SOUTH ACADEMY STATION METROPOLITAN DISTRICT NO. 3

Financial Statements

Year Ended December 31, 2025

with

Independent Auditor's Report

CONTENTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
South Academy Station Metropolitan District No. 3
El Paso County, CO

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the South Academy Station Metropolitan District No. 3 as of December 31, 2025, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for 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 our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 Supplemental 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 who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Supplemental 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 supplemental information as noted in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Flynn CPA, LLC

Flynn CPA, LLC

Castle Pines, CO
July 28, 2026

SOUTH ACADEMY STATION METROPOLITAN DISTRICT NO. 3

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

	General	Debt Service	Capital Projects	Total	Adjustments	Statement of Net Position
ASSETS						
Cash and investment - Restricted	$ -	$ -	$ 30,000	$ 30,000	$ -	$ 30,000
Property taxes receivable	-	2,391	-	2,391	-	2,391
Total Assets	$ -	$ 2,391	$ 30,000	$ 32,391	-	32,391
LIABILITIES						
Accounts payable	$ -	$ -	$ 23,000	$ 23,000	-	23,000
Long-term liabilities:						
Due in more than one year	-	-	-	-	2,066,496	2,066,496
Total Liabilities	-	-	23,000	23,000	2,066,496	2,089,496
DEFERRED INFLOWS OF RESOURCES						
Deferred property taxes	-	2,391	-	2,391	-	2,391
Total Deferred Inflows of Resources	-	2,391	-	2,391	-	2,391
FUND BALANCES/NET POSITION						
Fund Balances:						
Restricted:						
Capital projects	-	-	7,000	7,000	(7,000)	-
Total Fund Balances	-	-	7,000	7,000	(7,000)	-
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ -	$ 2,391	$ 30,000	$ 32,391		
Net Position:						
Restricted for:						
Capital projects					7,000	7,000
Unrestricted					(2,066,496)	(2,066,496)
Total Net Position					$ (2,059,496)	$ (2,059,496)

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

SOUTH ACADEMY STATION METROPOLITAN DISTRICT NO. 3

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

	General	Debt Service	Capital Projects	Total	Adjustments	Statement of Activities
EXPENDITURES						
Bond interest expense	$ -	$ -	$ -	$ -	$ 5,496	$ 5,496
Transfers to District No. 1	-	-	2,061,000	2,061,000	-	2,061,000
Bond issuance costs	-	-	159,500	159,500	-	159,500
Total Expenditures	-	-	2,220,500	2,220,500	5,496	2,225,996
GENERAL REVENUES						
Transfer from District No. 1	-	-	166,500	166,500	-	166,500
Total General Revenues	-	-	166,500	166,500	-	166,500
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	(2,054,000)	(2,054,000)	(5,496)	(2,059,496)
OTHER FINANCING SOURCES (USES)						
Bond proceeds	-	-	2,061,000	2,061,000	(2,061,000)	-
Total Other Financing Sources (Uses)	-	-	2,061,000	2,061,000	(2,061,000)	-
NET CHANGES IN FUND BALANCES	-	-	7,000	7,000	(7,000)	
CHANGE IN NET POSITION					(2,059,496)	(2,059,496)
FUND BALANCES/NET POSITION:						
BEGINNING OF YEAR	-	-	-	-	-	-
END OF YEAR	$ -	$ -	$ 7,000	$ 7,000	$ (2,066,496)	$ (2,059,496)

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

SOUTH ACADEMY STATION METROPOLITAN DISTRICT NO. 3

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND
For the Year Ended December 31, 2025

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Interest income	$ -	$ -	$ -
Total Revenues	-	-	-
EXPENDITURES			
Accounting and audit	10,000	-	10,000
Dues and membership	5,000	-	5,000
Election expense	10,000	-	10,000
Insurance	5,000	-	5,000
Legal	15,000	-	15,000
Contingency	3,650	-	3,650
Emergency reserve	1,350	-	1,350
Total Expenditures	50,000	-	50,000
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(50,000)	-	50,000
OTHER FINANCING SOURCES (USES)			
Developer advances	50,000	-	(50,000)
Total Other Financing Sources (Uses)	50,000	-	(50,000)
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE:			
BEGINNING OF YEAR	-	-	-
END OF YEAR	$ -	$ -	$ -

