

Powhatan Community Authority

Financial Statements

Year Ended December 31, 2025

with

Independent Auditors' Report

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# HIRATSUKA & ASSOCIATES, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Powhaton Community Authority  
Arapahoe County, Colorado

### **Opinion**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Powhaton Community Authority (the Authority) as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Authority'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 Authority, as of December 31, 2025, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- 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 Authority'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 Authority's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

Management has not presented Management's Discussion and Analysis. Such missing information, although not a part of the basic financial statements, is required by GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

### **Supplementary Information**

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

The Supplemental Information is the responsibility of management and is derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Hiratsuka & Associates, LLP*

September 21, 2026  
Wheat Ridge, Colorado

# Powhatan Road Community Authority

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

|                                           | <u>General</u>    | <u>Debt<br/>Service</u> | <u>Capital<br/>Projects</u> | <u>Total</u>        | <u>Adjustments</u>    | Statement<br>of<br><u>Net Position</u> |
|-------------------------------------------|-------------------|-------------------------|-----------------------------|---------------------|-----------------------|----------------------------------------|
| <b>ASSETS</b>                             |                   |                         |                             |                     |                       |                                        |
| Cash and investments                      | \$ 608,515        | \$ -                    | \$ -                        | \$ 608,515          | \$ -                  | \$ 608,515                             |
| Cash and investments - restricted         | 40,061            | 609,146                 | 30                          | 649,237             | -                     | 649,237                                |
| Receivable Homeowners                     | 37,599            | -                       | -                           | 37,599              | -                     | 37,599                                 |
| Receivable from District No. 2            | 80,614            | -                       | -                           | 80,614              | -                     | 80,614                                 |
| Receivable from District No. 3            | 29,114            | -                       | -                           | 29,114              | -                     | 29,114                                 |
| Receivable from District No. 7            | 60,263            | -                       | -                           | 60,263              | -                     | 60,263                                 |
| Prepaid expenses                          | 17,888            | -                       | -                           | 17,888              | -                     | 17,888                                 |
| Capital assets not being depreciated      | -                 | -                       | -                           | -                   | 36,949,140            | 36,949,140                             |
| <b>Total Assets</b>                       | <b>\$ 874,054</b> | <b>\$ 609,146</b>       | <b>\$ 30</b>                | <b>\$ 1,483,230</b> | <b>36,949,140</b>     | <b>38,432,370</b>                      |
| <b>LIABILITIES</b>                        |                   |                         |                             |                     |                       |                                        |
| Accounts payable                          | \$ 90,868         | \$ -                    | \$ -                        | \$ 90,868           | -                     | 90,868                                 |
| Prepaid fees                              | 17,573            | -                       | -                           | 17,573              | -                     | 17,573                                 |
| Payable to District No. 4                 | 56                | -                       | -                           | 56                  | -                     | 56                                     |
| Accrued interest on loans and bonds       | -                 | -                       | -                           | -                   | 2,266,689             | 2,266,689                              |
| Long-term liabilities:                    |                   |                         |                             |                     |                       |                                        |
| Due within one year                       | -                 | -                       | -                           | -                   | 210,000               | 210,000                                |
| Due in more than one year                 | -                 | -                       | -                           | -                   | 39,675,436            | 39,675,436                             |
| <b>Total Liabilities</b>                  | <b>108,497</b>    | <b>-</b>                | <b>-</b>                    | <b>108,497</b>      | <b>42,152,125</b>     | <b>42,260,622</b>                      |
| <b>FUND BALANCES/NET POSITION</b>         |                   |                         |                             |                     |                       |                                        |
| Fund Balances:                            |                   |                         |                             |                     |                       |                                        |
| Nonspendable:                             |                   |                         |                             |                     |                       |                                        |
| Prepays                                   | 17,888            | -                       | -                           | 17,888              | (17,888)              | -                                      |
| Restricted:                               |                   |                         |                             |                     |                       |                                        |
| Emergencies                               | 40,061            | -                       | -                           | 40,061              | (40,061)              | -                                      |
| Debt service                              | -                 | 609,146                 | -                           | 609,146             | (609,146)             | -                                      |
| Capital projects                          | -                 | -                       | 30                          | 30                  | (30)                  | -                                      |
| Unassigned                                | 707,608           | -                       | -                           | 707,608             | (707,608)             | -                                      |
| <b>Total Fund Balances</b>                | <b>765,557</b>    | <b>609,146</b>          | <b>30</b>                   | <b>1,374,733</b>    | <b>(1,374,733)</b>    | <b>-</b>                               |
| <b>Total Liabilities and Fund Balance</b> | <b>\$ 874,054</b> | <b>\$ 609,146</b>       | <b>\$ 30</b>                | <b>\$ 1,483,230</b> |                       |                                        |
| Net Position:                             |                   |                         |                             |                     |                       |                                        |
| Restricted for:                           |                   |                         |                             |                     |                       |                                        |
| Emergencies                               |                   |                         |                             |                     | 40,061                | 40,061                                 |
| Unrestricted                              |                   |                         |                             |                     | (3,868,343)           | (3,868,343)                            |
| <b>Total Net Position</b>                 |                   |                         |                             |                     | <b>\$ (3,828,252)</b> | <b>\$ (3,828,252)</b>                  |

