

SKY RANCH METROPOLITAN DISTRICT NO.3
Arapahoe County, Colorado

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2025

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Independent Auditors' Report

Members of the Board of Directors
Sky Ranch Metropolitan District No.3

Opinions

We have audited the accompanying financial statements of the governmental activities and major funds of Sky Ranch Metropolitan District No.3 (the District) as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Sky Ranch Metropolitan District No.3, as of December 31, 2025, and the respective changes in financial position and the respective 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 audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sky Ranch Metropolitan District No.3 and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sky Ranch Metropolitan District No.3's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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, including omissions, 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 Sky Ranch Metropolitan District No. 3'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 Sky Ranch Metropolitan District No. 3's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is 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 Sky Ranch Metropolitan District No. 3's basic financial statements. The supplementary information, as listed 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 the 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 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 listed in the table of contents, included in the report. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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



Littleton, Colorado
June 26, 2026

BASIC FINANCIAL STATEMENTS

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

	<u>Governmental Activities</u>
ASSETS	
Property Tax Receivable	<u>\$ 2,456,408</u>
Total Assets	<u>2,456,408</u>
LIABILITIES	
Due to County Treasurer	<u>171,674</u>
Total Liabilities	<u>171,674</u>
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	<u>2,456,408</u>
Total Deferred Inflows of Resources	<u>2,456,408</u>
NET POSITION	
Unrestricted	<u>(171,674)</u>
Total Net Position	<u><u>\$ (171,674)</u></u>

See accompanying Notes to Basic Financial Statements.

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

FUNCTIONS/PROGRAMS
 Primary Government:
 Governmental Activities:
 General Government
 Interest on Long-Term Debt
 and Related Costs
 Regional Improvements
 Total Governmental Activities

	Expenses	Program Revenues			Net Revenues (Expenses) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
	\$ 202,785	\$ -	\$ -	\$ -	\$ (202,785)
	1,021,632	-	-	-	(1,021,632)
	768,784	-	-	-	(768,784)
	<u>\$ 1,993,201</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,993,201)</u>
GENERAL REVENUES					
	Property Taxes				1,709,360
	Specific Ownership Taxes				111,904
	Interest Income				263
	Total General Revenues				<u>1,821,527</u>
CHANGES IN NET POSITION					
	Net Position - Beginning of Year				<u>-</u>
	NET POSITION - END OF YEAR				<u><u>\$ (171,674)</u></u>

See accompanying Notes to Basic Financial Statements.

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

	<u>General</u>	<u>Debt Service</u>	<u>Regional Improvements</u>	<u>Total Governmental Funds</u>
ASSETS				
Property Tax Receivable	<u>\$ 240,218</u>	<u>\$ 1,266,241</u>	<u>\$ 949,949</u>	<u>\$ 2,456,408</u>
Total Assets	<u><u>\$ 240,218</u></u>	<u><u>\$ 1,266,241</u></u>	<u><u>\$ 949,949</u></u>	<u><u>\$ 2,456,408</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Due to County Treasurer	<u>\$ 17,575</u>	<u>\$ 87,884</u>	<u>\$ 66,215</u>	<u>\$ 171,674</u>
Total Liabilities	<u>17,575</u>	<u>87,884</u>	<u>66,215</u>	<u>171,674</u>
DEFERRED INFLOWS OF RESOURCES				
Property Tax Revenue	<u>240,218</u>	<u>1,266,241</u>	<u>949,949</u>	<u>2,456,408</u>
Total Deferred Inflows of Resources	<u>240,218</u>	<u>1,266,241</u>	<u>949,949</u>	<u>2,456,408</u>
FUND BALANCES				
Unassigned	<u>(17,575)</u>	<u>(87,884)</u>	<u>(66,215)</u>	<u>(171,674)</u>
Total Fund Balances	<u><u>(17,575)</u></u>	<u><u>(87,884)</u></u>	<u><u>(66,215)</u></u>	<u><u>(171,674)</u></u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u><u>\$ 240,218</u></u>	<u><u>\$ 1,266,241</u></u>	<u><u>\$ 949,949</u></u>	<u><u>\$ 2,456,408</u></u>

Amounts reported for governmental activities in the Statement of Net Position are the same as above.