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

Note 1: Summary of Significant Accounting Policies

The accounting policies of the South Academy Station Metropolitan District No. 3 (the "District"), located in the El Paso County, Colorado, conform to the accounting principles generally accepted in the United States of America ("GAAP") as applicable to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity
The District was organized by order and decree of the District Court for El Paso County (the "County") on January 9, 2008, as a quasi-municipal corporation and political subdivision of the State of Colorado and is governed under provisions of the State of Colorado Special District Act. The District was established to provide financing for the design, acquisition, installation, construction, operation and maintenance of all public improvements and services permitted under the Special District Act, including but not limited to water, sanitation, and storm sewer, street improvements, transportation, safety protection, mosquito control, television relay and translation, security, and park and recreation facilities. The District's primary revenues are property taxes. The District is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. The pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no employees and all operations and administrative functions are contracted.

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

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

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

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

<u>Measurement Focus, Basis of Accounting and Financial Statement Presentation</u>
The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are collected.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *availabl*e when they are collectible 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 material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

The District reports the following major governmental funds:

> General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.
>
> Debt Service Fund – The Debt Service Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs.

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

Budgetary Accounting

In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The 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 appropriation is at the total fund expenditures level and lapses at year end.

On July 20, 2026, the District amended its total appropriations in the Capital Projects Fund from $0 to $2,220,500 primarily due to the issuance of general obligation debt that had not been budgeted.

Assets, Liabilities and Net Position

Fair Value of Financial Instruments

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

Deposits

The District's cash and investments are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition.

The District follows the practice of pooling cash of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a minimum number of bank accounts. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility.

Estimates

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

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

Long-Term Obligations

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

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 taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally 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 in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

Fund Balance

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

Nonspendable Fund Balance

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

Restricted Fund Balance

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

The restricted fund balance in the Capital Projects Fund in the amount of $7,000 is restricted for the payment of the costs for capital improvements within the District.

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

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

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

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

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

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

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

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

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

The District has a deficit in unrestricted net position as of December 31, 2025. This deficit amount is the result of the District being responsible for the payment of debt issued to reimburse South Academy Station Metropolitan District No. 1 for public improvements that benefited the District.

Adoption of New Accounting Standards

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

The District adopted 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 2: Cash

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

Statement of Net Position:	
Cash – Restricted	$ 30,000
Total	$ 30,000

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

Deposits with financial institutions	$ 30,000
	$ 30,000

Deposits

Custodial Credit Risk

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

The District does not have a formal policy for deposits. None of the District's deposits were exposed to custodial credit risk.

Note 3: Long Term Debt

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

Limited Tax General Obligation Bonds Series 2025(3)
On December 19, 2025, the District issued $2,061,000 of Limited Tax General Obligation Bonds (the "Series 2025(3) Bonds"). The Series 2025(3) Bonds were issued for the purposes of reimbursing South Academy Station Metropolitan District No. 1 for public improvements that benefited the District. The Series 2025(3) Bonds bear interest at the rate of 8.00%, payable annually on December 19, commencing on December 19, 2026, to the extent that Pledged Revenue is available. The Series 2025(3) Bonds are secured by Pledged Revenues including the Required Mill Levy (as defined in the Indenture of Trust for the Series 2021A-1(3) Bonds or the "Series 2021A-1(3) Indenture"), specific ownership taxes attributable to the District's Required Mill Levy and any other legally available moneys that the District determines, in its absolute discretion, to transfer to the Trustee for application as Pledged Revenue.

The Series 2025(3) Bonds are "cash flow" bonds meaning that no regularly scheduled principal payments are due prior to the maturity date, and interest not paid will accrue and compound until there is sufficient Pledged Revenue for payment.

The Series 2025(3) Bonds are also subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of $1,000, in any order of maturity and in whole or partial maturities, on any date at a redemption price of the principal amount redeemed plus accrued interest thereon to the redemption date.

