KARL'S FARM METROPOLITAN DISTRICT NO. 3

Financial Statements

Year Ended December 31, 2025

with

Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Karl's Farm Metropolitan District No. 3
Adams County, CO

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Karl's Farm 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 Karl's Farm Metropolitan District No. 3 as of December 31, 2025, and the respective changes in financial position and 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

Castle Pines, CO
September 7, 2026

Karl's Farm 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 investments	$ -	$ -	$ -	$ -	$ -	$ -
Cash and investments - restricted	1	169,247	82,000	251,248	-	251,248
Receivable - County Treasurer	469	1,656	-	2,125	-	2,125
Receivable - PIF income	-	27,578	-	27,578	-	27,578
Receivable - Sales tax income	-	62,051	-	62,051	-	62,051
Property taxes receivable	44,511	221,071	-	265,582	-	265,582
Due from other funds	-	17,306	-	17,306	-	17,306
Total Assets	$ 44,981	$ 498,909	$ 82,000	$ 625,890	-	625,890
LIABILITIES						
Accrued interest on bonds	$ -	$ -	$ -	$ -	$ 983,856	$ 983,856
Due to other funds	17,306	-	-	17,306	-	17,306
Long-term liabilities:						
Due in more than one year	-	-	-	-	6,295,000	6,295,000
Total Liabilities	17,306	-	-	17,306	7,278,856	7,296,162
DEFERRED INFLOWS OF RESOURCES						
Deferred PIF income	-	27,578	-	27,578	-	27,578
Deferred property taxes	44,511	221,071	-	265,582	-	265,582
Total Deferred Inflows of Resources	44,511	248,649	-	293,160	-	293,160
FUND BALANCES/NET POSITION						
Fund Balances:						
Restricted:						
Emergencies	1	-	-	1	(1)	-
Debt service	-	250,260	-	250,260	(250,260)	-
Capital projects	-	-	82,000	82,000	(82,000)	-
Unassigned	(16,837)	-	-	(16,837)	16,837	-
Total Fund Balances	(16,836)	250,260	82,000	315,424	(315,424)	-
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 44,981	$ 498,909	$ 82,000	$ 625,890		
Net Position:						
Restricted for:						
Emergencies					1	1
Debt service					250,260	250,260
Capital projects					82,000	82,000
Unrestricted					(7,295,693)	(7,295,693)
Total Net Position					$ (6,963,432)	$ (6,963,432)

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

Karl's Farm 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						
Transfer to District 1	$ 92,000	$ -	$ -	$ 92,000	$ -	$ 92,000
Treasurer's fees	247	873	-	1,120	-	1,120
Bond interest expense	-	361,963	-	361,963	51,855	413,818
Paying agent fees	-	4,000	-	4,000	-	4,000
Total Expenditures	92,247	366,836	-	459,083	51,855	510,938
GENERAL REVENUES						
Property taxes	16,488	58,197	-	74,685	-	74,685
Specific ownership taxes	1,816	6,411	-	8,227	-	8,227
PIF income	-	161,347	-	161,347	-	161,347
Sales taxes	-	262,124	-	262,124	-	262,124
Interest income	13,658	535	-	14,193	-	14,193
Total General Revenues	31,962	488,614	-	520,576	-	520,576
NET CHANGES IN FUND BALANCES	(60,285)	121,778	-	61,493	(61,493)	
CHANGE IN NET POSITION					9,638	9,638
FUND BALANCES/NET POSITION:						
BEGINNING OF YEAR	43,449	128,482	82,000	253,931	(7,227,001)	(6,973,070)
END OF YEAR	$ (16,836)	$ 250,260	$ 82,000	$ 315,424	$ (7,278,856)	$ (6,963,432)

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

Karl's Farm 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 Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Property taxes	$ 38,653	$ 38,653	$ 16,488	$ (22,165)
Specific ownership taxes	1,932	513	1,816	1,303
Interest income	2,727	10,000	13,658	3,658
Total Revenues	43,312	49,166	31,962	(17,204)
EXPENDITURES				
Transfer to District 1	42,699	92,000	92,000	-
Treasurer's fees	580	247	247	-
Emergency reserve	1	1	-	1
Contingency	32	32	-	32
Total Expenditures	43,312	92,280	92,247	33
NET CHANGE IN FUND BALANCE	-	(43,114)	(60,285)	(17,171)
FUND BALANCE:				
BEGINNING OF YEAR	-	43,114	43,449	335
END OF YEAR	$ -	$ -	$ (16,836)	$ (16,836)