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

**Powhatan Road Community Authority**

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

|                                    | <u>General</u>    | <u>Debt<br/>Service</u> | <u>Capital<br/>Projects</u> | <u>Total</u>        | <u>Adjustments</u>    | Statement<br>of<br><u>Activities</u> |
|------------------------------------|-------------------|-------------------------|-----------------------------|---------------------|-----------------------|--------------------------------------|
| <b>EXPENDITURES</b>                |                   |                         |                             |                     |                       |                                      |
| Accounting and audit               | \$ 52,777         | \$ -                    | \$ -                        | \$ 52,777           | \$ -                  | \$ 52,777                            |
| Management fees                    | 171,415           | -                       | -                           | 171,415             | -                     | 171,415                              |
| Insurance                          | 63,123            | -                       | -                           | 63,123              | -                     | 63,123                               |
| Legal                              | 65,102            | -                       | -                           | 65,102              | -                     | 65,102                               |
| Utilities                          | 245,598           | -                       | -                           | 245,598             | -                     | 245,598                              |
| Holiday lighting                   | 4,575             | -                       | -                           | 4,575               | -                     | 4,575                                |
| Landscape maintenance and repairs  | 212,693           | -                       | -                           | 212,693             | -                     | 212,693                              |
| Snow removal                       | 16,593            | -                       | -                           | 16,593              | -                     | 16,593                               |
| Miscellaneous expenses             | 44,983            | -                       | -                           | 44,983              | (2,834)               | 42,149                               |
| Repair and maintenance             | 127,868           | -                       | -                           | 127,868             | -                     | 127,868                              |
| Loan principal                     | -                 | 200,000                 | -                           | 200,000             | (200,000)             | -                                    |
| Bond and loan interest expense     | -                 | 1,280,650               | -                           | 1,280,650           | 220,254               | 1,500,904                            |
| Paying agent fees                  | -                 | 4,000                   | -                           | 4,000               | -                     | 4,000                                |
| Capital improvements               | 203,283           | -                       | -                           | 203,283             | -                     | 203,283                              |
| Repay Property Owner advances      | 2,566,000         | -                       | 33,000                      | 2,599,000           | (2,599,000)           | -                                    |
| Property Owner - interest          | -                 | -                       | -                           | -                   | 782,718               | 782,718                              |
| Total Expenditures                 | <u>3,774,010</u>  | <u>1,484,650</u>        | <u>33,000</u>               | <u>5,291,660</u>    | <u>(1,798,862)</u>    | <u>3,492,798</u>                     |
| <b>PROGRAM REVENUES</b>            |                   |                         |                             |                     |                       |                                      |
| Operations fees                    | <u>108,238</u>    | <u>-</u>                | <u>-</u>                    | <u>108,238</u>      | <u>-</u>              | <u>108,238</u>                       |
| Total Program Revenues             | <u>108,238</u>    | <u>-</u>                | <u>-</u>                    | <u>108,238</u>      | <u>-</u>              | <u>108,238</u>                       |
| Net Program Income (Expenses)      | (3,665,772)       | (1,484,650)             | (33,000)                    | (5,183,422)         | 1,798,862             | (3,384,560)                          |
| <b>GENERAL REVENUES</b>            |                   |                         |                             |                     |                       |                                      |
| Facility fees                      | -                 | -                       | 33,000                      | 33,000              | -                     | 33,000                               |
| Transfer from District 2           | 401,094           | 646,215                 | -                           | 1,047,309           | -                     | 1,047,309                            |
| Transfer from District 3           | 281,394           | 839,175                 | -                           | 1,120,569           | -                     | 1,120,569                            |
| Transfer from District 7           | 3,311,352         | -                       | -                           | 3,311,352           | -                     | 3,311,352                            |
| Other income                       | 212,461           | -                       | -                           | 212,461             | -                     | 212,461                              |
| Interest income                    | <u>30,457</u>     | <u>15,468</u>           | <u>30</u>                   | <u>45,955</u>       | <u>-</u>              | <u>45,955</u>                        |
| Total General Revenues             | <u>4,236,758</u>  | <u>1,500,858</u>        | <u>33,030</u>               | <u>5,770,646</u>    | <u>-</u>              | <u>5,770,646</u>                     |
| NET CHANGES IN FUND BALANCES       | 570,986           | 16,208                  | 30                          | 587,224             | (587,224)             |                                      |
| CHANGE IN NET POSITION             |                   |                         |                             |                     | 2,386,086             | 2,386,086                            |
| <b>FUND BALANCES/NET POSITION:</b> |                   |                         |                             |                     |                       |                                      |
| BEGINNING OF PERIOD -RESTATED      | <u>194,571</u>    | <u>592,938</u>          | <u>-</u>                    | <u>787,509</u>      | <u>(7,001,847)</u>    | <u>(6,214,338)</u>                   |
| END OF YEAR                        | <u>\$ 765,557</u> | <u>\$ 609,146</u>       | <u>\$ 30</u>                | <u>\$ 1,374,733</u> | <u>\$ (5,202,985)</u> | <u>\$ (3,828,252)</u>                |

