or other financial obligations of the District. Such taxes may consist of an ad valorem property tax mill levy imposed without limitation of rate and in amounts sufficient to produce the annual increase set forth above or such lesser amount as may be necessary. The revenue from such taxes and any other monies used to pay such general or special obligation bonds, revenue bonds or other multiple fiscal year financial obligations costs, and investment income thereon, may be collected and spent by the District without regard to any expenditure, revenue raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution.

The District's management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation.

**Vail Square Metropolitan District No. 2**  
**Notes to the Financial Statements**  
**December 31, 2025**  
(continued)

**II. Stewardship, Compliance, and Accountability (continued)**

**C. Authorized But Unissued Debt**

Pursuant to C.R.S. 32-1-1101(2) a District is only authorized to issue bonds for a period up to twenty years following the date of the election at which such bonds were authorized by the District's voters. The District has the following remaining authorizations at December 31, 2025:

<u>Purpose</u>	<u>Date of Authorization</u>	<u>Amount</u>	<u>Authorization Used</u>	<u>Authorization Remaining</u>
Street Facilities	11/1/2005	20,000,000	5,446,944	14,553,056
Drainage Facilities	11/1/2005	2,000,000	-	2,000,000
Security Facilities	11/1/2005	1,000,000	-	1,000,000
Traffic/Safety Protection Facilities	11/1/2005	2,000,000	527,950	1,472,050
Operations and Administration	11/1/2005	20,000,000	-	20,000,000
Costs of Acquiring/Constructing Facilities	11/1/2005	20,000,000	-	20,000,000
Costs of Acquiring/Constructing Facilities	11/1/2005	20,000,000	-	20,000,000
Water Facilities	11/6/2007	5,000,000	1,113,154	3,886,846
Sanitary Sewer Facilities	11/6/2007	5,000,000	1,113,154	3,886,846
Parks and Recreation	11/6/2007	5,000,000	1,570,144	3,429,856
Public Transportation	11/6/2007	5,000,000	-	5,000,000
Mosquito Control	11/6/2007	1,000,000	-	1,000,000
Fire Protection	11/6/2007	5,000,000	-	5,000,000
Television Relay	11/6/2007	1,000,000	148,654	851,346
Operations and Administration	11/6/2007	5,000,000	-	5,000,000
Refunding	11/1/2005	40,000,000	-	40,000,000
		157,000,000	9,920,000	147,080,000

For debt that is issued by the District, the District's Service Plan provides that the District cannot impose a debt service mill levy for repayment of any or all debt on any property developed for residential uses which exceeds forty (40) years after the year of the initial imposition of the debt service mill levy unless a majority of the Board of Directors of the District are residents of the District and have voted in favor of refunding a part or all of the debt and certain net present value savings are achieved. The District's Service Plan further limits debt issuances to \$20,000,000.

**III. Detailed Notes on all Funds**

**A. Deposits and Investments**

The District's deposits are entirely covered by federal depository insurance ("FDIC") or by collateral held under Colorado's Public Deposit Protection Act ("PDPA"). The FDIC insures the first \$250,000 of the District's deposits at each financial institution. Deposit balances over \$250,000 are collateralized as required by PDPA. The carrying amount of the District's demand deposits was \$0 at year end.

**Vail Square Metropolitan District No. 2**  
**Notes to the Financial Statements**  
**December 31, 2025**  
**(continued)**

**III. Detailed Notes on all Funds (continued)**

**A. Deposits and Investments (continued)**

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments, and entities such as the District, may invest which include:

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

*Interest Rate Risk.* As a means of limiting its exposure to interest rate risk, the District diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer and type of issuer. The District coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term to less than five years (less in some cases) from the purchase date. As a result of the limited length of maturities the District has limited its interest rate risk.

*Credit Risk.* District investment policy limits investments to those authorized by State statutes. The District's general investment policy is to apply the prudent-person rule: investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

*Concentration of Credit Risk.* The District diversifies its investments by security type and institution. Financial institutions holding District funds must provide the District a copy of the certificate from the Banking Authority that states that the institution is an eligible public depository.

At year end, the District had the following deposits and investments with the following maturities:

	<b>Standard &amp; Poors Rating</b>	<b>Carrying Amounts</b>	<b>Term to Maturity</b>	
			<b>Less than one year</b>	<b>More than one year</b>
<i>Investments:</i>				
Investment pool	AAAm	75,029	75,029	-
		75,029	75,029	-

At December 31, 2025, the District had the following recurring fair value measurements.

<b>Investments Measured at Amortized Cost</b>	<b>Total</b>
CSAFE	75,029
	75,029

**Vail Square Metropolitan District No. 2**  
**Notes to the Financial Statements**  
**December 31, 2025**  
**(continued)**

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**III. Detailed Notes on all Funds (continued)**

**A. Deposits and Investments (continued)**

*Fair Value of Investments.* The District measures and records its investments using fair value measurement guidelines established by U.S. GAAP. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

Investments classified in Level 1 are valued using prices quoted in active markets for those securities. Investments classified in Level 2 are valued using the following approaches:

- U.S. Treasuries, U.S. Agencies, and Commercial Paper: quoted prices for identical securities in markets that are not active;
- Repurchase Agreements, Negotiable Certificates of Deposit, and Collateralized Debt Obligations: matrix pricing based on the securities' relationship to benchmark quoted prices;
- Money Market, Bond, and Equity Mutual Funds: published fair value per share (unit) for each fund.

The Investment Pool represents investments in CSAFE. The net asset value of the pool is determined by the pool's share price. The District has no regulatory oversight for the pool. At December 31, 2025, the District's investments in CSAFE were 100% of the District's investment portfolio.

The District had invested \$75,029 in the Colorado Surplus Asset Fund ("CSAFE"). The Trust is 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 the Trust. The Trust operates similarly to a money market fund, measured at net asset value, and each share is equal in value to \$1.00. Investments consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank.

**Vail Square Metropolitan District No. 2**  
**Notes to the Financial Statements**  
**December 31, 2025**  
**(continued)**

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**IV. Other Information**

**A. Risk Management**

**Colorado Special Districts Property and Liability Pool**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; and general liability. The District is a member of the Colorado Special District Property and Liability Pool (“Pool”) for property and liability insurance.

The Pool was formed by an intergovernmental agreement to provide public officials, property, general and automobile liability coverage for claims up to \$1,000,000, except if the claim falls within the government immunity statute, then the coverage is \$150,000 per person and a \$600,000 aggregate claim. The Pool is reinsured for 80% of the first \$250,000 of all claims and 100% for claims in excess of \$250,000. The District may be required to make additional contributions in the event aggregate losses incurred by the Pool exceed amounts recoverable from reinsurance contracts. 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. Any settled claims are not expected to exceed coverage. A summary of audited statutory basis financial information for the Pool can be found here: <https://csdpool.org/financials>.

