

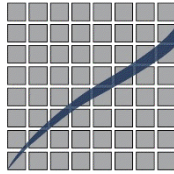
**STERLING RANCH
METROPOLITAN DISTRICT NO. 3
El Paso County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2025

**STERLING RANCH METROPOLITAN DISTRICT NO. 3
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YEAR ENDED DECEMBER 31, 2025**

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BiggsKofford

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sterling Ranch Metropolitan District No. 3
El Paso County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Sterling Ranch Metropolitan District No. 3 ("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, the respective changes in financial position, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance

and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America 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 auditing standards generally accepted in the United States of America, we:

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

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

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the

basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information, as identified in the table of contents. The other information does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or provide any assurance thereon.

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

BiggsKofford LLP

Colorado Springs, Colorado
August 24, 2026

BASIC FINANCIAL STATEMENTS

STERLING RANCH METROPOLITAN DISTRICT NO. 3
STATEMENT OF NET POSITION
DECEMBER 31, 2025

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 1,381,767
Cash and Investments - Restricted	64,692
Due from Sterling Ranch MD No. 1	3,088
Due from Sterling Ranch MD No. 2	10,875
Open Space Fees Receivable	4,665
Street Light Fees Receivable	3,222
Channel Improvement Fees Receivable	4,000
Community Amenity Fees Receivable	10,000
Receivable from County Treasurer	49
Property Tax Receivable	10,474
Prepaid Insurance	11,804
Capital Assets:	
Capital Assets Not Being Depreciated	53,088,412
Capital Assets, Net of Depreciation	<u>6,793,251</u>
Total Assets	<u>61,386,299</u>
LIABILITIES	
Accounts Payable	124,864
Due to Sterling Ranch MD No. 1	4,600
Noncurrent Liabilities:	
Due in More Than One Year	<u>1,680,910</u>
Total Liabilities	<u>1,810,374</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Property Tax	<u>10,474</u>
NET POSITION	
Net Investment in Capital Assets	6,707,415
Restricted for:	
Emergency Reserve	37,700
Debt Service	18,346
Unrestricted	<u>52,801,990</u>
Total Net Position	<u><u>\$ 59,565,451</u></u>

See accompanying Notes to Basic Financial Statements.

STERLING RANCH METROPOLITAN DISTRICT NO. 3
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025

FUNCTIONS/PROGRAMS	Program Revenues				Net Revenues (Expenses) and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
General Government					
Capital Assets Conveyed from:					
Sterling Ranch MD No. 1	\$ 1,064,490	\$ -	\$ 229,737	\$ 386,877	\$ (447,876)
Sterling Ranch MD No. 4	-	-	-	2,907,524	2,907,524
Intergovernmental Expense -					
Sterling Ranch MD No. 4	365,948	-	-	-	(365,948)
Interest on Long-Term Debt and Related Costs	95,123	-	-	-	(95,123)
Total Governmental Activities	<u>\$ 1,525,561</u>	<u>\$ -</u>	<u>\$ 229,737</u>	<u>\$ 6,395,230</u>	5,099,406
GENERAL REVENUES					
Property Taxes					6,374
Specific Ownership Taxes					610
Interest Income					37,512
Open Space Fees					42,585
Street Light Fees					30,146
Channel Improvement Fees					178,000
Community Amenity Fees					735,000
Other Revenue					1,335
Total General Revenues					<u>1,031,562</u>
CHANGES IN NET POSITION					
Net Position - Beginning of Year					6,130,968
					<u>53,434,483</u>
NET POSITION - END OF YEAR					<u>\$ 59,565,451</u>

See accompanying Notes to Basic Financial Statements.

STERLING RANCH METROPOLITAN DISTRICT NO. 3
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2025