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

# Powhatan Road Community Authority

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2025

|                                   | Original & Final<br><u>Budget</u> | <u>Actual</u>     | Variance<br>Favorable<br>(Unfavorable) |
|-----------------------------------|-----------------------------------|-------------------|----------------------------------------|
| REVENUES                          |                                   |                   |                                        |
| Operations fees                   | \$ 70,000                         | \$ 108,238        | \$ 38,238                              |
| Transfer from District 2          | 432,869                           | 401,094           | (31,775)                               |
| Transfer from District 3          | 298,031                           | 281,394           | (16,637)                               |
| Transfer from District 7          | 3,392,512                         | 3,311,352         | (81,160)                               |
| Other income                      | -                                 | 212,461           | 212,461                                |
| Miscellaneous income              | <u>184,000</u>                    | <u>30,457</u>     | <u>(153,543)</u>                       |
| Total Revenues                    | <u>4,377,412</u>                  | <u>4,344,996</u>  | <u>(32,416)</u>                        |
| EXPENDITURES                      |                                   |                   |                                        |
| Accounting and audit              | 31,200                            | 52,777            | (21,577)                               |
| Management fees                   | 150,000                           | 171,415           | (21,415)                               |
| Elections                         | 12,000                            | -                 | 12,000                                 |
| Insurance                         | 72,000                            | 63,123            | 8,877                                  |
| Legal                             | 78,000                            | 65,102            | 12,898                                 |
| Landscape maintenance and repairs | 791,850                           | 212,693           | 579,157                                |
| Snow removal                      | 40,000                            | 16,593            | 23,407                                 |
| Miscellaneous expenses            | 10,000                            | 44,983            | (34,983)                               |
| Utilities                         | 200,000                           | 245,598           | (45,598)                               |
| Holiday lighting                  | 5,000                             | 4,575             | 425                                    |
| Repair and maintenance            | 30,000                            | 127,868           | (97,868)                               |
| Capital projects                  | 200,000                           | 203,283           | (3,283)                                |
| Repay Property Owner advances     | 2,500,000                         | 2,566,000         | (66,000)                               |
| Reserve                           | 100,000                           | -                 | 100,000                                |
| Contingency                       | 591,008                           | -                 | 591,008                                |
| Emergency reserve                 | <u>42,602</u>                     | <u>-</u>          | <u>42,602</u>                          |
| Total Expenditures                | <u>4,853,660</u>                  | <u>3,774,010</u>  | <u>1,079,650</u>                       |
| NET CHANGE IN FUND BALANCE        | (476,248)                         | 570,986           | 1,047,234                              |
| FUND BALANCE:                     |                                   |                   |                                        |
| BEGINNING OF PERIOD               | <u>476,248</u>                    | <u>194,571</u>    | <u>(281,677)</u>                       |
| END OF YEAR                       | <u>\$ -</u>                       | <u>\$ 765,557</u> | <u>\$ 765,557</u>                      |

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

Powhaton Community Authority

Notes to Financial Statements  
December 31, 2025

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Powhaton Community Authority (“Authority”), located in Arapahoe County, Colorado, conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The Authority was established on March 24, 2021, in accordance with Section 29-1-203, C.R.S. and Section 29-1-203.5, C.R.S. (collectively, the “Authority Act”), pursuant to the Agreement Establishing the Powhaton Community Authority dated as of March 24, 2021 (the “Establishment Agreement”), among Powhaton Road Metropolitan District No. 1 (“District No. 1”), Powhaton Road Metropolitan District No. 2 (“District No. 2”), Powhaton Road Metropolitan District No. 3 (“District No. 3”), Powhaton Road Metropolitan District No. 4 (“District No. 4”), Powhaton Road Metropolitan District No. 5 (“District No. 5”), Powhaton Road Metropolitan District No. 6 (“District No. 6”), Powhaton Road Metropolitan District No. 7 (“District No. 7” and, together with District No. 1, District No. 2, District No. 3, District No. 4, District No. 5 and District No. 6, the “Powhaton Road Districts”), Sun Meadows Metropolitan District No. 1 (“Sun Meadows District No. 1”), Sun Meadows Metropolitan District No. 2 (“Sun Meadows District No. 2”), Sun Meadows Metropolitan District No. 3 (“Sun Meadows District No. 3”), and Sun Meadows Metropolitan District No. 4 (“Sun Meadows District No. 4” and, together with Sun Meadows District No. 1, Sun Meadows District No. 2 and Sun Meadows District No. 3, the “Sun Meadows Districts”). Subsequent to the formation of the Authority, pursuant to Orders issued by the District Court for the County of Arapahoe, Colorado, Sun Meadows District No. 1’s name was changed to Powhaton Road Metropolitan District No. 8, Sun Meadows District No. 2’s name was changed to Powhaton Road Metropolitan District No. 9, Sun Meadows District No. 3’s name was changed to Powhaton Road Metropolitan District No. 10 and Sun Meadows District No. 4’s name was changed to Powhaton Road Metropolitan District No. 11. The Authority is a separate entity and a political subdivision and public corporation of the State of Colorado. Each of the Powhaton Road Districts and the Sun Meadows Districts are referred to individually herein as a “District” and collectively herein as the “Districts.”

The Authority was established in accordance with the Establishment Agreement for the purposes of incurring financial obligations on behalf of the Districts and coordinating the ongoing planning, designing, acquiring, constructing, installing, relocating, redeveloping and financing of those public improvements and facilities as authorized under the Powhaton Road Districts’ Service Plan and the Service Plan for the Sun Meadows Districts, including the limited operation and maintenance of the same, as permitted by the Service Plan, the Sun Meadows Service Plan, the State Constitution and laws of the State, and in accordance with the provisions of the Establishment Agreement and the Authority Act (collectively, the “Authority Services”).