**IV. Other Information (continued)**

**B. Commitments and Contingencies**

During the normal course of business, the District may incur claims and other assertions against it from various agencies and individuals. Management of the District and their legal representatives have disclosed that they are not aware of any material outstanding claims against the District at December 31, 2025.

**V. Intergovernmental Agreements**

**A. Joint Funding Agreement**

The Operating District obtained two loans in the aggregate principal amount of \$16,000,000 on July 23, 2008 for the purpose of constructing certain public infrastructure (the “Facilities”) for the benefit of the Districts. Concurrent with obtaining the loans the Operating District entered into a Joint Funding Agreement with the Financing Districts to provide funding to the Operating District for the repayment of the loans. The Joint Funding Agreement generally provides that the Financing Districts will assess mill levies to collect property tax revenues which will be paid to and used by the Operating District to pay Financing Costs related to the loans. Financing Costs are defined as the principal of, and interest on, the 2023 loan.

Concurrent with District No. 3 obtaining the refunding loan in the principal amount of \$9,400,000 on April 1, 2023 (the “2023 Loan”), the Joint Funding Agreement described above was replaced with the Amended and Restated Joint Funding Agreement, dated as of April 1, 2023, among the Operating District and Financing Districts. The Amended and Restated Joint Funding Agreement generally provides that the Financing Districts will assess mill levies to collect property tax revenues which will be paid to and used by the District No. 3 to pay Financing Costs related to the 2023 Loan. Financing Costs are defined as the principal of, and interest on, the 2023 Loan.

**Vail Square Metropolitan District No. 2**  
**Notes to the Financial Statements**  
**December 31, 2025**  
**(continued)**

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**V. Intergovernmental Agreements**

**A. Joint Funding Agreement (continued)**

In 2025, the mill levy assessed for collection in 2026 was 24.000 mills in Vail Square Metropolitan District No. 2, with 20.000 mills allocated for the Amended and Restated Joint Funding Agreement and 4.000 mills for general operating expenses; and, 15.797 mills in Vail Square Metropolitan District No. 3, with 11.797 mills allocated for the Amended and Restated Joint Funding Agreement and 4.000 mills for the District Coordinating Services Agreement.

The District has recorded a capital obligation payable to Financing District No. 3 as of December 31, 2025 in the amount of \$5,208,663 which represents unreimbursed costs incurred through that date for the refunding of debt originally issued to pay infrastructure construction and costs related to issuance of and debt service on the loans. This amount has been allocated between the Financing Districts based on the District's forecast of the future annual bond costs to be paid by each Financing District. However, each Financing District is responsible to pay Financing Costs until the District's loans have been fully repaid and the ultimate allocation of the Financing Costs between the Financing Districts will be dependent on the assessed value and mill levy of each Financing District over the life of the District's loans.

**A. District Coordinating Services Agreement**

The Operating District and Financing Districts entered into the District Coordinating Service Agreement on November 13, 2023. The Agreement terminated the District Facilities Joint Financing, Construction and Service Agreement, dated July 21, 2008. The Agreement generally provides an obligation for the Districts to pay for the operation and maintenance of public improvements and administrative expenses incurred by the Operating District. The Financing Districts are obligated to generate and pay to the Operating District certain tax and other revenues. The Operating District is responsible for preparing annual preliminary budget proposals to the Financing Districts for their consideration. The Financing Districts are required to deposit 1/12<sup>th</sup> of the annual costs from the budget with the Coordinating District on a monthly basis.

The District has recorded a prepaid service obligation with the Operating District as of December 31, 2025 in the amount of \$168,979.

The Agreement specifies certain termination rights on the part of the Districts. Various limitations and conditions to such termination rights exist and reference to the text of the Agreement should be made for specific terms.

**Vail Square Metropolitan District No. 2**  
**Notes to the Financial Statements**  
**December 31, 2025**  
**(continued)**

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**V. Intergovernmental Agreements (continued)**

**B. District Coordinating Services Agreement**

The Operating District and Financing Districts entered into the District Coordinating Service Agreement on November 13, 2023. The Agreement terminated the District Facilities Joint Financing, Construction and Service Agreement, dated July 21, 2008. The Agreement generally provides an obligation for the Districts to pay for the operation and maintenance of public improvements and administrative expenses incurred by the Operating District. The Financing Districts are obligated to generate and pay to the Operating District certain tax and other revenues. The Operating District is responsible for preparing annual preliminary budget proposals to the Financing Districts for their consideration. The Financing Districts are required to deposit 1/12<sup>th</sup> of the annual costs from the budget with the Coordinating District on a monthly basis.

The District has recorded a prepaid service obligation with the Operating District as of December 31, 2025 in the amount of \$168,979.

The Agreement specifies certain termination rights on the part of the Districts. Various limitations and conditions to such termination rights exist and reference to the text of the Agreement should be made for specific terms.

**C. Pledge Agreements**

The Districts have entered into an Intergovernmental Agreement and Amended and Restated Pledge Agreement with the Vail Reinvestment Authority.

Under these agreements and in consideration for the Districts' commitment to undertake construction of certain public improvements, the Vail Reinvestment Authority agrees to transfer to the Districts the District Tax Increment Revenues, to which the Authority would otherwise be entitled under an Urban Renewal Plan relating to the project.

Under the second agreement the Authority pledged the Tax Incremental Revenue to the 2008 Loan.

The Districts entered into an Amended and Restated Pledge Agreement on April 1, 2023 with Vail Reinvestment Authority. The agreement replaces the previous pledge agreement and pledges the Authority's Debt Service District Tax Increment Revenues to District No. 3 to assist with repayment of the 2023 Loan and Operations District Tax Increment Revenues to District No. 1 to assist with paying the Financing Districts operation and maintenance costs.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Vail Square Metropolitan District No. 2**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**Governmental Funds - General Fund**  
**For the Year Ended December 31, 2025**  
**(With Comparative Actual Amounts For the Year Ended 2024)**