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 1,381,767	\$ -	\$ -	\$ 1,381,767
Cash and Investments - Restricted	37,700	18,307	8,685	64,692
Due from Sterling Ranch MD No. 1	-	-	3,088	3,088
Due from Sterling Ranch MD No. 2	10,875	-	-	10,875
Open Space Fees Receivable	4,665	-	-	4,665
Street Light Fees Receivable	3,222	-	-	3,222
Channel Improvement Fees Receivable	4,000	-	-	4,000
Community Amenity Fees Receivable	10,000	-	-	10,000
Receivable from County Treasurer	10	39	-	49
Property Tax Receivable	1,746	8,728	-	10,474
Prepaid Insurance	11,804	-	-	11,804
Total Assets	<u>\$ 1,465,789</u>	<u>\$ 27,074</u>	<u>\$ 11,773</u>	<u>\$ 1,504,636</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 113,091	\$ -	\$ 11,773	\$ 124,864
Due to Sterling Ranch MD No. 1	4,600	-	-	4,600
Total Liabilities	<u>117,691</u>	<u>-</u>	<u>11,773</u>	<u>129,464</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Property Tax	1,746	8,728	-	10,474
FUND BALANCES				
Nonspendable:				
Prepaid Expense	11,804	-	-	11,804
Restricted for:				
Emergency Reserve	37,700	-	-	37,700
Debt Service	-	18,346	-	18,346
Unassigned	1,296,848	-	-	1,296,848
Total Fund Balances	<u>1,346,352</u>	<u>18,346</u>	<u>-</u>	<u>1,364,698</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,465,789</u>	<u>\$ 27,074</u>	<u>\$ 11,773</u>	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital Assets Not Being Depreciated	53,088,412
Capital Assets, Net of Depreciation	6,793,251

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Developer Advance Payable	(1,449,965)
Accrued Developer Advance Interest	(230,945)

Net Position of Governmental Activities	<u>\$ 59,565,451</u>
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See accompanying Notes to Basic Financial Statements.

STERLING RANCH METROPOLITAN DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2025

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
Property Taxes	\$ 1,275	\$ 5,099	\$ -	\$ 6,374
Specific Ownership Taxes	122	488	-	610
Interest Income	36,772	740	-	37,512
Open Space Fees	42,585	-	-	42,585
Street Light Fees	30,146	-	-	30,146
Channel Improvement Fees	178,000	-	-	178,000
Community Amenity Fees	735,000	-	-	735,000
Other Revenue	1,335	-	-	1,335
Intergovernmental Revenues - SRMD No. 1	-	-	386,877	386,877
Intergovernmental Revenues - SRMD No. 2	229,737	-	-	229,737
Total Revenues	1,254,972	6,327	386,877	1,648,176
EXPENDITURES				
Current:				
Accounting	73,010	-	2,262	75,272
Auditing	24,870	-	-	24,870
County Treasurer's Fee	19	76	-	95
Directors' Fees	4,600	-	-	4,600
District Management	59,944	-	496	60,440
Dues And Membership	1,610	-	-	1,610
Election	10,349	-	-	10,349
Fence And Sign Maintenance	4,879	-	-	4,879
Insurance	11,823	-	-	11,823
Landscaping - Contract	187,260	-	-	187,260
Landscaping - Repairs And Maintenance	24,352	-	-	24,352
Legal	49,517	-	-	49,517
Miscellaneous	123	-	-	123
Payroll Taxes	352	-	-	352
Repairs And Maintenance	171	-	-	171
Snow Removal	9,368	-	-	9,368
Utilities - Electric	29,873	-	-	29,873
Utilities - Water	164,018	-	-	164,018
Website	2,140	-	-	2,140
Intergovernmental Expenditures - SRMD No. 1	649	-	-	649
Intergovernmental Expenditures - SRMD No. 4	-	3,000	362,948	365,948
Capital Projects:				
Channel Improvement Costs	1,725	-	-	1,725
Community Amenity Costs	79,076	-	-	79,076
Engineering	-	-	21,171	21,171
Total Expenditures	739,728	3,076	386,877	1,129,681
EXCESS OF REVENUES OVER EXPENDITURES	515,244	3,251	-	518,495
OTHER FINANCING SOURCES				
Developer Advance - Classic SRJ	317,000	-	-	317,000
NET CHANGE IN FUND BALANCES	832,244	3,251	-	835,495
Fund Balances - Beginning of Year	514,108	15,095	-	529,203
FUND BALANCES - END OF YEAR	<u>\$ 1,346,352</u>	<u>\$ 18,346</u>	<u>\$ -</u>	<u>\$ 1,364,698</u>

See accompanying Notes to Basic Financial Statements.

**STERLING RANCH METROPOLITAN DISTRICT NO. 3
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025**

Net Change in Fund Balances - Total Governmental Funds	\$ 835,495
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset. Therefore, this is the amount of capital outlay, depreciation and dedication of capital assets to other governments, in the current period.