Due to the uncertainty of the timing of the principal and interest on the Bonds, a schedule of the estimated timing of these payments is not available.

In accordance with the Bond documents, due to the limited nature of the pledged revenues, the District will not be in default of its obligations by reason of failure to pay interest or principal when due. Any unpaid interest will compound on the due date commencing December 19, 2026. Acceleration of the Series 2025(3) Bonds shall not be an available remedy for an Event of Default.

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

	Balance 12/31/2025	Additions	Deletions	Balance 12/31/2026	Current Portion
General Obligation Bonds					
Limited Tax General Obligation Bonds Series 2025(3)	$ -	$ 2,061,000	$ -	$ 2,061,000	$ -
Limited Tax General Obligation Bonds Series 2025(3) - Accrued Interest	-	5,496	-	5,496	-
	$ -	$ 2,066,496	$ -	$ 2,066,496	$ -

As of December 31, 2025, the District had remaining voted debt authorization of approximately $454,439,000. The District has not budgeted to issue any additional debt in 2026. Per the Amended Service Plan, the District shall not issue Debt in excess of $26,500,000. As of December 31, 2025, the District has $24,439,000 of authorization remining under the Service Plan.

Note 4: Intergovernmental Agreements

District Operating Agreement

The District entered into a District Operating Agreement with South Academy Station Metropolitan District Nos. 2, 4 and 5 (along with the District, the Taxing Districts) and District No. 1 (the Operating District), on June 24, 2008. The agreement sets forth the rights and obligations of the Operating District to provide operations and management to the Taxing Districts, and the Taxing Districts will fully fund the cost of operations for the Operating District.

The Operating District agrees to provide operations contemplated by the Service Plan to the Taxing Districts, provided that the Taxing Districts appropriate sufficient funds to defray the corresponding operations costs. The Operating District may suspend or curtail operations in its ordinary judgment as necessary or appropriate to address funding shortfalls that have accrued or are anticipated. The Operating District is permitted to enter into agreements with other entities or persons for the provision of operations.

No Taxing District shall be required to impose an operations mill levy until such time as the assessed valuation in the Taxing District is $250,000 or higher.

The Agreement may be terminated by mutual, written agreements of the Districts. If the agreement is terminated, the District shall be paid for operations satisfactorily performed prior to the designated termination date.

Note 5: Related Parties

All of the Board of Directors are employees, owners or are otherwise associated with the Developer and may have conflicts of interest in dealing with the District. Management believes that all potential conflicts, if any, have been disclosed to the Board.

Note 6: Tax, Spending and Debt Limitations

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

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

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

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

On November 4, 2025, the District's voters authorized the District to collect, retain and spend all revenues in excess of TABOR spending, revenue raising or other limitations. Electors also authorized the District to increase property taxes and fees up to $10,000,000 each, annually, as necessary, to pay for the operations and maintenance of the District.

Note 7: Risk Management

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

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

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

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

1) Long-term liabilities such as bonds payable and accrued bond interest payable are not due and payable in the current period and, therefore, are not in the funds.

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

1) Governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities;

2) governmental funds report bond proceeds as revenue; and,

3) governmental funds report long-term debt payments as expenditures, however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.

SUPPLEMENTAL INFORMATION

SOUTH ACADEMY STATION METROPOLITAN DISTRICT NO. 3

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
CAPITAL PROJECTS FUND
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Transfer from District No. 1	$ -	$ 166,500	$ 166,500	$ -
Total Revenues	-	166,500	166,500	-
EXPENDITURES				
Bond issuance costs	-	159,500	159,500	-
Transfers to District No. 1	-	2,061,000	2,061,000	-
Total Expenditures	-	2,220,500	2,220,500	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(2,054,000)	(2,054,000)	-
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	2,061,000	2,061,000	-
Total Other Financing Sources (Uses)	-	2,061,000	2,061,000	-
NET CHANGE IN FUND BALANCE	-	7,000	7,000	-
FUND BALANCE:				
BEGINNING OF YEAR	-	-	-	-
END OF YEAR	$ -	$ 7,000	$ 7,000	$ -

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