	2025		Final Budget Variance Positive (Negative)	2024
	Original and Final Budget	Actual		Actual
<b>Revenues:</b>				
Property taxes	113,826	112,700	(1,126)	112,669
Specific ownership taxes	4,553	5,647	1,094	5,565
Interest	1,000	-	(1,000)	-
<b>Total Revenues</b>	119,379	118,347	(1,032)	118,234
<b>Expenditures:</b>				
General government:				
Accounting and auditing	5,250	5,250	-	5,000
Insurance	3,850	3,787	63	3,282
Intergovernmental agreement	110,411	110,864	(453)	110,844
Treasurer fees	3,415	1,837	1,578	1,825
Contingency	10,000	-	10,000	-
<b>Total Expenditures</b>	132,926	121,738	11,188	120,951
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	(13,547)	(3,391)	10,156	(2,717)
<b>Other Financing Sources (Uses):</b>				
Transfers in	18,000	6,883	(11,117)	14,745
<b>Total Other Financing Sources (Uses)</b>	18,000	6,883	(11,117)	14,745
<b>Net Change in Fund Balance</b>	4,453	3,492	(961)	12,028
<b>Fund Balance - Beginning</b>	41,322	40,882	(440)	28,854
<b>Fund Balance - Ending</b>	45,775	44,374	(1,401)	40,882

## **SUPPLEMENTARY INFORMATION**

**Vail Square Metropolitan District No. 2**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**Governmental Funds - Debt Service Fund**  
**For the Year Ended December 31, 2025**  
**(With Comparative Actual Amounts For the Year Ended 2024)**

	2025		Final Budget Variance Positive (Negative)	2024
	Original and Final Budget	Actual		Actual
<b>Revenues:</b>				
Property taxes	758,842	751,336	(7,506)	751,124
Specific ownership taxes	34,148	37,648	3,500	37,102
Interest income	18,000	6,884	(11,116)	14,745
<b>Total Revenues</b>	810,990	795,868	(15,122)	802,971
<b>Expenditures:</b>				
General government:				
Intergovernmental agreement	1,042,887	1,003,147	39,740	1,223,484
Treasurer fees	22,765	12,245	10,520	12,165
Contingency	10,000	-	10,000	-
<b>Total Expenditures</b>	1,075,652	1,015,392	60,260	1,235,649
<b>Excess of Revenues Over (Under) Expenditures</b>	(264,662)	(219,524)	45,138	(432,678)
<b>Other Financing Sources (Uses):</b>				
Transfers (out)	(18,000)	(6,883)	11,117	(14,745)
<b>Total Other Financing (Uses)</b>	(18,000)	(6,883)	11,117	(14,745)
<b>Net Change in Fund Balance</b>	(282,662)	(226,407)	56,255	(447,423)
<b>Fund Balance - Beginning</b>	527,383	420,886	(106,497)	868,309
<b>Fund Balance - Ending</b>	244,721	194,479	(50,242)	420,886

**Vail Square Metropolitan District No. 3**

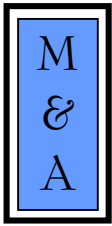
**Financial Statements**

**December 31, 2025**

**Vail Square Metropolitan District No. 3  
Financial Statements  
December 31, 2025**

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# McMAHAN AND ASSOCIATES, L.L.C.

*Certified Public Accountants and Consultants*

WEB SITE: [www.McMAHANCPA.COM](http://www.McMAHANCPA.COM)

MAIN OFFICE: (970) 845-8800

## INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors  
Vail Square Metropolitan District No. 3  
Vail, Colorado**

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities and each major fund of Vail Square Metropolitan District No. 3 (the "District"), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

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

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). 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***

The District's management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, 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 one year after the date that the financial statements are issued.

*Member: American Institute of Certified Public Accountants*

**INDEPENDENT AUDITOR'S REPORT**  
**To the Board of Directors**  
**Vail Square Metropolitan District No. 3**  
**Vail, Colorado**

***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 U.S. GAAS 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 U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

***Required Supplementary Information***

U.S. GAAP require that the Management's Discussion and Analysis in Section B 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 U.S. GAAS, 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.

The budgetary comparison information in section E is not a required part of the basic financial statements but is supplementary information required by U.S. GAAP. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

**INDEPENDENT AUDITOR'S REPORT**  
**To the Board of Directors**  
**Vail Square Metropolitan District No. 3**  
**Vail, Colorado**

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The individual fund budgetary comparison in Section F is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison found in Section F is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*McMahan and Associates, L.L.C.*

**McMahan and Associates, L.L.C.**  
**Avon, Colorado**  
**June 22, 2026**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **Vail Square Metropolitan District No. 3**

### **Management's Discussion and Analysis December 31, 2025**

As management of Vail Square Metropolitan District No. 3 (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2025.

#### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are composed of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains additional other information after the notes to the financial statements.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all the District's assets, liabilities, and deferred inflows with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The governmental activity of the District is primarily financing the Intergovernmental Service Costs and Capital Costs due to Vail Square Metropolitan District No. 1. There are no business-type activities within the District.

The government-wide financial statements can be found on pages C1 and C2 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District currently has two funds, the General Fund and the Debt Service Fund, both of which are governmental funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike

the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. A reconciliation of the fund balance as reported in the governmental funds to the net position reported in the government-wide financial statements and a reconciliation of the net change in fund balance to the change in net position has been provided to facilitate the comparison between governmental funds and governmental activities.

The fund financial statements are contained on pages C3 through C6 of the report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page D1 of this report.

**(Table shown on following page; remainder of page intentionally left blank to accommodate table.)**

## Condensed Financial Information

A condensed comparative summary of the District's government-wide assets, liabilities, deferred inflows, net position, revenues and expenditures follows:

	<b>Governmental Activities</b>	
	<b>2025</b>	<b>2024</b>
<b>ASSETS:</b>		
Current assets	\$ 1,114,134	\$ 991,317
Non-current assets	\$ 5,271,162	\$ 5,889,711
<b>Total Assets</b>	<u>6,385,296</u>	<u>6,881,028</u>
<b>LIABILITIES &amp; DEFERRED INFLOWS:</b>		
Current liabilities	758,065	745,144
Non-current liabilities	6,854,000	7,591,000
<b>Total Liabilities</b>	<u>7,612,065</u>	<u>8,336,144</u>
Deferred inflows of resources	<u>218,159</u>	<u>162,322</u>
<b>NET POSITION:</b>		
Restricted	825,864	777,011
Unrestricted	(2,270,792)	(2,394,449)
<b>Total Net Position</b>	<u>\$ (1,444,928)</u>	<u>\$ (1,617,438)</u>
<b>REVENUES:</b>		
<b>Program Revenues</b>		
Capital contributions	\$ -	\$ -
<b>General Revenues</b>		
Property and other taxes	314,332	334,585
Intergovernmental revenue	776,740	776,061
Interest income	48,865	50,758
<b>Total Revenues</b>	<u>1,139,937</u>	<u>1,161,404</u>
<b>EXPENSES:</b>		
General government	<u>967,427</u>	<u>993,339</u>
<b>Total Expenses</b>	<u>967,427</u>	<u>993,339</u>
<b>Change in Net Position</b>	172,510	168,065
<b>Net Position - Beginning</b>	<u>(1,617,438)</u>	<u>(1,785,503)</u>
<b>Net Position - Ending</b>	<u>\$ (1,444,928)</u>	<u>\$ (1,617,438)</u>

The District is one of the “financing districts” in a triple district structure whereby the District is supporting financing the construction of infrastructure being coordinated by Vail Square Metropolitan District No. 1. The District consists of commercial properties whereas the residential properties are in District No. 2. Financing, constructing and operating the infrastructure was initially furnished through a District Facilities Joint Financing Construction and Service Agreement which has now been replaced with a District Coordinating Services Agreement among the District and Vail Square Metropolitan District Nos. 1 and 2. During 2023 the District assumed the loan that was initially taken out by District No. 1 to finance the infrastructure. In conjunction with assuming the obligation for the loan, the District was relieved of its obligation for the debt to District No. 1 and received a repayment pledge for a portion of debt service payments from Vail Square Metropolitan District No. 2.