Capital Assets Conveyed From Sterling Ranch MD No. 1	2,907,524
Capital Assets Conveyed From Sterling Ranch MD No. 4	3,100,829
Capital Outlay	80,801
Depreciation Expense	(381,634)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net position.

Developer Advance - Classic SRJ	(317,000)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued Interest Payable Developer Advance - Change in Liability	(95,047)
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Changes in Net Position of Governmental Activities	\$ <u>6,130,968</u>
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STERLING RANCH METROPOLITAN DISTRICT NO. 3
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2025

	Budget		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
REVENUES				
Property Taxes	\$ 1,193	\$ 1,275	\$ 1,275	\$ -
Specific Ownership Taxes	128	122	122	-
Interest Income	30,000	39,875	36,772	(3,103)
Open Space Fees	49,245	42,820	42,585	(235)
Street Light Fees	34,935	30,347	30,146	(201)
Channel Improvement Fees	502,000	174,000	178,000	4,000
Community Amenity Fees	-	725,000	735,000	10,000
Other Revenue	1,384	756	1,335	579
Intergovernmental Revenues - SRMD No. 2	220,221	229,697	229,737	40
Total Revenues	839,106	1,243,892	1,254,972	11,080
EXPENDITURES				
Accounting	73,500	73,500	73,010	490
Auditing	16,200	24,870	24,870	-
Channel Improvement Costs	-	2,000	1,725	275
Community Amenity Costs	-	80,000	79,076	924
Contingency	7,964	6,361	-	6,361
County Treasurer's Fee	19	19	19	-
Directors' Fees	6,000	6,000	4,600	1,400
District Management	58,800	58,800	59,944	(1,144)
Dues And Membership	5,000	2,000	1,610	390
Election	15,600	11,000	10,349	651
Fence And Sign Maintenance	-	5,000	4,879	121
Insurance	11,000	11,000	11,823	(823)
Landscaping - Contract	187,260	187,260	187,260	-
Landscaping - Repairs And Maintenance	20,000	34,000	24,352	9,648
Legal	80,000	60,000	49,517	10,483
Miscellaneous	-	-	123	(123)
Payroll Taxes	990	990	352	638
Repairs And Maintenance	-	-	171	(171)
Snow Removal	20,000	20,000	9,368	10,632
Utilities - Electric	20,000	30,000	29,873	127
Utilities - Water	66,667	165,000	164,018	982
Website	-	2,200	2,140	60
Intergovernmental Expenditures - SRMD No. 1	-	-	649	(649)
Total Expenditures	589,000	780,000	739,728	40,272
EXCESS OF REVENUES OVER EXPENDITURES	250,106	463,892	515,244	51,352
OTHER FINANCING SOURCES				
Developer Advance - Classic SRJ	272,500	376,000	317,000	(59,000)
NET CHANGE IN FUND BALANCE	522,606	839,892	832,244	(7,648)
Fund Balance - Beginning of Year	500,525	514,108	514,108	-
FUND BALANCE - END OF YEAR	<u>\$ 1,023,131</u>	<u>\$ 1,354,000</u>	<u>\$ 1,346,352</u>	<u>\$ (7,648)</u>

See accompanying Notes to Basic Financial Statements.

STERLING RANCH METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 1 DEFINITION OF REPORTING ENTITY

Sterling Ranch Metropolitan District No. 3 (the District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized by order and decree of the District Court for El Paso County, Colorado on February 1, 2011, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located entirely within the City of Colorado Springs (City) in El Paso County, Colorado. The Consolidated Service Plan, approved by the City on March 7, 2011, formed Sterling Ranch Metropolitan District Nos. 1 – 3. The District was organized to provide planning, acquisition, construction, installation, and financing of public improvements, including streets, water, wastewater, traffic and safety, park and recreation, mosquito control, television relay, and transportation facilities, primarily for residential and commercial development.

The District was organized in conjunction with Sterling Ranch Metropolitan District No. 1 (District No. 1) and Sterling Ranch Metropolitan District No. 2 (District No. 2) to serve the needs of the Sterling Ranch development for the purpose of financing, construction and operation of improvements and infrastructure serving the three districts. The District is responsible for managing the construction, operation, and maintenance of all improvements not transferred to the City of Colorado Springs. District No. 1 and District No. 2 are responsible for providing the funding and tax base needed to support the financing plan for capital improvements and to fund ongoing operations.