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

KARL'S FARM METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements
December 31, 2025

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Karl's Farm Metropolitan District No. 3, (the "District"), located in Adams 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 as the Commercial District on November 12, 2019, in conjunction with Operating District, Karl's Farms Metropolitan District No. 1 (the "District No. 1") and the Residential District, Karl's Farms Metropolitan District No. 2, (the "District No. 2"), as a quasi-municipal organization established under the State of Colorado Special District Act. The District was established to provide financing, acquisition, and construction of certain essential public facilities for the use and benefit of the inhabitants and taxpayers of real property within the boundaries of the District and District Nos. 1 and 2. The District's primary revenues in 2024 are PIF income and tax revenues. 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 GASB pronouncements, which provides 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 component units as defined by the GASB.

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.

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.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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

Budgets are adopted on a non-GAAP basis for governmental funds. 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.

In 2025, the District amended the total appropriations in the General Fund from $43,312 to $89,115. This was insufficient; therefore, the District re-amended the appropriations to $92,280 all primarily due to increased transfers to District No. 1.

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position:

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, 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 and Investments

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

The 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 minimum number of bank accounts. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Interfund Balances

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". These amounts are eliminated in the Statement of Net Position.

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 has no 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 type of item that qualifies for reporting in this category. Deferred property taxes and deferred PIF taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

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 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated. No depreciation expense was recognized during 2025.

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 30 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.

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.

Fund Equity

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

Nonspendable Fund Balance

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

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

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of $1 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of $250,260 is restricted for the payment of the debt service costs associated with the General Obligation Limited Tax and Special Revenue Bonds Series 2021 (see Note 3).

The restricted fund balance in the Capital Projects Fund in the amount of $82,000 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 other 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.

Deficits
The General Fund reported a deficit fund balance in the fund financial statements of $(16,836). The District has budgeted sufficient property tax revenue for 2026 to correct the deficit.

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 or 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.

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 and Investments

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

Statement of Net Position:	
Cash and investments	$ 0
Cash and investments - Restricted	251,248
Total	$ 251,248

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

Deposits with financial institutions	$ 0
Investments - COLOTRUST	251,248
	$ 251,248

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 follows state statutes for deposits. None of the District's deposits were exposed to custodial credit risk.

Investments

Investment Valuation

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

Credit Risk

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

Custodial and Concentration of Credit Risk

None of the District's investments are subject to custodial or concentration of credit risk.

Interest Rate Risk

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

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

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust ("COLOTRUST"), is rated AAAm by Standard & Poor's with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. COLOTRUST operates similarly to a money market fund with each share maintaining a value of $1.00. The COLOTRUST offers shares in three portfolios, one of which is COLOTRUST PLUS+. COLOTRUST PLUS+ may invest in U.S. Treasuries, government agencies, the highest-rated commercial paper, certain corporate securities, certain money market funds, and certain repurchase agreements, and limits its investments to those allowed by State statutes. Purchases and redemptions are available daily at a net asset value (NAV) of $1.00. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal function of COLOTRUST. The custodian's internal records identify the investments owned by participating governments. There are no unfunded commitments and there is no redemption notice period. On December 31, 2025, the District had $251,248 invested in COLOTRUST Plus+.

Note 3: Long Term Debt

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

$6,295,000 General Obligation Limited Tax and Special Revenue Bonds Series 2021
On December 22, 2021, the District issued $6,295,000 General Obligation Limited Tax and Special Revenue Bonds Series 2021 ("Series 2021 Bonds") to provide funding and reimbursing a portion of the costs of certain public infrastructure and paying the costs of the Series 2021 Bonds. The Series 2021 Bonds bear interest at the rate of 5.750%, payable annually on December 1, commencing on December 1, 2022, to the extent that Pledged Revenue is available. The Series 2021 Bonds are cash flow bonds with annual payments anticipated to be made on December 1, commencing December 1, 2022, from and to the extent of available Pledged Revenue. Unpaid interest compounds annually on December 1 at the rate of 5.750%. The Series 2021 Bonds will be secured by a required debt service mill levy of 35.000 mills (subject to adjustment for changes in the method of calculating the assessed valuation) or such lesser mill levy which will fund the Bond Fund in an amount sufficient to pay all of the principal of and interest on the Bonds in full, the portion of specific ownership taxes attributable to the property taxes used for the Series 2021 Bonds debt service and the PIF Revenues as described in Note 5.