**Government-wide Financial Analysis.** During 2025 the District’s primary activity was to collect property taxes to pay the debt service payments and to pay the service obligation to District No. 1 for the infrastructure in the Districts.

### **Financial Analysis of the District’s Funds**

As mentioned earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the District’s governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the District’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the District’s governmental funds reported a combined ending fund balance of \$958,474. Of this fund balance, \$823,764 is restricted for future debt service and \$62,499 is nonspendable as it has been prepaid to District No. 1 to be used to provide future services to the District’s constituents.

The District adopts budgets for each fund on an annual basis. A budgetary comparison has been provided on page E1 for the General Fund and on page F1 for the Debt Service Fund.

**Capital assets.** All capital assets inside of the District boundaries are constructed and operated by District No.1. Therefore, no capital assets are reported by the District.

**Long-term debts.** In 2023 the District assumed the obligation for the joint debt of District Nos. 1, 2 and 3 from District No. 1. During 2025 the District paid \$714,000 of that debt leaving an outstanding balance of \$7,591,000 at the end of 2025. More details and information related to the District’s long-term debts can be found in Note III B on page D11 of this report.

### **Request for Information**

This financial report is designed to provide a general overview of the District’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Marchetti & Weaver, LLC, 28 Second Street, Suite 213, Edwards, CO 81632 or you may call (970) 926-6060.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**Vail Square Metropolitan District No. 3**  
**Statement of Net Position**  
**December 31, 2025**

---

**Assets:**

Cash and cash equivalents	874,876
Amounts due from Treasurer	1,396
Property taxes receivable	218,159
Amounts due from VSMD No. 1 & 2	17,669
Other receivables	2,034
Prepaid service obligation to VSMD No. 1	62,499
Capital obligation from VSMD No. 2	<u>5,208,663</u>
<b>Total Assets</b>	<u><u>6,385,296</u></u>

**Liabilities:**

Current liabilities due in less than one year:	
Accrued interest payable	21,065
Bonds payable	737,000
Non-current liabilities due in excess of one year:	
Bonds payable	<u>6,854,000</u>
<b>Total Liabilities</b>	<u><u>7,612,065</u></u>

**Deferred Inflow of Resources:**

Deferred property tax revenue	<u>218,159</u>
<b>Total Deferred Inflow of Resources</b>	<u><u>218,159</u></u>

**Net Position:**

Restricted for debt service	823,764
Restricted for emergencies	2,100
Unrestricted	<u>(2,270,792)</u>
<b>Total Net Position</b>	<u><u>(1,444,928)</u></u>

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

**Vail Square Metropolitan District No. 3**  
**Statement of Activities**  
**For the Year Ended December 31, 2025**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
<b>Functions/Programs:</b>					
<b>Governmental activities:</b>					
General government	692,851	-	-	-	(692,851)
Interest	274,576	-	-	-	(274,576)
<b>Total primary government</b>	<u>967,427</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(967,427)</u>
<b>General revenues:</b>					
Taxes:					
Property tax					299,244
Specific ownership tax					15,088
Intergovernmental agreement					776,740
Interest income					48,865
Total General Revenues					<u>1,139,937</u>
<b>Change in Net Position</b>					172,510
<b>Net Position - Beginning</b>					<u>(1,617,438)</u>
<b>Net Position - Ending</b>					<u><u>(1,444,928)</u></u>

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

## **FUND FINANCIAL STATEMENTS**

**Vail Square Metropolitan District No. 3**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2025**

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Cash and investments	72,211	802,665	874,876
Amounts due from Treasurer	-	1,396	1,396
Amounts due from VSMD No. 1 & 2	-	17,669	17,669
Property taxes receivable	55,241	162,918	218,159
Other receivables	-	2,034	2,034
Prepaid service obligation to VSMD No. 1	-	62,499	62,499
<b>Total Assets</b>	<u>127,452</u>	<u>1,049,181</u>	<u>1,176,633</u>
<b>Liabilities:</b>			
Amounts due to VSMD No. 1 & 2	-	-	-
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Deferred Inflow of Resources:</b>			
Unavailable property tax revenue	55,241	162,918	218,159
<b>Total Deferred Inflow of Resources</b>	<u>55,241</u>	<u>162,918</u>	<u>218,159</u>
<b>Fund Balances:</b>			
Nonspendable	-	62,499	62,499
Restricted for debt service	-	823,764	823,764
Restricted for emergencies	2,100	-	2,100
Unassigned	70,111	-	70,111
<b>Total Fund Balances</b>	<u>72,211</u>	<u>886,263</u>	<u>958,474</u>
<b>Total Liabilities, Deferred Inflow of Resources, and Fund Balances</b>	<u>127,452</u>	<u>1,049,181</u>	<u>1,176,633</u>

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

**Vail Square Metropolitan District No. 3**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**December 31, 2025**

---

<b>Governmental Funds Total Fund Balance</b>		958,474
Amounts due from other Districts for capital obligations are not considered current financial resources and, therefore, are not reported in the funds.		5,208,663
Long-term liabilities, including bonds payable and leases payable, are not due and payable in the current period and, therefore, are not reported in the funds. This is the amount of District long-term liabilities. Details of these amounts are as follows:		
Bonds payable	(7,591,000)	
Accrued interest payable	(21,065)	
		(7,612,065)
<b>Net Position of Governmental Activities</b>		<b>(1,444,928)</b>