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

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes.

STERLING RANCH METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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 collectable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

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

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

STERLING RANCH METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures and other financing uses level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

The District amended its annual budget for the year ended December 31, 2025.

Pooled Cash and Investments

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

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows of resources in the year they are levied and measurable. The property tax revenues are recorded as revenue in the year they are available or collected.

Capital Assets

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

STERLING RANCH METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset 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. Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

Parks and Landscaping	20 Years
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Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress, and are not included in the calculation of net investment in capital assets component of the District's net position.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position reports 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 and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Equity

Net Position

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

Nonspendable Fund Balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.

Restricted Fund Balance – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

STERLING RANCH METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

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

Assigned Fund Balance – The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

Unassigned Fund Balance – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's practice to use the most restrictive classification first.

Open Space and Street Light Fees

The District bills the residents for open space and street light charges.

Channel Improvement Fees

The District collects a Channel Improvement Fee of \$1,000 per lot from builders at closing. Effective November 27, 2018, is the Resolution of the Board of Directors of the Sterling Ranch Metropolitan District No. 1 Concerning the Imposition of a Sand Creek Channel Drainage Improvements Fee (Channel Improvement Fee). This fee is imposed on and offers benefits for the property within the boundaries of the District and Sterling Ranch Metropolitan District Nos. 1 and 2. The District, as the operating district, retains the funds received from the Channel Improvement Fees.

Community Amenity Fees

The District collects a Community Amenity Fee per lot from builders at closing. The fee amount may be \$2,000, \$2,500, or \$5,000 depending on the lot. This fee is agreed between the Developer and builders, although a fee resolution is being prepared as of May 23, 2026, in order for the District to impose the fees. This fee is imposed on and offers benefits for the property within the boundaries of the District and Sterling Ranch Metropolitan District Nos. 1 and 2. The District, as the operating district, retains the funds received from the Community Amenity Fees.

STERLING RANCH METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards

Certain Risk Disclosures

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures (Statement 102)*. Statement 102 requires note disclosure when (a) a concentration or constraint is known prior to issuance of the financial statements, (b) it makes the reporting unit vulnerable to the risk of a substantial impact, and (c) an event associated with the concentration or constraint has occurred, has begun to occur, or is more-likely-than-not to begin to occur within 12 months of issuance.

The District adopted the requirements of the guidance effective January 1, 2025, and has elected to apply the provisions of this standard to the beginning of the period of adoption. Management performed the analysis required under Statement 102 and did not identify any concentrations or constraints that require disclosure.

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2025, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 1,381,767
Cash and Investments - Restricted	64,692
Total Cash and Investments	<u>\$ 1,446,459</u>

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

Deposits with Financial Institutions	\$ 22,022
Investments	1,424,437
Total Cash and Investments	<u>\$ 1,446,459</u>

Deposits with Financial Institutions

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

STERLING RANCH METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Deposits with Financial Institutions (Continued)

At December 31, 2025, the District's cash deposits had a bank balance and a carrying balance of \$22,022.

Investments

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

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

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

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

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

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

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted-Average Under 60 Days	<u>\$ 1,424,437</u>

STERLING RANCH METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), 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 currently offers three portfolios – COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE.

COLOTRUST PRIME and COLOTRUST PLUS+, which operate similarly to a money market fund and each share is equal in value to \$1.00, offer daily liquidity. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

COLOTRUST EDGE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$10.00 transactional share price. COLOTRUST EDGE may invest in securities authorized by CRS 24-75-601, including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST PRIME and COLOTRUST PLUS+ are rated AAAm by Standard & Poor's. COLOTRUST EDGE is rated AAaf/S1 by FitchRatings. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily or weekly, and there is no redemption notice period.