Powhatan Community Authority

Notes to Financial Statements  
December 31, 2025

Each of the Members (as defined in the Establishment Agreement and initially consisting of the Districts) agreed in the Establishment Agreement to delegate to the Authority the limited power, duty and responsibility to provide the Authority Services, to employ the necessary personnel and do any and all other things necessary or desirable to provide the Authority Services and to incur financial obligations on behalf of the Members. Notwithstanding such delegations, each of the Members reserved and maintained for itself the power to provide the Authority Services and to incur financial obligations related thereto, so long as such provision of Authority Services by a Member does not duplicate or interfere with the Authority's provision of the Authority Services and incurrence of financial obligations pursuant to the Establishment Agreement. The Establishment Agreement provides that the Members are not to provide any Authority Services without the prior approval of the Authority Board. The Authority is governed by an appointed Board of Directors (the "Authority's Board of Directors").

The Districts and the Authority are parties to an Operating Agreement dated April 14, 2021 (the "Operating Agreement"). The Operating Agreement, consistent with the Establishment Agreement, establishes the procedures for the coordination by the Authority of: (i) ongoing maintenance, operation, repair and administration of public improvements and facilities within the boundaries of the Districts; (ii) ongoing covenant enforcement and design review services; and (iii) certain administrative services on behalf of the Districts. Under this Operating Agreement, the Authority took over operations for the Districts from District No. 1 during July 2021. Operating activity prior to July 2021 was recorded in District No. 1 financial statements.

As required by GAAP, these financial statements present the activities of the Authority, which is legally separate and financially independent of other state and local governments. The Authority follows the GASB pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity.

Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. The pronouncements also require including a possible component unit if it would be misleading to exclude it.

The Authority is not financially accountable for any other organization. The Authority has no component units as defined by the GASB. The Authority has no employees and all operations and administrative functions are contracted.

Powhatan Community Authority

Notes to Financial Statements  
December 31, 2025

Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 - Special Purpose Governments.

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the governmental funds statement of revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the Authority. The statement of net position reports all financial and capital resources of the Authority. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the Authority is reported as net position. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year in which they are collected.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The material sources of revenue subject to accrual are Property Owner advances and operations fees. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

## Powhaton Community Authority

### Notes to Financial Statements December 31, 2025

The Authority reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Authority. It is used to account for all financial resources not accounted for and reported in another fund.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other assets.

#### Budgetary Accounting

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with the State Budget Law of Colorado, the Authority's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The Authority's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated. The appropriation is at the total fund expenditures level and lapses at year end. Total expenditures in the Debt Service Fund exceeded total appropriations this may be a violation of state budget law.

#### Assets, Liabilities and Net Position

##### Fair Value of Financial Instruments

The Authority's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The Authority estimates that the fair value of all financial instruments at December 31, 2025, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

##### Deposits and Investments

The Authority's cash and cash equivalents are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value.

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

## Powhatan Community Authority

### Notes to Financial Statements

December 31, 2025

#### Estimates

The preparation of these financial statements in conformity with GAAP requires the Authority management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority does not have any items that qualify for reporting in this category.

#### Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

#### Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Powhaton Community Authority

Notes to Financial Statements  
December 31, 2025

Fund Equity

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact.

Nonspendable fund balance at December 31, 2025 represents prepaid expenses.

Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$40,061 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of \$609,146 is restricted for the payment of the debt service costs associated with the Series 2022 Note and the 2021 Bonds (see Note 4).

Committed Fund Balance

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by a formal action of the government's highest level of decision-making authority, the Authority's Board of Directors. The constraint may be removed or changed only through formal action of the Authority's Board of Directors.

Assigned Fund Balance

Assigned fund balance includes amounts the Authority intends to use for a specific purpose. Intent can be expressed by the Authority's Board of Directors or by an official or body to which the Authority's Board of Directors delegates the authority.

Unassigned Fund Balance

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

Powhatan Community Authority

Notes to Financial Statements  
December 31, 2025

For the classification of Governmental Fund balances, the Authority considers an expenditure to be made from the most restrictive first when more than one classification is available.

Net Position

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

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets. The Authority had no net investment in capital assets at December 31, 2025.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the Authority.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the Authority will use the most restrictive net position first.

Adoption of New Accounting Standards

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures (Statement 102)*. Statement 102 requires note disclosure when (a) a concentration or constraint is known prior to issuance of the financial statements, (b) it makes the reporting unit vulnerable to the risk of a substantial impact, and (c) an event associated with the concentration or constraint has occurred, has begun to occur, or is more likely than not to begin to occur within 12 months of issuance. The District adopted this standard on January 1, 2025. Management performed the analysis required under Statement 102 and did not identify any concentrations or constraints that require disclosure.

Note 2: Note 2: Cash and Investments

As of December 31, 2025, cash is classified in the accompanying financial statements as follows:

|                                   |                     |
|-----------------------------------|---------------------|
| Statement of Net Position:        |                     |
| Cash and investments              | \$ 608,515          |
| Cash and investments – Restricted | <u>649,237</u>      |
| Total                             | <u>\$ 1,257,752</u> |

Powhaton Community Authority

Notes to Financial Statements  
December 31, 2025

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

|                         |                     |
|-------------------------|---------------------|
| Deposits                | \$ 267,381          |
| Investments – COLOTRUST | <u>990,371</u>      |
|                         | <u>\$ 1,257,752</u> |

Deposits

Custodial Credit Risk

The Colorado Public Deposit Protection Act, (“PDPA”) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

The Authority follows state statutes for deposits. None of the Authority’s deposits were exposed to custodial credit risk.

Investments

Certain investments are measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Authority’s investments are not required to be categorized within the fair value hierarchy. This investment’s value for COLOTRUST is calculated using the net asset value method (NAV) per share.