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

**Vail Square Metropolitan District No. 3**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2025**

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Property taxes	60,871	239,362	300,233
Specific ownership taxes	3,059	12,029	15,088
Intergovernmental agreement	-	776,740	776,740
Interest income	-	48,865	48,865
<b>Total Revenues</b>	<u>63,930</u>	<u>1,076,996</u>	<u>1,140,926</u>
<b>Expenditures:</b>			
General government	69,903	87,628	157,531
Debt service:			
Principal	-	714,000	714,000
Interest	-	276,557	276,557
Paying agent fees	-	1,500	1,500
<b>Total Expenditures</b>	<u>69,903</u>	<u>1,079,685</u>	<u>1,149,588</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>(5,973)</u>	<u>(2,689)</u>	<u>(8,662)</u>
<b>Other Financial Sources (Uses):</b>			
Transfers in	32,108	-	32,108
Transfers (out)	-	(32,108)	(32,108)
<b>Total Other Financing Sources (Uses)</b>	<u>32,108</u>	<u>(32,108)</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	26,135	(34,797)	(8,662)
<b>Fund Balances - Beginning</b>	<u>46,076</u>	<u>921,060</u>	<u>967,136</u>
<b>Fund Balances - Ending</b>	<u><u>72,211</u></u>	<u><u>886,263</u></u>	<u><u>958,474</u></u>

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

**Vail Square Metropolitan District No. 3**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances of Governmental Funds to the**  
**Statement of Activities**  
**For the Year Ended December 31, 2025**

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<b>Net change in fund balances for total governmental funds</b>		(8,662)
Changes in amounts due from Vail Square Metropolitan District No. 2 for capital costs are not currently available financial resources and, therefore, are not reported in the funds.		(534,809)
The repayment of the principal of long-term debt consumes current financial resources of governmental funds. This transaction, however, has no effect on net position. This amount is the net effect of these differences in the treatment of long-term debt repayments.		
Principal repayments - Bonds payable	714,000	714,000
The change in accrued interest reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds.		1,981
<b>Change in Net Position of Governmental Activities</b>		<b>172,510</b>

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

## **NOTES TO THE FINANCIAL STATEMENTS**

**Vail Square Metropolitan District No. 3**  
**Notes to the Financial Statements**  
**December 31, 2025**

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**I. Summary of Significant Accounting Policies**

The Vail Square Metropolitan District No. 3 (the “District”) was established December 5, 2005, as a quasi-municipal corporation and political subdivision of the State of Colorado. The District was established as part of a triple district structure with Vail Square Metropolitan District Nos. 1 and 2. District No. 1 is considered the Operating District, and was formed to coordinate the financing and construction of all public improvements which will be constructed for the use and benefit of all anticipated inhabitants and taxpayers of Vail Square Metropolitan District Nos. 1-3. Vail Square Metropolitan District Nos. 2 and 3 are the Financing Districts and as such have paid and will continue to pay capital and service obligations to the District for the infrastructure in the Districts.

The District’s financial statements are prepared in accordance with generally accepted accounting principles (“GAAP”). The Governmental Accounting Standards Board (“GASB”) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established by GAAP used by the District are discussed below.

**A. Reporting Entity**

The reporting entity consists of (a) the primary government; i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization’s governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits, to, or to impose specific financial burdens on, the District. Consideration is also given to other organizations which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria discussed above, the District is not financially accountable for any other entity, nor is the District a component unit of any other government.

**B. Government-wide and Fund Financial Statements**

The District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). Both the government-wide and fund financial statements categorize primary activities as governmental type.

**1. Government-wide Financial Statements**

In the government-wide Statement of Net Position, all balances are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The government-wide focus is on the sustainability of the District as an entity and the change in the District’s net position resulting from the current year’s activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**Vail Square Metropolitan District No. 3**  
**Notes to the Financial Statements**  
**December 31, 2025**  
**(continued)**

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**I. Summary of Significant Accounting Policies (continued)**

**B. Government-wide and Fund Financial Statements (continued)**

**2. Fund Financial Statements**

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The fund focus is on current available resources and budget compliance.

The District reports the following governmental funds:

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

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements. Financial statement presentation refers to classification of revenues by source and expenses by function.

**1. Long-term Economic Focus and Accrual Basis**

Governmental activities in the government-wide financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

**2. Current Financial Focus and Modified Accrual Basis**

The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter (60 days) to be used to pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

**Vail Square Metropolitan District No. 3**  
**Notes to the Financial Statements**  
**December 31, 2025**  
**(continued)**

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**I. Summary of Significant Accounting Policies (continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)**

**3. Financial Statement Presentation**

Amounts reported as program revenues include capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and interest income.

**D. Financial Statement Accounts**

**1. Cash and Cash Equivalents**

Cash and equivalents are defined as deposits that can be withdrawn at any time without notice or penalty and investments with maturities of three months or less.

Investments are stated at net asset value or amortized cost. The change in fair value, net asset value, and amortized cost of investments is recognized as an increase or decrease to investment assets and investment income. The District's investment policy is detailed in note III.A.

**2. Receivables**

Receivables are reported net of an allowance for uncollectible accounts. There was no allowance as of December 31, 2025.

**3. Prepaid Items and Service Obligations**

Certain payments reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as an expenditure/expense when consumed.

**4. Long-term Debt**

In the government-wide financial statements, in the fund financial statements, long-term debt is reported as a liability in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

**5. Deferred Outflows and 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 assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items to report under this category.

**Vail Square Metropolitan District No. 3**  
**Notes to the Financial Statements**  
**December 31, 2025**  
**(continued)**

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**I. Summary of Significant Accounting Policies (continued)**

**D. Financial Statement Accounts (continued)**

**5. Deferred Outflows and Inflows of Resources (continued)**

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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Unavailable property tax revenue is deferred and recognized as an inflow of resources in the period that the amounts become available and earned.

**6. Fund Balance**

The District classifies governmental fund balances as follows:

*Nonspendable* - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.

*Restricted* – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

*Committed* – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority which is the Board of Directors.

*Assigned* – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Board of Directors or its management designee.

*Unassigned* - includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The District uses restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the District first uses committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The District does not have a formal minimum fund balance policy. However, the District's budget includes a calculation of targeted reserve positions and management reports the targeted amounts annually to Board of Directors.

**Vail Square Metropolitan District No. 3**  
**Notes to the Financial Statements**  
**December 31, 2025**  
**(continued)**

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**I. Summary of Significant Accounting Policies (continued)**

**E. Use of Estimates**

The preparation of financial statements in conformity with GAAP requires the District's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

**II. Stewardship, Compliance, and Accountability**

**A. Budgetary Information**

In the fall of each year, the District's Board of Directors formally adopts a budget with appropriations by fund for the ensuing year pursuant to the Local Government Budget Law of Colorado. The budgets for the funds are adopted on a basis consistent with GAAP.