See accompanying Notes to Basic Financial Statements.

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

	<u>General</u>	<u>Debt Service</u>	<u>Regional Improvements</u>	<u>Total Governmental Funds</u>
REVENUES				
Property Taxes	\$ 173,727	\$ 876,327	\$ 659,306	\$ 1,709,360
Specific Ownership Taxes	11,456	57,286	43,162	111,904
Interest Income	27	135	101	263
Total Revenues	<u>185,210</u>	<u>933,748</u>	<u>702,569</u>	<u>1,821,527</u>
EXPENDITURES				
County Treasurer's Fee	2,596	12,980	9,779	25,355
Contingency	1,976	9,880	7,444	19,300
Transfers to Sky Ranch CAB	198,213	998,772	751,561	1,948,546
Total Expenditures	<u>202,785</u>	<u>1,021,632</u>	<u>768,784</u>	<u>1,993,201</u>
NET CHANGE IN FUND BALANCES	(17,575)	(87,884)	(66,215)	(171,674)
Fund Balances - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u><u>\$ (17,575)</u></u>	<u><u>\$ (87,884)</u></u>	<u><u>\$ (66,215)</u></u>	<u><u>\$ (171,674)</u></u>

Amounts reported for governmental activities in the Statement of Activities are the same as above.

See accompanying Notes to Basic Financial Statements.

**SKY RANCH METROPOLITAN DISTRICT NO. 3
GENERAL FUND – STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2025**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 210,771	\$ 173,727	\$ (37,044)
Specific Ownership Taxes	12,646	11,456	(1,190)
Interest Income	-	27	27
Other Revenue	10,000	-	(10,000)
Total Revenues	<u>233,417</u>	<u>185,210</u>	<u>(48,207)</u>
EXPENDITURES			
County Treasurer's Fee	3,162	2,596	566
Contingency	10,000	1,976	8,024
Transfers to Sky Ranch CAB	220,255	198,213	22,042
Total Expenditures	<u>233,417</u>	<u>202,785</u>	<u>30,632</u>
NET CHANGE IN FUND BALANCES	-	(17,575)	(17,575)
Fund Balances - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ (17,575)</u></u>	<u><u>\$ (17,575)</u></u>

See accompanying Notes to Basic Financial Statements.

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

NOTE 1 DEFINITION OF REPORTING ENTITY

Sky Ranch Metropolitan District No. 3 (the District), a quasi-municipal corporation and a political subdivision of the state of Colorado, was organized by order and decree of the Arapahoe County District Court issued on February 23, 2005 and recorded in the County records on March 15, 2005, 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 Arapahoe County, Colorado.

The District was established to provide for the design, acquisition, construction, financing, installation, and maintenance of public improvements and services, including streets, park and recreation, water, sanitary sewer, public transportation, mosquito control, traffic and safety controls, and television relay and translation. Under its Amended and Restated Service Plan, approved by the County on December 8, 2020 (the Service Plan), the District was organized in conjunction with three other related Districts: Sky Ranch Metropolitan District Nos. 1, 4 and 5 (the Districts). Sky Ranch Metropolitan District No. 1 (District No. 1) and Sky Ranch Metropolitan District No. 5 (District No. 5) entered into a Community Authority Board Establishment Agreement on November 3, 2017, which established the Sky Ranch Community Authority Board (the CAB), and an Amended and Restated Sky Ranch Community Authority Establishment agreement on September 18, 2018 (effective November 13, 2017). The District entered into the Second Amended and Restated Sky Ranch Community Authority Board Establishment Agreement (the CABEA) with District Nos. 1 and 5 on August 13, 2021, which made the District a party to the CABEA and a CAB District. The CAB will own, operate and maintain certain public improvements within the boundaries of the Districts that are parties to the CABEA.

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

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

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

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

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 and intergovernmental revenues.

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

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges 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 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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and specific ownership 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.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The District reports the following major governmental funds:

The General Fund is the District's 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 transferred to the CAB for the payment of principal, interest, and other related costs on long-term debt issued by the CAB for the benefit of the District.