The Series 2021 Bonds are 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, commencing on December 1, 2028, upon payment of par, accrued interest, and a redemption premium that ranges between 1% and 3%. Beginning December 1, 2031, and therefore, the Series 2021 Bonds can be redeemed without a premium.

The Series 2021 Bonds are "cash flow" bonds meaning that no regularly scheduled principal payments are guaranteed prior to the maturity date, and interest not paid will accrue and compound until there is sufficient Pledged Revenue for payment. In the event any amounts due and owing on the Series 2021 Bonds remain outstanding on December 1, 2061, such amounts shall be deemed discharged and shall no longer be due and outstanding.

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

	Balance 1/1/2025	Additions	Deletions	Balance 12/31/2025	Current Portion
General Obligation Debt					
General Obligation and Special Revenue Bonds - Series 2021	$6,295,000	$ -	$ -	$ 6,295,000	$ -
Total	$6,295,000	$ -	$ -	$ 6,295,000	$ -

Due to the uncertainty in the timing of principal and interest payments on the Series 2021 Bonds, no schedule of payments is presented. As of December 31, 2025, there was $983,856 in accrued interest.

Debt Authorization
As of December 31, 2025, the District had remaining voted debt authorization of approximately $363,705,000. Per the District's Service Plan, the District cannot issue debt in excess of $37,000,000. The District has not budgeted to issue any new debt during 2026.

Note 4: Related Party

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 5: Agreements

Master Intergovernmental Agreement
On December 9, 2021, the Districts entered into an Intergovernmental Agreement ("Master IGA") in which District No. 2 and the District are to finance the costs incurred for the planning, design, acquisition, construction, installation, and financing certain improvements that benefit property within the District and District No. 2. The Districts acknowledge that the Districts may not have sufficient revenues from bond proceeds to pay the Eligible Capital Costs of all the Community Improvements and may rely upon the Developer to advance funds under its Acquisition and Reimbursement Agreement to provide the Community Improvements, which are anticipated to be reimbursed to Developer in accordance with the Acquisition and Reimbursement Agreement. In 2022, the District transferred $2,119,034 of bond proceeds to District No. 2 for reimbursement to the developer for accepted costs.

Amended and Restated Intergovernmental Agreement Regarding Facilities Funding and Construction ("IGA")
On September 20, 2023, the District and District Nos. 1 and 2 entered into an IGA whereby District No. 1 acknowledged it will coordinate the construction of all residential and commercial improvements by either constructing them or acquiring them from the Developer under the Acquisition and Reimbursement Agreement dated December 4, 2019. District No. 1 is designated as the Coordinating District and shall coordinate construction and funding of public improvements with and for the benefit of other District Nos. 2 and 3 ("Financing Districts") within the Development. The Coordinating District which will own, operate and maintain the improvements within the boundaries of the Districts that are not dedicated to other governmental entities or an owners association. The Financing Districts will be responsible for the costs associated with the financing of the improvements as well as costs associated for the administrative services and operation and maintenance services. This IGA is effective January 1, 2023.

Public Improvement Fee

The District has agreed to establish a Public Improvement Fee (the "PIF") pursuant to the Declaration of Covenants Imposing and Implementing The Karl's Farm Credit Public Improvement Fee (the "Credit PIF Declaration") recorded against the property in the District in the amount of 2.25% on the purchase price of each transaction involving the sale of goods or services (the "Sales Tax Credit PIF") and a 3.75% fee upon lodging within the Districts (the "Accommodations Credit PIF"). The Declaration states the District can only impose the Sales Tax Credit PIF for ten years following the date the first Sales Tax Credit PIF Revenue is generated and the Accommodations Credit PIF can only be imposed for thirteen years following the date the first Accommodations Credit PIF Revenue is generated. Pursuant to the Public Finance Agreement entered into between the City of Northglenn and the Developer, the maximum combined amount of the Sales Tax Credit PIF and Accommodations Credit PIF the District can receive is $2,180,000.

The Developer has agreed to establish a PIF pursuant to the Declaration of Covenants Imposing and Implementing The Karl's Farm Add-On Public Improvement Fee recorded against the property in the District in the amount of 1.00% on the purchase price of each transaction involving the sale of goods or services (the "Add-On PIF"). The District recognized $161,347 in PIF revenue and $262,124 in Sales Tax revenue in 2025.