As required by Colorado statutes, the District followed the following timetable in approving and enacting a budget for 2025:

- (1) For the 2025 budget year, prior to August 25, 2024, the County Assessor sent to the District the certified assessed valuation of all taxable property within the District's boundaries and prior to December 10, 2024, the County Assessor sent the final recertified assessed valuation to the District.
- (2) On or before October 15, 2024, the District's accountant submitted to the District's Board of Directors a recommended budget which detailed the necessary property taxes needed along with other available revenues to meet the District's operating requirements.
- (3) A public hearing on the proposed budget and capital program was held by the Board no later than 45 days prior to the close of the fiscal year.
- (4) For the 2025 budget, prior to December 15, 2024, the District computed and certified to the County Commissioners a rate of levy that derived the necessary property taxes as computed in the proposed budget.
- (5) For the 2025 budget, the final budget and appropriating resolution was adopted prior to December 31, 2024.

After adoption of the budget resolution, the District may make the following changes: a) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; b) it may approve supplemental appropriations to the extent of revenues in excess of the estimated in the budget; c) it may approve emergency appropriations; and d) it may reduce appropriations for which originally estimated revenues are insufficient.

**Vail Square Metropolitan District No. 3**  
**Notes to the Financial Statements**  
**December 31, 2025**  
**(continued)**

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**II. Stewardship, Compliance, and Accountability (continued)**

**A. Budgetary Information (continued)**

Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2024 were collected in 2025 and taxes certified in 2025 will be collected in 2026. Taxes are due on January 1<sup>st</sup> in the year of collection; however, they may be paid in either one installment (no later than April 30<sup>th</sup>) or two equal installments (not later than February 28<sup>th</sup> and June 15<sup>th</sup>) without interest or penalty. Taxes which are not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 15<sup>th</sup>.

The level of control in the budget at which expenditures exceed appropriations is at the fund level. All appropriations lapse at year end.

**B. TABOR Amendment**

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government. Any revenues earned in excess of the fiscal year spending limit must be refunded in the next fiscal year, unless voters approve retention of such excess revenue.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR also requires local governments to establish an emergency reserve to be used for declared emergencies only. The reserve is calculated at 3% of fiscal year spending. Fiscal year spending excludes bonded debt service and enterprise spending. The District has reserved \$2,100, which is the approximate required reserve, at December 31, 2025.

Under TABOR, the initial base for local government spending and revenue limits is December 31, 1992 fiscal year spending. The District's first year of operations ended December 31, 1995. Future spending and revenue limits are determined based on the prior year's fiscal year spending adjusted for inflation in the prior calendar year plus annual local growth. Fiscal year spending is generally defined as expenditures and reserve increases with certain exceptions. Revenue, if any, in excess of the fiscal year spending limit must be refunded in the next fiscal year unless voters approve retention of such revenue.

The electorate of the District authorized property taxes to be increased up to \$1,500,000 in 2005, plus up to an additional \$3,000,000 in 2007, and each year thereafter to pay the District's operations, maintenance, and other expenses, such amounts to increase annually in an amount not to exceed the applicable limitations of Article X, Section 20 of the Colorado Constitution and Colorado Law.

**Vail Square Metropolitan District No. 3**  
**Notes to the Financial Statements**  
**December 31, 2025**  
**(continued)**

**II. Stewardship, Compliance, and Accountability (continued)**

**B. TABOR Amendment (continued)**

The District's electorate further approved that the District's taxes be increased \$120,000,000 annually, or by such lesser annual amount as may be necessary to pay the District's general or special obligation bonds, revenue bonds or other multiple fiscal year financial obligations, including contracts, issued for the purpose of refunding, paying or defeasing, in whole or in part, bonds, notes or other financial obligations of the District. Such taxes may consist of an ad valorem property tax mill levy imposed without limitation of rate and in amounts sufficient to produce the annual increase set forth above or such lesser amount as may be necessary. The revenue from such taxes and any other monies used to pay such general or special obligation bonds, revenue bonds or other multiple fiscal year financial obligations costs, and investment income thereon, may be collected and spent by the District without regard to any expenditure, revenue raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution.

The District's management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation.

**C. Authorized But Unissued Debt**

Pursuant to C.R.S. 32-1-1101(2) a District is only authorized to issue bonds for a period up to twenty years following the date of the election at which such bonds were authorized by the District's voters. The District has the following authorizations remaining as of December 31, 2025:

<u>Purpose</u>	<u>Date of Authorization</u>	<u>Amount</u>	<u>Authorization Used</u>	<u>Authorization Remaining</u>
Street Facilities	11/1/2005	20,000,000	3,338,449	16,661,551
Drainage Facilities	11/1/2005	2,000,000	-	2,000,000
Security Facilities	11/1/2005	1,000,000	-	1,000,000
Traffic/Safety Protection Facilities	11/1/2005	2,000,000	323,582	1,676,418
Operations and Administration	11/1/2005	20,000,000	-	20,000,000
Costs of Acquiring/Constructing Facilities	11/1/2005	20,000,000	-	20,000,000
Costs of Acquiring/Constructing Facilities	11/1/2005	20,000,000	-	20,000,000
Water Facilities	11/6/2007	5,000,000	682,256	4,317,744
Sanitary Sewer Facilities	11/6/2007	5,000,000	682,256	4,317,744
Parks and Recreation	11/6/2007	5,000,000	962,346	4,037,654
Public Transportation	11/6/2007	5,000,000	-	5,000,000
Mosquito Control	11/6/2007	1,000,000	-	1,000,000
Fire Protection	11/6/2007	5,000,000	-	5,000,000
Television Relay	11/6/2007	1,000,000	91,111	908,889
Operations and Administration	11/6/2007	5,000,000	-	5,000,000
Refunding	11/1/2005	40,000,000	9,400,000	30,600,000
		<u>157,000,000</u>	<u>15,480,000</u>	<u>141,520,000</u>

The District's Service Plan further limits debt issuances to \$20,000,000.

**Vail Square Metropolitan District No. 3**  
**Notes to the Financial Statements**  
**December 31, 2025**  
**(continued)**

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**III. Detailed Notes on all Funds**

**A. Deposits and Investments**

The District's deposits are entirely covered by federal depository insurance ("FDIC") or by collateral held under Colorado's Public Deposit Protection Act ("PDPA"). The FDIC insures the first \$250,000 of the District's deposits at each financial institution. Deposit balances over \$250,000 are collateralized as required by PDPA. The carrying amount of the District's demand deposits was \$0 at year end.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments, and entities such as the District, may invest which include:

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

*Interest Rate Risk.* As a means of limiting its exposure to interest rate risk, the District diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer and type of issuer. The District coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term to less than five years (less in some cases) from the purchase date. As a result of the limited length of maturities the District has limited its interest rate risk.

*Credit Risk.* District investment policy limits investments to those authorized by State statutes. The District's general investment policy is to apply the prudent-person rule: investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

*Concentration of Credit Risk.* The District diversifies its investments by security type and institution. Financial institutions holding District funds must provide the District a copy of the certificate from the Banking Authority that states that the institution is an eligible public depository.