The Regional Improvements Fund accounts for the resources accumulated and transferred to the CAB for the payment of regional improvements acquired and constructed by the CAB for the benefit of the District.

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.

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, in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August, and generally, sale 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 unearned property tax revenues are recorded as revenue in the year they are available or collected.

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.

The District has a deficit in unrestricted net position.

SKY 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

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.

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.

Each fund reported a deficit in the fund financial statements as of December 31, 2025. The deficits will be eliminated with the receipt of property tax revenue in 2026.

New Accounting Pronouncement

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncement (Continued)

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

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.

At December 31, 2025, the District had no cash deposits.

Investments

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

The District will generally limit its concentration of investments to those 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

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

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

- . 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 no investments.

NOTE 4 AUTHORIZED DEBT

At an election held on November 3, 2020, the District's eligible electors authorized the District to impose ad valorem property taxes on an annual basis not to exceed \$312,000,000 in each public improvement category, and to enter into intergovernmental agreements to share such revenue to fund public improvements. Pursuant to this electoral authority, on August 1, 2022, the District entered into a Capital Pledge Agreement with the CAB (discussed below) and committed to impose a mill levy annually that does not exceed the Service Plan limits for a debt mill levy, to repay Bonds to be issued by the CAB in a principal amount that does not exceed \$312,000,000 (the District No. 3 Pledge Obligation). The District's voters also authorized the issuance of General Obligation Debt for public improvement to the District's Service Plan limit of \$312,000,000.

Under the Capital Pledge Agreement with the CAB, the District agreed to pledge certain revenues to the CAB pursuant to the intergovernmental agreement provisions of Sections 29-1-203 and -203.5, C.R.S., as described in the Capital Pledge Agreement. The District does not have any remaining capacity to pledge because it has pledged to the CAB its full authorization in the form of the District No. 3 Pledge Obligation, which is the same amount as the Service Plan debt limitation.

The Pledge Obligation may be used by the CAB to repay bonds the CAB has issued or will issue, including without limitation, the CAB's \$23,345,000 Limited Tax Supported District No.3 Senior Bonds (Tax-Exempt Fixed Rate), Series 2022A (the CAB Series 2022A Bonds) and its \$6,367,000 Limited Tax Supported District No. 3 Subordinate Bonds (Tax-Exempt Fixed Rate), Series 2022B₍₃₎ (the CAB Series 2022B₍₃₎ Bonds, and together with the CAB Series 2022A Bonds, the CAB 2022 Bonds), and future bond issuances by the CAB.

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

NOTE 5 AGREEMENTS

Sky Ranch Community Authority Board Establishment Agreement (CABEA)

On November 3, 2020, the District's qualified electors voted in favor of the District entering into the CABEA pursuant to which the District entered into Second Amended and Restated Sky Ranch Community Authority Board Establishment Agreement with Sky Ranch Metropolitan District Nos. 1 and 5 on August 13, 2021. On December 12, 2025, a First Amendment to the Second Amended and Restated CABEA was executed to add Sky Ranch Metropolitan District No. 6 (collectively with Sky Ranch Metropolitan District No. 1, Sky Ranch Metropolitan District No. 3, and Sky Ranch Metropolitan District No. 5, the "CAB Districts") as a party to the CABEA.

Pursuant to the CABEA, the CAB will furnish, operate, and plan for the Public Improvements and each District of the CAB Districts shall transfer certain revenues received by it in order to fund the operation and maintenance costs and capital costs of the Public Improvements. Each of the CAB Districts has agreed, and their Service Plans authorize, that the CAB will own, operate, maintain, finance, and construct Public Improvements benefiting the CAB Districts, and that the Districts will contribute to the costs of construction, operation, and maintenance of such Public Improvements. It is the intent of the CAB Districts that the CAB may, from time to time, issue debt and use proceeds to finance the Public Improvements and that the CAB will enter into contracts to construct the Public Improvements.