Funding and Reimbursement Agreement

On December 4, 2019, the District and KF Developers Inc., ("KFD") entered into a Funding and Reimbursement Agreement, ("agreement"), under which KFD agreed to advance funds necessary to fund or directly pay the District's operations and maintenance expenses for the up to $100,000 through December 31, 2025. Under the agreement, simple interest accrues on each advance from the date of deposit into the District's account or from the date of direct payment by KFD, until paid, at the rate of six and a half percent (6.5%) per annum. No advances to date have been made under this agreement.

Capital Facilities Fees Resolution

On December 9, 2021, the District adopted the Capital Facilities Fees Resolution imposing a fee due on the date a building permit is issued. The rate is $500 for each residential unit within the senior affordable housing facility located within the boundaries of the District. The fees are not pledged to the repayment of the Series 2021 Bonds and therefore, can be applied to the costs of acquiring, replacing, repairing, and maintaining certain amenities and facilities but are not to be used to pay for general administrative costs of the District. In 2025, the District recorded no fee revenues.

Acquisition and Reimbursement Agreement

On December 4, 2019, the District and KFD entered into the Acquisition and Reimbursement Agreement in which KFD may seek reimbursement for costs related to certain public improvements that were financed, constructed, or caused to be constructed by the developer on behalf of the District. Any advances not reimbursed will accrue interest, until paid, at the rate of six and a half percent (6.5%) per annum. No advances to date have been made under this agreement.

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 5, 2019, 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 Article X, Section 20 of the Colorado Constitution.

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 may have the following elements:

1) capital improvements used in government activities are not financial resources and, therefore are not reported in the funds; and

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

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

1) governmental funds report capital outlays as expenditures, however, in the statement of activities, the costs of those assets are held as construction in process pending transfer to other governmental entities or depreciated over their useful lives;

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

3) governmental funds report developer advances and/or bond proceeds as revenue; and,

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

SUPPLEMENTAL INFORMATION

Karl's Farm Metropolitan District No. 3

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

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	$ 136,432	$ 58,197	$ (78,235)
Specific ownership taxes	6,822	6,411	(411)
PIF income	111,238	161,347	50,109
Sales taxes	250,285	262,124	11,839
Interest Income	-	535	535
Total Revenues	504,777	488,614	(16,163)
EXPENDITURES			
Bond interest expense	583,260	361,963	221,297
PIF collection fee	1,808	-	1,808
Paying agent fees	10,000	4,000	6,000
Treasurer's fees	2,046	873	1,173
Total Expenditures	597,114	366,836	230,278
NET CHANGE IN FUND BALANCE	(92,337)	121,778	214,115
FUND BALANCE:			
BEGINNING OF YEAR	92,337	128,482	36,145
END OF YEAR	$ -	$ 250,260	$ 250,260

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

Karl's Farm 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 and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Interest income	$ -	$ -	$ -
Total Revenues	-	-	-
EXPENDITURES			
Miscellaneous expense	-	-	-
Total Expenditures	-	-	-
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE:			
BEGINNING OF YEAR	82,000	82,000	-
END OF YEAR	$ 82,000	$ 82,000	$ -

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

Karl's Farm Metropolitan District No. 3

SUMMARY OF ASSESSED VALUATION, MILL LEVY
AND PROPERTY TAXES COLLECTED
December 31, 2025
(Unaudited)

Collection Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied		Total Property Tax		Percent Collected to Levied
		General Fund	Debt Service	Levied	Collected	
2021	$ 385,580	10.000	0.000	$ 3,856	$ 3,601	93.39%
2022	$ 497,790	10.000	35.000	$ 22,401	$ 22,401	100.00%
2023	$ 301,140	10.000	35.000	$ 13,551	$ 13,551	100.00%
2024	$ 986,790	10.394	36.688	$ 46,460	$ 46,769	100.66%
2025	$ 3,718,720	10.394	36.688	$ 175,085	$ 74,685	42.66% (1)
Estimated for year ending December 31, 2026	$ 5,841,330	7.620	37.846	$ 265,582		

NOTE

Property taxes collected in any one year include collection of delinquent property taxes levied and/or abatements or valuations in prior years. Information received from the County Treasurer does not permit identification of specific year assessment.

(1) There was a change in status of apartment buildings, located within the District, from taxable to non-taxable. This resulted in a reduction of revenue by $100,400.