**Vail Square Metropolitan District No. 3**  
**Notes to the Financial Statements**  
**December 31, 2025**  
(continued)

**III. Detailed Notes on all Funds (continued)**

**A. Deposits and Investments (continued)**

At year end, the District had the following deposits and investments with the following maturities:

	<b>Standard &amp; Poors Rating</b>	<b>Carrying Amounts</b>	<b>Term to Maturity</b>	
			<b>Less than one year</b>	<b>More than one year</b>
<i>Investments:</i>				
Invesco Treasury Portfolio	AAAm	763,190	763,190	-
Investment pool	AAAm	111,686	111,686	-
		<u>874,876</u>	<u>874,876</u>	<u>-</u>

At December 31, 2025, the District had the following recurring fair value measurements:

<b>Investments Measured at Net Asset Value</b>	<b>Total</b>
Invesco Treasury Portfolio	763,190
	<u>763,190</u>

<b>Investments Measured at Amortized Cost</b>	<b>Total</b>
CSAFE	111,686
	<u>111,686</u>

*Fair Value of Investments.* The District measures and records its investments using fair value measurement guidelines established by GAAP. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

Investments classified in Level 1 are valued using prices quoted in active markets for those securities. Investments classified in Level 2 are valued using the following approaches:

- U.S. Treasuries, U.S. Agencies, and Commercial Paper: quoted prices for identical securities in markets that are not active;
- Repurchase Agreements, Negotiable Certificates of Deposit, and Collateralized Debt Obligations: matrix pricing based on the securities' relationship to benchmark quoted prices;
- Money Market, Bond, and Equity Mutual Funds: published fair value per share (unit) for each fund.

**Vail Square Metropolitan District No. 3**  
**Notes to the Financial Statements**  
**December 31, 2025**  
**(continued)**

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**III. Detailed Notes on all Funds (continued)**

**A. Deposits and Investments (continued)**

The District had invested \$111,686 in the Colorado Surplus Asset Fund (“CSAFE”). The Trust is 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 the Trust. The Trust operates similarly to a money market fund, measured at net asset value, and each share is equal in value to \$1.00. Investments consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank.

The District had invested \$763,190 in the Invesco Treasury Portfolio (the “Fund”). The Fund is a money market mutual fund established for investors seeking current income consistent with preservation of capital and liquidity. The Fund is managed by Invesco and operates as a government money market fund with a constant net asset value, measured at net asset value, where each share seeks to maintain a value of \$1.00. Investments consist primarily of short-term, high-credit-quality money market instruments that are direct obligations of the U.S. Treasury and repurchase agreements backed by U.S. Treasury obligations. A designated custodian provides safekeeping and depository services in connection with the Fund's investments. Substantially all securities owned are held in custody in accordance with applicable regulatory requirements for money market funds.

**B. Long-term Obligations**

**1. 2023 Unlimited Tax General Obligation Loan**

The District obtained a \$9,400,000 unlimited tax general obligation loan on April 26, 2023. Interest is payable semiannually on June 1 and December 1, commencing December 1, 2008. The loan matures in various amounts through 2034 and bears interest equal to 3.330%. The loan is a general obligation of the District and supported by a Joint Funding Agreement between the Operating District and the Financing Districts. The Joint Funding Agreement generally provides that the Financing Districts will assess mill levies to collect property taxes which will be paid to the District to be used to pay the principal and interest payments required by the loan.

The loan was obtained to refund the 2008B Tax-Exempt Loan that originally financed the design, acquisition, construction, relocation, installation, completion and provision of public improvements and facilities. The District also used loan proceeds to repay a portion of the long-term obligation to the Developer.

**Vail Square Metropolitan District No. 3**  
**Notes to the Financial Statements**  
**December 31, 2025**  
**(continued)**

**III. Detailed Notes on all Funds (continued)**

**B. Long-term Obligations (continued)**

**2. Long-term Obligation Activity**

The District had the following activity related to long-term obligations during the year ended December 31, 2025:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable:					
G.O. Refunding Loan, Series 2023	8,305,000	-	(714,000)	7,591,000	737,000
	<u>8,305,000</u>	<u>-</u>	<u>(714,000)</u>	<u>7,591,000</u>	<u>737,000</u>

**IV. Other Information**

**A. Risk Management**

**Colorado Special Districts Property and Liability Pool**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; and general liability. The District is a member of the Colorado Special District Property and Liability Pool ("Pool") for property and liability insurance.

The Pool was formed by an intergovernmental agreement to provide public officials, property, general and automobile liability coverage for claims up to \$1,000,000, except if the claim falls within the government immunity statute, then the coverage is \$150,000 per person and a \$600,000 aggregate claim. The Pool is reinsured for 80% of the first \$250,000 of all claims and 100% for claims in excess of \$250,000. The District may be required to make additional contributions in the event aggregate losses incurred by the Pool exceed amounts recoverable from reinsurance contracts. 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. Any settled claims are not expected to exceed coverage. A summary of audited statutory basis financial information for the Pool can be found at <https://csdpool.org/financials>.

**Vail Square Metropolitan District No. 3**  
**Notes to the Financial Statements**  
**December 31, 2025**  
**(continued)**

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**IV. Other Information (continued)**

**B. Commitments and Contingencies**

During the normal course of business, the District may incur claims and other assertions against it from various agencies and individuals. Management of the District and their legal representatives have disclosed that they are not aware of any material outstanding claims against the District at December 31, 2025.

**V. Intergovernmental Agreements**

**A. Joint Funding Agreement**

The Operating District obtained two loans in the aggregate principal amount of \$16,000,000 on July 23, 2008 for the purpose of constructing certain public infrastructure (the "Facilities") for the benefit of the Districts. Concurrent with obtaining the loans the Operating District entered into a Joint Funding Agreement with the Financing Districts to provide funding to the Operating District for the repayment of the loans. The Joint Funding Agreement generally provides that the Financing Districts will assess mill levies to collect property tax revenues which will be paid to and used by the Operating District to pay Financing Costs related to the loans. Financing Costs are defined as the principal and interest payments required by debt and interest rate swaps obtained or entered into by the Districts, including replenishment of debt reserve funds.

Concurrent with District No. 3 obtaining the refunding loan in the principal amount of \$9,400,000 on April 1, 2023 (the "2023 Loan"), the Joint Funding Agreement described above was replaced with the Amended and Restated Joint Funding Agreement, dated as of April 1, 2023, among the Operating District and Financing Districts. The Amended and Restated Joint Funding Agreement generally provides that the Financing Districts will assess mill levies to collect property tax revenues which will be paid to and used by the District No. 3 to pay Financing Costs related to the 2023 Loan. Financing Costs are defined as the principal of, and interest on, the 2023 loan.