Credit Risk

The Authority has not adopted a formal investment policy; however the Authority follows state statutes regarding investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

Custodial and Concentration of Credit Risk

None of the Authority’s investments are subject to custodial or concentration of credit risk.

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Authority’s Board of Directors.

Powhaton Community Authority

Notes to Financial Statements  
December 31, 2025

As of December 31, 2025, the Authority had the following investment:

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust (“COLOTRUST”) is rated AAAM by Standard & Poor’s with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. COLOTRUST records its investments at fair value and the Authority records its investment in COLOTRUST using the net asset value method. COLOTRUST operates similarly to a money market fund with each share maintaining a value of \$1.00. The COLOTRUST offers shares in three portfolios, one of which is COLOTRUST PLUS+. COLOTRUST PLUS+ may invest in U.S. Treasuries, government agencies, the highest-rated commercial paper, certain corporate securities, certain money market funds, and certain repurchase agreements, and limits its investments to those allowed by State statutes. Purchases and redemptions are available daily at a net asset value (NAV) of \$1.00. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal function of COLOTRUST. The custodian’s internal records identify the investments owned by participating governments. There are no unfunded commitments and there is no redemption notice period. At December 31, 2025, the Authority had \$990,371 invested in COLOTRUST PLUS+.

Note 3: Capital Assets

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

| <u>Governmental Type Activities:</u>         | <u>Balance<br/>1/1/2025</u> | <u>Transfers</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance<br/>12/31/2025</u> |
|----------------------------------------------|-----------------------------|------------------|------------------|------------------|-------------------------------|
| <u>Capital assets not being depreciated:</u> |                             |                  |                  |                  |                               |
| Construction in progress                     | \$36,949,140                | \$ -             | \$ -             | \$ -             | \$36,949,140                  |
| Total capital assets not being depreciated   | 36,949,140                  | -                | -                | -                | 36,949,140                    |
| Government type assets, net                  | <u>\$36,949,140</u>         | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$36,949,140</u>           |

Upon completion and acceptance, all fixed assets are expected to be conveyed by the Authority to other local governments. The Authority will not be responsible for maintenance of the improvements conveyed to other entities.

Powhatan Community Authority

Notes to Financial Statements  
December 31, 2025

Note 4: Long Term Debt

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

Taxable (Convertible to Tax-Exempt) Limited Tax Supported (D2) Revenue Refunding Note Series 2022

On September 20, 2022, the Authority issued a Taxable (Convertible to Tax-Exempt) Limited Tax Supported (D2) Revenue Refunding Note Series 2022 (the “2022 Note”) in the principal amount of \$10,495,000. The proceeds from the 2022 Note were transferred to District No. 2, to refund District No. 2’s \$9,515,000 Limited Tax (Convertible to Unlimited Tax) General Obligation Bonds, Series 2019A and its \$1,410,000 Subordinate Limited Tax General Obligation Bonds, Series 2019B, (“Bonds”). The 2022 Note bears interest at 5.12% until the tax-exempt reissuance date which occurred on November 15, 2023. After this tax-exempt reissuance date occurred, the interest rate was reduced to 4.28% per annum. Interest is payable each June 1 and December 1 commencing December 1, 2022. Principal payments will be due December 1 of each year commencing December 1, 2022 through the maturity date of December 1, 2037. At its option, the Authority may prepay all of the outstanding principal of the 2022 Note on any date upon payment to the Lender of the principal amount so prepaid, accrued interest thereon to the prepayment date and applicable Prepayment Fee of 1-3% from the closing date to September 19, 2027 and no Prepayment Fee thereafter. The Authority and District No. 2 entered into a Capital Pledge Agreement whereby District No 2 agreed to levy on all of the taxable property in District No. 2 an amount to provide for the payment of the Financing Costs of the 2022 Note in exchange for the proceeds used to refund its Bonds.

The following is a summary of the annual long-term debt principal and interest requirements for the 2022 Note:

|           | Principal           | Interest            | Total                |
|-----------|---------------------|---------------------|----------------------|
| 2026      | \$ 210,000          | \$ 427,572          | \$ 637,572           |
| 2027      | 215,000             | 418,584             | 633,584              |
| 2028      | 225,000             | 409,382             | 634,382              |
| 2029      | 235,000             | 399,752             | 634,752              |
| 2030      | 245,000             | 389,694             | 634,694              |
| 2031-2035 | 1,395,000           | 1,781,978           | 3,176,978            |
| 2036-2037 | 7,465,000           | 625,522             | 8,090,522            |
|           | <u>\$ 9,990,000</u> | <u>\$ 4,452,484</u> | <u>\$ 14,442,484</u> |

Powhatan Community Authority

Notes to Financial Statements  
December 31, 2025

\$19,370,000 Limited Tax Supported (District No. 3) Revenue Bonds, Series 2021<sup>(3)</sup>

On November 4, 2021, the Authority issued \$19,370,000 Limited Tax Supported (District No. 3) Revenue Bonds, Series 2021<sup>(3)</sup> (“2021 Bonds”) for the purpose of financing or reimbursing a portion of the costs of acquiring, constructing, and/or installing certain public infrastructure to serve the Development and paying for the costs of issuance of the Series 2021 Bonds. The 2021 Bonds bear interest at 5% payable annually on December 1 commencing on December 1, 2021, and mature on December 1, 2051. Interest compounds at this same rate on unpaid interest each December 1. The 2021 Bonds are subject to early redemption at the option of the Authority commencing December 1, 2026, with a redemption premium until December 1, 2029 ranging from 3% to 1%. The 2021 Bonds may be redeemed after December 1, 2029 with no redemption premium.