STERLING RANCH METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 4 CAPITAL ASSETS

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

	Balance at December 31, 2024	Increases	Decreases	Transfers	Balance at December 31, 2025
Governmental Activities:					
Capital Assets, Not Being Depreciated:					
Construction in Progress:					
Streets	\$ 32,340,388	\$ 5,673,988	\$ -	\$ -	\$ 38,014,376
Storm Drainage System	6,433,922	115,292	-	-	6,549,214
Water and Sewer System	7,983,444	49,219	-	-	8,032,663
Parks and Landscaping	2,109,641	250,655	-	(2,109,641)	250,655
Traffic and Safety Protection	241,504	-	-	-	241,504
Total Capital Assets, Not Being Depreciated	49,108,899	6,089,154	-	(2,109,641)	53,088,412
Capital Assets, Being Depreciated:					
Parks and Landscaping	5,523,033	-	-	2,109,641	7,632,674
Less Accumulated Depreciation for:					
Accumulated Depreciation - Parks and Landscaping	457,789	381,634	-	-	839,423
Total Capital Assets, Net of Depreciation	5,065,244	(381,634)	-	2,109,641	6,793,251
Governmental Activities Capital Assets, Net	<u>\$ 54,174,143</u>	<u>\$ 5,707,520</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,881,663</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General Government	<u>\$ 381,634</u>

STERLING RANCH METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 5 LONG-TERM OBLIGATIONS

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

	Balance at December 31, 2024	Additions	Reductions	Balance at December 31, 2025	Due Within One Year
Long-Term Obligations:					
Developer Advance Payable:					
Classic SRJ - O&M	\$ 365,000	\$ 317,000	\$ -	\$ 682,000	\$ -
SR Land - O&M	86,009	-	-	86,009	-
Elite Properties - Capital	294,000	-	-	294,000	-
SR Land - Capital	387,956	-	-	387,956	-
Accrued Interest on:					
Classic SRJ - O&M	21,373	33,610	-	54,983	-
SR Land - O&M	10,309	6,881	-	17,190	-
Elite Properties - Capital	26,873	23,520	-	50,393	-
SR Land - Capital	77,343	31,036	-	108,379	-
Total Long-Term Obligations	<u>\$ 1,268,863</u>	<u>\$ 412,047</u>	<u>\$ -</u>	<u>\$ 1,680,910</u>	<u>\$ -</u>

The details of the District's long-term obligations are as follows:

Developer Advances

Funding and Reimbursement Agreement

The District entered into a Funding and Reimbursement Agreement (the Agreement) with an effective date of June 20, 2023, with Classic SRJ, LLC (the Developer, see Note 7) whereby the Developer agrees to loan the Districts up to a total of \$1,000,000 (the Maximum Loan Amount), to provide funding for operation costs and for capital costs. The Districts agree to repay the Developer along with accrued interest at a rate of 8% from the date of the advance.

As of December 31, 2025, outstanding Developer Advances under the Agreement totaled \$682,000 and accrued interest totaled \$54,983.

Funding and Reimbursement Agreement

The District entered into a Funding and Reimbursement Agreement (the Agreement) with an effective date of June 20, 2023, with SR Land, LLC (the Developer, see Note 7) whereby the Developer agrees to loan the Districts up to a total of \$1,000,000 (the Maximum Loan Amount), to provide funding for operation costs and for capital costs. The Districts agree to repay the Developer along with accrued interest at a rate of 8% from the date of the advance.

As of December 31, 2025, outstanding Developer Advances under the Agreement totaled \$473,965 and accrued interest totaled \$125,569.

STERLING RANCH METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Developer Advances (Continued)

Funding and Reimbursement Agreement (Continued)

The District entered into a Funding and Reimbursement Agreement (the Agreement) with an effective date of June 20, 2023, with Elite Properties of America, Inc. (the Developer, see Note 7) whereby the Developer agrees to loan the Districts up to a total of \$1,000,000 (the Maximum Loan Amount), to provide funding for operation costs and for capital costs. The Districts agree to repay the Developer along with accrued interest at a rate of 8% from the date of the advance.

As of December 31, 2025, outstanding Developer Advances under the Agreement totaled \$294,000 and accrued interest totaled \$50,393.

Authorized Debt

Pursuant to the Consolidated Service Plan, the District, Sterling Ranch Metropolitan District No. 1, and Sterling Ranch Metropolitan District No. 2 are authorized to issue Debt up to \$115,000,000 (Consolidated Service Plan Debt Issuance Limit) in total principal amount combined for all Districts. In no event is the District authorized to issue debt in excess of the Consolidated Service Plan Debt Issuance Limit, with the exception that such limit is not applicable to refundings of the debt authorized to be issued under the Consolidated Service Plan. The maximum debt service mill levy is 50 mills subject to Gallagher Adjustment.