In 2025, the mill levy assessed for collection in 2026 was 24.000 mills in Vail Square Metropolitan District No. 2, with 20.000 mills allocated for the Amended and Restated Joint Funding Agreement and 4.000 mills for general operating expenses and 15.797 mills in Vail Square Metropolitan District No. 3, with 11.797 mills allocated for the Amended and Restated Joint Funding Agreement and 4.000 mills for the District Coordinating Services Agreement.

The District has recorded a capital obligation receivable from the Financing District No. 2 as of December 31, 2025 in the amount of \$5,208,663 which represents unreimbursed costs incurred through that date for the refunding of debt originally issued to pay infrastructure construction and costs related to issuance of and debt service on the loans. This amount has been allocated between the Financing Districts based on the District's forecast of the future annual bond costs to be paid by each Financing District. However, each Financing District is responsible to pay Financing Costs until the District's loans have been fully repaid and the ultimate allocation of the Financing Costs between the Financing Districts will be dependent on the assessed value and mill levy of each Financing District over the life of the District's loans.

**Vail Square Metropolitan District No. 3**  
**Notes to the Financial Statements**  
**December 31, 2025**  
**(continued)**

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**V. Intergovernmental Agreements (continued)**

**A. District Coordinating Services Agreement**

The Operating District and Financing Districts entered into the District Coordinating Service Agreement on November 13, 2023. The Agreement terminated the District Facilities Joint Financing, Construction and Service Agreement, dated July 21, 2008. The Agreement generally provides an obligation for the Districts to pay for the operation and maintenance of the Facilities and administrative expenses incurred by the Operating District. The Financing Districts are obligated to generate and pay to the Operating District certain tax and other revenues. The Operating District is responsible for preparing annual preliminary budget proposals to the Financing Districts for their consideration. The Financing Districts are required to deposit 1/12<sup>th</sup> of the annual costs from the budget with the Coordinating District on a monthly basis.

The District has recorded a prepaid service obligation with the Operating District as of December 31, 2025 in the amount of \$62,499.

The Agreement specifies certain termination rights on the part of the Districts. Various limitations and conditions to such termination rights exist and reference to the text of the Agreement should be made for specific terms.

**B. Pledge Agreements**

The Districts have entered into an Intergovernmental Agreement and Amended and Restated Pledge Agreement with the Vail Reinvestment Authority.

Under these agreements and in consideration for the Districts' commitment to undertake construction of certain public improvements, the Vail Reinvestment Authority agrees to transfer to the Districts the District Tax Increment Revenues, to which the Authority would otherwise be entitled under an Urban Renewal Plan relating to the project.

Under the second agreement the Authority pledged the Tax Incremental Revenue to the 2008 Loan.

The Districts entered into an Amended and Restated Pledge Agreement on April 1, 2023 with Vail Reinvestment Authority. The agreement replaces the previous pledge agreement and pledges the Authority's Debt Service District Tax Increment Revenues to District No. 3 to assist with repayment of the 2023 Loan and Operations District Tax Increment Revenues to District No. 1 to assist with paying the Financing Districts operation and maintenance costs.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Vail Square Metropolitan District No. 3**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**Governmental Funds - General Fund**  
**For the Year Ended December 31, 2025**  
**(With Comparative Actual Amounts For the Year Ended 2024)**

	2025		Final Budget Variance Positive (Negative)	2024
	Original and Final Budget	Actual		Actual
<b>Revenues:</b>				
Property taxes	61,678	60,871	(807)	64,832
Specific ownership taxes	2,774	3,059	285	3,216
<b>Total Revenues</b>	64,452	63,930	(522)	68,048
<b>Expenditures:</b>				
General government:				
Accounting and auditing	5,250	5,250	-	4,750
Insurance	3,850	3,783	67	3,348
Intergovernmental agreement	59,827	59,881	(54)	63,784
Treasurer fees	1,850	989	861	1,048
Contingency	3,000	-	3,000	-
<b>Total General Government Expenditures</b>	73,777	69,903	3,874	72,930
<b>Excess of Revenues Over (Under) Expenditures</b>	(9,325)	(5,973)	3,352	(4,882)
<b>Other Financing Sources:</b>				
Transfers in	27,176	32,108	4,932	50,758
<b>Total Other Financing Sources</b>	27,176	32,108	4,932	50,758
<b>Net Change in Fund Balance</b>	17,851	26,135	8,284	45,876
<b>Fund Balance - Beginning</b>	29,858	46,076	16,218	200
<b>Fund Balance - Ending</b>	47,709	72,211	24,502	46,076

## **SUPPLEMENTARY INFORMATION**

**Vail Square Metropolitan District No. 3**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**Governmental Funds - Debt Service Fund**  
**For the Year Ended December 31, 2025**  
**(With Comparative Actual Amounts For the Year Ended 2024)**

	2025		Final Budget Variance Positive (Negative)	2024
	Original and Final Budget	Actual		Actual
<b>Revenues:</b>				
Property taxes	239,142	239,362	220	254,940
Specific ownership taxes	9,566	12,029	2,463	12,645
Intergovernmental agreement	770,225	776,740	6,515	776,061
Interest income	27,174	48,865	21,691	50,758
<b>Total Revenues</b>	<b>1,046,107</b>	<b>1,076,996</b>	<b>30,889</b>	<b>1,094,404</b>
<b>Expenditures:</b>				
General government:				
Intergovernmental agreement	95,800	83,740	12,060	149,883
Treasurer fees	7,174	3,888	3,286	4,117
Debt service:				
Principal	714,000	714,000	-	691,000
Interest	276,557	276,557	-	299,567
Contingency	10,000	-	10,000	-
Paying agent fees	10,000	1,500	8,500	1,500
<b>Total Expenditures</b>	<b>1,113,531</b>	<b>1,079,685</b>	<b>33,846</b>	<b>1,146,067</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	(67,424)	(2,689)	64,735	(51,663)
<b>Other Financing Sources (Uses):</b>				
Transfers (out)	(27,176)	(32,108)	(4,932)	(50,758)
<b>Total Other Financing (Uses)</b>	<b>(27,176)</b>	<b>(32,108)</b>	<b>(4,932)</b>	<b>(50,758)</b>
<b>Net Change in Fund Balance</b>	(94,600)	(34,797)	59,803	(102,421)
<b>Fund Balance - Beginning</b>	905,853	921,060	15,207	1,023,481
<b>Fund Balance - Ending</b>	<b>811,253</b>	<b>886,263</b>	<b>75,010</b>	<b>921,060</b>