The 2021 Bonds are limited tax “cash flow” general obligations of the Authority secured by and payable solely from the Pledged Revenues of District No. 3 as outlined in the Capital Pledge Agreement (Note 5), consisting of moneys derived by District No. 3 and transferred to the Authority from the following sources: the Required Mill Levy, Capital Fees, if any, the portion of Specific Ownership Tax related to the Required Mill Levy, as well as any other legally available moneys determined by the Authority. Events of Default as defined in the 2021 Bond Indenture are 1) the failure of District No. 3 to impose or apply the Required Mill levy as per the Indenture, 2) the default by District No. 3 in the performance or observance of any other of the covenants, agreements, or conditions of the Indenture and fails to remedy this after notice is given, and 3) the filing of a petition under the federal bankruptcy laws or other applicable laws seeking to adjust the obligations represented by the Bonds. Failure to pay the principal of or interest on the 2021 Bonds when due shall not, of itself, constitute an Event of Default under the Indenture. Remedies available in the Event of Default include 1) receivership, 2) suit for judgment, and 3) other suits. Acceleration of the 2021 Bonds is not an available remedy for an Event of Default.

Because of the uncertainty of timing of payments under the Series 2021 Bonds no related schedule of expected principal and interest payments is presented. Any amount of principal of or interest remaining on the 2021 Bonds after the application of all Pledged Revenues available on December 1, 2061 will be deemed discharged and paid in full.

Authority Funding and Reimbursement Agreement (Operations and Maintenance)

The Authority and the Developer entered into a Funding and Reimbursement Agreement (Operations and Maintenance) dated as of August 12, 2021, and amended on November 1, 2022 (the “Authority O&M Agreement”), which set forth the terms and conditions upon which the Developer has agreed to loan to the Authority one or more sums of money, not to exceed the aggregate of \$50,000 per annum, amended to \$100,000 per annum (the “Annual Loan Cap”) for two years, up to \$100,000, amended to \$200,000 (as the same may be increased by agreement

Powhatan Community Authority

Notes to Financial Statements  
December 31, 2025

of the parties, the “Maximum Loan Amount”) for the payment of general operating, administrative and maintenance costs (as more particularly defined in the Authority O&M Agreement, the “O&M Costs”) and the Authority agreed to reimburse the Developer for such loans.

Such funds are to be loaned to the Authority in one or a series of installments through December 31, 2025, extended to December 31, 2025 per the amendment (as the same may be amended pursuant to an annual review, the “Loan Obligation Termination Date”). Thereafter, the Loan Obligation Termination Date automatically extends for additional one year terms unless the Developer provides written notice to the Authority of termination at least 30 days prior to December 31 of each year and, upon each automatic extension of the Loan Obligation Termination Date, the Developer agrees to loan the Authority one or more sums of money up to the Loan Cap and the Maximum Loan Amount is to be increased by the Annual Loan Cap. The advances will bear interest at the rate of 2% per annum from the date such advance is made to the earlier of the date the Reimbursement Obligation is issued to evidence such advance or the date of repayment of such amount.

The Authority’s obligations under the Authority O&M Agreement are to terminate at the earlier of the repayment in full of the Maximum Loan Amount (or such lesser amount advanced to the Authority) or 20 years from the execution date of the Authority O&M Agreement (i.e., August 12, 2041). After 20 years from the execution of the Authority O&M Agreement, any obligation created thereby which remains due and outstanding, including accrued interest, is forgiven in its entirety, generally and unconditionally released, waived, acquitted and forever discharged.

Prior costs under District No. 1’s O&M agreements which were transferred to the Authority under the Operations Agreement are now governed under this Agreement. During 2025 all amounts outstanding under this agreement were repaid.

Authority Infrastructure Acquisition and Project Fund Disbursement Agreement (Capital)

The Developer and the Authority have entered into an Infrastructure Acquisition and Project Fund Disbursement Agreement, dated as of August 12, 2021, as amended by an Addendum to Infrastructure Acquisition and Project Fund Disbursement Agreement (the “Acquisition Addendum”) dated as of October 13, 2021 between the Authority and the Developer, and acknowledged by District No. 1, District No. 2 and District 3 solely for the purposes described therein (collectively, the “Acquisition Agreement”), which establishes the terms and conditions for the reimbursement of “Authority Eligible Costs” (defined in the Acquisition Agreement to mean costs related to the acquisition, financing, planning, design, construction and installation of public infrastructure that may be lawfully funded by the Authority in accordance with the Establishment Agreement) for public infrastructure to be acquired by the Authority or dedicated to other governmental entities, once accepted and certified by the Authority as described below. The Acquisition Agreement sets forth the procedure for acceptance of Authority Eligible Costs. Following receipt of the Developer’s “Application for Acceptance” which shall include the required information as set forth in the Acquisition Agreement.