The District has voter authorization in excess of the Consolidated Service Plan Debt Issuance Limit as at the time of the election, the actual costs of construction were not known. Without knowing the costs of construction, it is not possible to allocate the Consolidated Service Plan Debt Issuance Limit by power (such as water, sewer, or streets). Therefore, the Consolidated Service Plan Debt Issuance Limit was voted in every power relative to debt for public improvements. With that understanding, on November 2, 2010, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$410,000,000 at an interest rate not to exceed 18% per annum. At December 31, 2025, the District had authorized but unissued indebtedness of \$410,000,000.

In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area.

NOTE 6 NET POSITION

The District has net position consisting of three components – net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

STERLING RANCH METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 6 NET POSITION (CONTINUED)

As of December 31, 2025, the District had net investment in capital assets calculated as follows:

	Governmental Activities
Net Investment in Capital Assets:	
Capital Assets, Net	\$ 6,793,251
Long-Term Obligations	(85,836)
Net Investment in Capital Assets	<u>\$ 6,707,415</u>

The restricted component of net position consists of assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

The District had a restricted net position as of December 31, 2025, as follows:

	Governmental Activities
Restricted Net Position:	
Emergency Reserve	\$ 37,700
Debt Service Reserve	18,346
Total Restricted Net Position	<u>\$ 56,046</u>

NOTE 7 RELATED PARTIES

The Developers of the property which constitutes the District are SR Land, LLC; Classic SRJ, LLC; and Elite Properties of America, Inc. (the Developer, or collectively, the Developers). The members of the Board of Directors are officers of, employees of, or associated with the Developers and may have conflicts of interest in dealing with the District.

During the year ended December 31, 2025, the District made cash reimbursements to Classic SRJ, LLC totaling \$80,801 for capital outlay related to Channel Improvement costs and Community Amenity costs.

NOTE 8 ECONOMIC DEPENDENCY

The District has not yet established a revenue base sufficient to pay operational expenditures. Until an independent revenue base is established, continuation of operations in the District will be dependent upon funding by the Developer.

STERLING RANCH METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 9 AGREEMENTS AND COMMITMENTS

Amended and Restated Establishment Agreement of FAWWA

On December 17, 2021, District Nos. 1 – 3, The Retreat Metropolitan District No. 1 (Retreat No. 1) and The Retreat Metropolitan District No. 2 (Retreat No. 2 and together with Retreat No. 1, the Retreat Districts, and together with the Sterling Ranch Districts, the Members) entered into an Amended and Restated Intergovernmental Agreement for the Establishment of the Falcon Area Water and Wastewater Authority (the Amended and Restated Establishment Agreement). The Amended and Restated Establishment Agreement superseded and replaced the Original Establishment Agreement and, among other things, authorized the provision of wastewater improvements by the Falcon Area Water and Wastewater Authority and added the Retreat Districts as Members of the Authority. This agreement was amended on August 12, 2022.

Effective on March 26, 2024, the District and the other members of the Falcon Area Water and Wastewater Authority approved a resolution to approve adding Sterling Ranch Metropolitan District No. 4 and Sterling Ranch Metropolitan District No. 5 as Small Members of the Authority and admit as parties to the Amended and Restated Establishment Agreement.

Effective on December 19, 2025, the District and the other members of the Falcon Area Water and Wastewater Authority approved a Resolution to Approve Adding Prairie Ridge Metropolitan District Nos. 1 – 3 as Small Members of the Authority. Prairie Ridge Metropolitan District Nos. 1 – 3 were admitted as Small Members and admitted as parties to the Amended and Restated Establishment Agreement.

Coordinating Services Agreement

On February 25, 2022, the District entered into a district coordinating services agreement (the Agreement) with District No. 1 and District No. 2 (the Financing Districts). The purpose of the Agreement is to set forth the rights and obligations of the District and the Financing Districts to fund the public improvements and continued operation and maintenance of public improvements, in addition to the rights and obligations of the District to operate and maintain the public improvements on behalf of the Financing Districts. The public improvements to be designed and constructed by the District will benefit all property owners and residents within the Districts.

Intergovernmental District Facilities Construction and Service Agreement

On January 29, 2024, the District entered into an agreement with District No. 4 and District No. 5 (the Financing Districts). The purpose of the agreement is to set forth the rights and obligations of the District and the Financing Districts to fund the public improvements and continued operation and maintenance of public improvements, in addition to the rights and obligations of the District to construct, operate, and maintain the public improvements on behalf of the Financing Districts. The public improvements to be designed and constructed by the District will benefit all property owners and residents within the Districts.