Capital Pledge Agreement

The District entered into a Capital Pledge Agreement with the CAB, dated August 1, 2022, under which the District agrees to impose ad valorem property taxes upon all taxable property of the District, and to transfer the revenues generated from such mill levy imposition, along with the specific ownership taxes attributable to such mill levy, to the CAB for payment of principal and interest on bonds the CAB has issued or will issue, including without limitation, the CAB 2022 Bonds, as well as future bond issuances by the CAB.

NOTE 6 RELATED PARTIES

The Developer of the property within the District is Pure Cycle Corporation (Pure Cycle), and the title of the property is held under PCY Holdings LLC (the Property Owner), which is a wholly owned subsidiary of Pure Cycle. The Developer has advanced funds to the CAB. Certain members of the Board of Directors of the CAB and the Districts hold direct or indirect ownership interests in Pure Cycle or the Property Owner or are otherwise associated with Pure Cycle or the Property Owner and may have conflicts of interest in dealing with the CAB and the District. As and when required by law, each affected Board member files a written disclosure of any potential conflicts of interest with the District and the Colorado Secretary of State, and they refrain from voting on affected matters unless allowed by law.

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

NOTE 7 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 8 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. As of December 31, 2025, the District has not provided for an emergency reserve fund equal to at least 3% of fiscal year spending, as defined under TABOR, because net tax revenue is transferred to the CAB, which provided for the required reserve amount.

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.

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

NOTE 8 TAX, SPENDING, AND DEBT LIMITATIONS (CONTINUED)

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

**SKY 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	\$ 1,053,977	\$ 876,327	\$ (177,650)
Specific Ownership Taxes	63,239	57,286	(5,953)
Interest Income	-	135	135
Other Revenue	30,000	-	(30,000)
Total Revenues	1,147,216	933,748	(213,468)
EXPENDITURES			
County Treasurer's Fee	15,810	12,980	2,830
Contingency	30,000	9,880	20,120
Transfers to Sky Ranch CAB	1,101,406	998,772	102,634
Total Expenditures	1,147,216	1,021,632	125,584
NET CHANGE IN FUND BALANCES	-	(87,884)	(87,884)
Fund Balances - Beginning of Year	-	-	-
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ (87,884)</u>	<u>\$ (87,884)</u>

**SKY RANCH METROPOLITAN DISTRICT NO. 3
REGIONAL IMPROVEMENTS 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	\$ 794,108	\$ 659,306	\$ (134,802)
Specific Ownership Taxes	47,646	43,162	(4,484)
Interest Income	-	101	101
Other Revenue	20,000	-	(20,000)
Total Revenues	<u>861,754</u>	<u>702,569</u>	<u>(159,185)</u>
EXPENDITURES			
County Treasurer's Fee	11,912	9,779	2,133
Contingency	20,000	7,444	12,556
Transfers to Sky Ranch CAB	829,842	751,561	78,281
Total Expenditures	<u>861,754</u>	<u>768,784</u>	<u>92,970</u>
NET CHANGE IN FUND BALANCES	-	(66,215)	(66,215)
Fund Balances - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ (66,215)</u></u>	<u><u>\$ (66,215)</u></u>

OTHER INFORMATION

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

Year Ended <u>December 31,</u>	Assessed Valuation	Percent Change	Total Mills Levied			Total Property Taxes		Percent Collected to Levied
			General Operations	Debt Service	Regional Improvements	Levied	Collected	
2020/2021	\$ 33	0.0%	-	-	-	\$ -	\$ -	- %
2021/2022	10,444	31548.5%	66,796	-	59,540	1,319	1,318	99.92 %
2022/2023	5,794,679	55383.3%	11,132	55,666	55,417	708,197	618,613	87.35 %
2023/2024	5,727,150	-1.2%	12,523	62,622	53,525	736,913	736,913	100.00 %
2024/2025	17,245,231	201.1%	12,222	61,117	46,048	2,058,856	1,709,360	83.02 %
Estimated for Year Ending								
December 31, 2026	\$ 20,649,722	19.7%	11,633	61,320	46,003	\$ 2,456,408		

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: Arapahoe County Assessor and Treasurer.