Powhatan Community Authority

Notes to Financial Statements  
December 31, 2025

The Acquisition Agreement also sets forth the procedure for the acquisition of public improvements from the Developer by the Authority. Pursuant to the Acquisition Addendum, District No. 3, District No. 1 and District No. 2 acknowledged that certain amounts outstanding under reimbursement agreements previously entered into among District No. 3, District No. 1 and District No. 2 and the Developer, which agreements were terminated as of October 13, 2021, are in the nature of community improvements intended for the general direct or indirect benefit of the existing and planned residential community within District No. 3, District No. 1 and District No. 2, and constitute public improvements for which the districts are authorized to issue indebtedness and impose ad valorem property taxes in accordance with their respective electoral authorization and the Service Plan, and the payment of such costs are in furtherance of the purposes for which the districts were formed, are eligible for reimbursement to the Developer from the proceeds of the Bonds, and the Authority acknowledged and accepted such outstanding amounts as Certified Authority Eligible Costs under the Authority Agreement.

All prior costs under District No. 1's Capital agreements which were transferred to the Authority under the Operations Agreement are now included in this Acquisition Agreement. The total amount outstanding under this agreement is \$10,525,436 with interest accruing at 8% per annum.

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

|                                | Balance<br>1/1/2025  | Additions         | Deletions           | Balance<br>12/31/2025 | Current<br>Portion |
|--------------------------------|----------------------|-------------------|---------------------|-----------------------|--------------------|
| <u>General Obligation Debt</u> |                      |                   |                     |                       |                    |
| Series 2021 Bonds              | \$ 19,370,000        | \$ -              | \$ -                | \$ 19,370,000         | \$ -               |
| Series 2022 Loan               | 10,190,000           | -                 | 200,000             | 9,990,000             | 210,000            |
| <u>Other Debt</u>              |                      |                   |                     |                       |                    |
| Property Owner- Capital        | 9,681,340            | -                 | -                   | 9,681,340             | -                  |
| Property Owner- Operations     | 616,688              | -                 | 616,688             | -                     | -                  |
| Accrued interest - Capital     | 1,589,747            | 774,507           | 1,520,158           | 844,096               | -                  |
| Accrued interest - Operations  | 453,943              | 8,211             | 462,154             | -                     | -                  |
| Total                          | <u>\$ 41,901,718</u> | <u>\$ 782,718</u> | <u>\$ 2,799,000</u> | <u>\$ 39,885,436</u>  | <u>\$ 210,000</u>  |

Debt Authorization

The Service Plan limits the issuance of Debt by all of the Powhatan Road Districts to an aggregate principal amount of \$200,000,000. In 2019, District No. 2 issued general obligation bonds subject to the Aggregate Debt Limit in the aggregate principal amount of \$10,925,000, resulting in \$169,705,000 of the Aggregate Debt Limit currently remaining. The remaining Aggregate Debt Limit will be reduced by the amount of the Series 2021 Bonds. The Authority has not budgeted to issue new debt during 2026.

Powhatan Community Authority

Notes to Financial Statements  
December 31, 2025

Note 5: Authority Agreements

Capital Pledge Agreement District 3

On November 4, 2021 the Authority entered into a Capital Pledge Agreement (“Capital Pledge Agreement”) with District No. 3 and the Trustee pursuant to which District No. 3 will pledge the District No. 3 Pledged Revenue to the repayment of the 2021 Bonds, such revenues generally consisting of (i) moneys derived from imposition by District No. 3 of the Required Mill Levy (net of the collection costs of the County and any tax refunds or abatements authorized by or on behalf of the County) and (ii) the specific ownership taxes remitted to the District No. 3 as a result of its imposition of the Required Mill Levy. The Capital Pledge Agreement is to remain in effect until the “Termination Date,” defined in the Capital Pledge Agreement to mean the earlier of: (a) the date on which all amounts due with respect to the Bonds and any Additional Obligations have been defeased or paid in full; or (b) December 1, 2061. Notwithstanding any other provisions of the Capital Pledge Agreement, District No. 3 is not to be obligated to impose any portion of the Required Mill Levy after tax levy year 2060 (for collection in calendar year 2061).

Capital Pledge Agreement District 2

On September 20, 2022 the Authority entered into a Capital Pledge Agreement (“Capital Pledge Agreement”) with District No. 2 and the Lender pursuant to which District No. 2 will pledge the District No. 2 Pledged Revenue to the repayment of the 2022 Loan, such revenues consists of all property tax revenue and the specific ownership taxes remitted to District No. 2. The Capital Pledge Agreement is to remain in effect until the “Termination Date,” defined in the Capital Pledge Agreement to mean the earlier of: (a) the date on which all amounts due with respect to the 2022 Note and any Additional Obligations have been defeased or paid in full; or (b) December 1, 2060. Notwithstanding any other provisions of the Capital Pledge Agreement, District No. 2 is not to be obligated to impose any portion of the Required Mill Levy after tax levy year 2060 (for collection in calendar year 2061).

Operating Agreement

On April 14, 2021, the Powhatan Districts and the Authority approved the “Operating Agreement”. The Operating Agreement, consistent with the Establishment Agreement, establishes the procedures by which the Authority will undertake the ownership, operation, maintenance and repair of public improvements, ongoing covenant enforcement, design review and maintenance services, as well as certain administrative services on behalf of all of the Powhatan Districts.

Powhaton Community Authority

Notes to Financial Statements  
December 31, 2025

Operations Fee Resolution

On November 3, 2021, District No. 2 and the Authority adopted a Resolution Concerning the Impositions of an Operations Fee (the “Operations Fee Resolution”), pursuant to which District No. 2 and the Authority imposed a quarterly fee of \$25 per residential unit and a transfer fee of \$100 for each transfer of residential unit. The Operations Fee are designed to provide a source of funding to pay for the Operations Costs for the District as defined in the agreement. The revenues generated by the Operations Fee will be accounted for separately from other revenues of District No. 2 and the Authority and may be used solely for the purpose of paying Operations Costs. This agreement became effective January 1, 2022. During 2025, the Authority recorded \$108,238 in revenues related to Operations Fees.