STERLING RANCH METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 9 AGREEMENTS AND COMMITMENTS (CONTINUED)

Intergovernmental District Facilities Operation and Service Agreement

On April 23, 2024, the District entered into an agreement with District No. 4 and District No. 5 (the Financing Districts). The purpose of the agreement is to set forth the rights and obligations of the District and the Financing Districts to fund the public improvements and continued operation and maintenance of public improvements, in addition to the rights and obligations of the District to operate and maintain the public improvements on behalf of the Financing Districts. The public improvements to be designed and constructed by the District will benefit all property owners and residents within the Districts.

NOTE 10 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

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

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

NOTE 11 TAX, SPENDING, AND DEBT LIMITATIONS

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

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.

STERLING RANCH METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 11 TAX, SPENDING, AND DEBT LIMITATIONS (CONTINUED)

On November 2, 2010, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under TABOR.

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

Section 29-1-1702, C.R.S., contains limitations on revenues generated from property tax revenues that apply to certain local governments within the state of Colorado.

Annual operating revenue is limited to a 5.25% increase, such increase is determined based on a prior assessment period and adjusted for allowable exclusions and exemptions from qualified property tax revenues.

The District's management believes it is in compliance with the provisions of Section 29-1-1702, C.R.S. However, this section of the C.R.S. is complex and subject to interpretation.

SUPPLEMENTARY INFORMATION

STERLING RANCH METROPOLITAN DISTRICT NO. 3
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2025

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 4,772	\$ 5,099	\$ 327
Specific Ownership Taxes	510	488	(22)
Interest Income	700	740	40
Other Revenue	776	-	(776)
Total Revenues	6,758	6,327	(431)
EXPENDITURES			
County Treasurer's Fee	76	76	-
Intergovernmental Expenditures - SRMD No. 4	4,000	3,000	1,000
Contingency	1,924	-	1,924
Total Expenditures	6,000	3,076	2,924
NET CHANGE IN FUND BALANCE	758	3,251	2,493
Fund Balance - Beginning of Year	11,242	15,095	3,853
FUND BALANCE - END OF YEAR	<u>\$ 12,000</u>	<u>\$ 18,346</u>	<u>\$ 6,346</u>

STERLING RANCH METROPOLITAN DISTRICT NO. 3
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2025

	Budget		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Other Revenue	\$ -	\$ 7,052	\$ -	\$ (7,052)
Intergovernmental Revenues - SRMD No. 1	-	392,948	386,877	(6,071)
Total Revenues	-	400,000	386,877	(13,123)
EXPENDITURES				
Accounting	-	5,000	2,262	2,738
Engineering	-	25,000	21,171	3,829
District Management	-	-	496	(496)
Intergovernmental Expenditures - SRMD No. 4	-	362,948	362,948	-
Contingency	-	7,052	-	7,052
Total Expenditures	-	400,000	386,877	13,123
NET CHANGE IN FUND BALANCE	-	-	-	-
Fund Balance - Beginning of Year	-	-	-	-
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

OTHER INFORMATION

STERLING RANCH METROPOLITAN DISTRICT NO. 3
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2025

Year Ended December 31,	Assessed Valuation	Percent Change	Total Mills Levied			Total Property Taxes		Percent Collected to Levied
			General Operations	Debt Service	Total	Levied	Collected	
2020/2021	\$ 64,700	-2.2%	10.000	40.000	50.000	\$ 3,235	\$ 3,235	100.00 %
2021/2022	176,600	173.0%	10.000	40.000	50.000	8,830	8,830	100.00 %
2022/2023	115,980	-34.3%	10.000	40.000	50.000	5,799	5,799	100.00 %
2023/2024	125,570	8.3%	10.000	40.000	50.000	6,279	5,932	94.47 %
2024/2025	127,470	1.5%	10.000	40.000	50.000	6,374	6,374	100.00 %
Estimated for Year Ending <u>December 31,</u>								
2026	\$ 162,530	27.5%	10.740	53.703	64.443	\$ 10,474		

Note:

Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the Treasurer does not permit identification of specific year of levy.

Source: El Paso County Assessor and Treasurer.