Facility Fee Resolutions

On April 14, 2021, District No. 3 and the Authority adopted a Resolution Concerning the Imposition of the Facilities Fee (the “District No. 3 Facilities Fees Resolution”), pursuant to which District No. 3 imposed a one-time fee in the amount of \$3,000 on each single family residential unit, and \$1,500 on each single family attached dwelling unit located within the District’s boundaries (the “Facilities Fees”). A Facilities Fee is due and owing upon issuance of a building permit for any residential unit and revenue generated by the Facilities Fees is required to be used by the Authority solely for the purpose of paying the costs of acquisition, installation, construction, repair, operations and maintenance of Public Improvements.

Facility fees revenues related to these Resolutions for the year ended December 31, 2025 were \$33,000, recorded on the Authority financial statements.

Note 6: Tax, Spending and Debt Limitations

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

Spending and revenue limits are determined based on the prior year’s Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue. TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

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

Powhaton Community Authority

Notes to Financial Statements  
December 31, 2025

Note 7: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the Authority may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The Authority has elected to participate in the Colorado Special Districts Property and Liability Pool (“Pool”) which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The Authority pays annual premiums to the Pool for auto, public officials’ liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the Authority may be called upon to make additional contributions to the Pool on the basis proportionate to other members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

Note 8: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

The Governmental Funds Balance Sheet/Statement of Net Position includes an adjustments column. The adjustments may have the following elements:

- 1) Capital improvements used in government activities are not financial resources and, therefore are not reported in the funds; and
- 2) long-term liabilities such as bonds payable and accrued bond interest payable are not due and payable in the current period and, therefore, are not reported in the funds.

Powhatan Community Authority

Notes to Financial Statements  
December 31, 2025

The Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities includes an adjustments column. The adjustments may have the following elements:

- 1) Governmental funds report capital outlays as expenditures, however, in the statement of activities, the costs of those assets are held as construction in process pending transfer to other governmental entities or depreciated over their useful lives;
- 2) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities;
- 3) governmental funds report Property Owner advances and/or bond proceeds as revenue; and,
- 4) governmental funds report long-term debt payments as expenditures, however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.

## SUPPLEMENTAL INFORMATION

## Powhatan Road Community Authority

### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - DEBT SERVICE FUND

For the Year Ended December 31, 2025

|                                | Original & Final  |                   | Variance                           |
|--------------------------------|-------------------|-------------------|------------------------------------|
|                                | <u>Budget</u>     | <u>Actual</u>     | <u>Favorable<br/>(Unfavorable)</u> |
| REVENUES                       |                   |                   |                                    |
| Transfer from District 2       | \$ 841,555        | \$ 646,215        | \$ (195,340)                       |
| Transfer from District 3       | 432,869           | 839,175           | 406,306                            |
| Interest income                | <u>-</u>          | <u>15,468</u>     | <u>15,468</u>                      |
| Total Revenues                 | <u>1,274,424</u>  | <u>1,500,858</u>  | <u>226,434</u>                     |
| EXPENDITURES                   |                   |                   |                                    |
| Bond and loan interest expense | 1,245,735         | 1,280,650         | (34,915)                           |
| Loan principal                 | 190,000           | 200,000           | (10,000)                           |
| Paying agent fees              | <u>15,000</u>     | <u>4,000</u>      | <u>11,000</u>                      |
| Total Expenditures             | <u>1,450,735</u>  | <u>1,484,650</u>  | <u>(33,915)</u>                    |
| NET CHANGE IN FUND BALANCE     | (176,311)         | 16,208            | 192,519                            |
| FUND BALANCE:                  |                   |                   |                                    |
| BEGINNING OF YEAR              | <u>534,885</u>    | <u>592,938</u>    | <u>58,053</u>                      |
| END OF YEAR                    | <u>\$ 358,574</u> | <u>\$ 609,146</u> | <u>\$ 250,572</u>                  |

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

# Powhatan Road Community Authority

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - CAPITAL PROJECTS FUND

For the Year Ended December 31, 2025

|                               | Original & Final<br><u>Budget</u> | <u>Actual</u> | Variance<br>Favorable<br><u>(Unfavorable)</u> |
|-------------------------------|-----------------------------------|---------------|-----------------------------------------------|
| REVENUES                      |                                   |               |                                               |
| Interest income               | \$ -                              | \$ 30         | \$ 30                                         |
| Facility fees                 | <u>200,000</u>                    | <u>33,000</u> | <u>(167,000)</u>                              |
| Total Revenues                | <u>200,000</u>                    | <u>33,030</u> | <u>(166,970)</u>                              |
| EXPENDITURES                  |                                   |               |                                               |
| Repay Property Owner advances | <u>344,738</u>                    | <u>33,000</u> | <u>311,738</u>                                |
| Total Expenditures            | <u>344,738</u>                    | <u>33,000</u> | <u>311,738</u>                                |
| NET CHANGE IN FUND BALANCE    | (144,738)                         | 30            | 144,768                                       |
| FUND BALANCE:                 |                                   |               |                                               |
| BEGINNING OF PERIOD           | <u>144,738</u>                    | <u>-</u>      | <u>(144,738)</u>                              |
| END OF YEAR                   | <u>\$ -</u>                       | <u>\$ 30</u>  | <u>\$ 30</u>                                  |

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