

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 3

Financial Statements

Year Ended December 31, 2025

With

Independent Auditors' Report

CONTENTS

	<u>Page</u>
<u>Independent Auditors' Report</u>	I
<u>Basic Financial Statements</u>	
Balance Sheet/Statement of Net Position – Governmental Funds	1
Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities – Governmental Funds	2
Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual – General Fund	3
Notes to Financial Statements	4
<u>Supplemental Information</u>	
Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual – Debt Service Fund	21
Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual – Improvement Project Fund	22
Summary of Assessed Valuation, Mill Levy and Property Taxes Collected	23
<u>Continuing Disclosure Annual Financial Information – Unaudited</u>	
Assessed and Actual Valuation of Classes of Property in the District	24
Mill Levy Recap	25
Selected Debt Ratios	26
Estimated Overlapping General Obligation Debt	27



INDEPENDENT AUDITORS' REPORT

To the Board of Directors

Fossil Ridge Metropolitan District No. 3

Opinions

We have audited the accompanying financial statements of the governmental activities, and each major fund of Fossil Ridge Metropolitan District No. 3, 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 Fossil Ridge 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 audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Fossil Ridge Metropolitan District No. 3 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 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 Fossil Ridge 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the

aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Fossil Ridge 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 the Fossil Ridge 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 opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fossil Ridge Metropolitan District No. 3's basic financial statements. The Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual – Debt Service Fund and Summary of Assessed Valuation, Mill Levy and Property Taxes Collected 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 Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual – Debt Service Fund and Summary of Assessed Valuation, Mill Levy and Property Taxes Collected are 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 included in the report. The other information comprises the continuing disclosure annual financial information, as listed in the table of contents. 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

Very truly yours,

A handwritten signature in black ink, appearing to read "Haynie", written in a cursive style.

Littleton, Colorado

July 20, 2026

BASIC FINANCIAL STATEMENTS

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 3
BALANCE SHEET/STATEMENT OF NET POSITION (DEFICIT)
GOVERNMENTAL FUNDS
December 31, 2025

						Statement of Net Position
Assets	General	Debt Service	IPF	Total	Adjustments	
Cash and investments - unrestricted	\$ 240,358	\$ -	\$ -	\$ 240,358	\$ -	\$ 240,358
Cash and investments - restricted	-	3,087,833	1,742,998	4,830,831	-	4,830,831
Receivable from county treasurer	2,002	8,842	-	10,844	-	10,844
Prepaid expenditures	3,748	6,650	-	10,398	-	10,398
Prepaid bond insurance	-	-	-	-	453,954	453,954
Property taxes receivable	351,697	1,677,326	-	2,029,023	-	2,029,023
Due from District No. 1	-	5,916	-	5,916	-	5,916
Due from District No. 2	-	13,623	-	13,623	-	13,623
Total Assets	597,805	4,800,190	1,742,998	7,140,993	453,954	7,594,947
Deferred Outflows of Resources						
Deferred loss on refunding, net of amortization	-	-	-	-	440,893	440,893
Total Deferred Outflows of Resources	-	-	-	-	440,893	440,893
Total Assets and Deferred Outflows of Resources	\$ 597,805	\$ 4,800,190	\$ 1,742,998	\$ 7,140,993	\$ 894,847	\$ 8,035,840
Liabilities						
Due to District No. 1	\$ 109,819	\$ 6,650	\$ 26,118	\$ 142,587	\$ -	\$ 142,587
Accrued interest on bonds	-	-	-	-	185,416	185,416
Long-term liabilities:						
Due within one year	-	-	-	-	1,055,000	1,055,000
Due in more than one year	-	-	-	-	56,710,385	56,710,385
Total Liabilities	109,819	6,650	26,118	142,587	57,950,801	58,093,388
Deferred Inflows of Resources						
Deferred property taxes	351,697	1,677,326	-	2,029,023	-	2,029,023
Total Deferred Inflows of Resources	351,697	1,677,326	-	2,029,023	-	2,029,023
Fund Balances/Net Position						
Fund Balances						
Nonspendable:						
Prepaid expenditures	3,748	6,650	-	10,398	(10,398)	-
Restricted :						
Emergency reserve	15,600	-	-	15,600	(15,600)	-
Debt service	-	2,665,485	-	2,665,485	(2,665,485)	-
Improvement Projects	-	-	776,880	776,880	(776,880)	-
Assigned:						
Subsequent year's expenditures	-	444,079	940,000	1,384,079	(1,384,079)	-
Unrestricted:						
Unassigned	116,941	-	-	116,941	(116,941)	-
Total Fund Balance	136,289	3,116,214	1,716,880	4,969,383	(4,969,383)	-
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 597,805	\$ 4,800,190	\$ 1,742,998	\$ 7,140,993		
Net Position (Deficit)						
Restricted for:						
Emergencies					15,600	15,600
Unrestricted					(52,102,171)	(52,102,171)
Total Net Position (Deficit)					\$ (52,086,571)	\$ (52,086,571)

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

FOSSIL RIDGE 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	IPF	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	\$ 420,015	\$ 1,545,440	\$ -	\$ 1,965,455	\$ -	\$ 1,965,455
Specific ownership taxes	24,599	108,659	-	133,258	-	133,258
Interest	67,113	124,496	60,938	252,547	-	252,547
Conservation trust funds	13,201	-	-	13,201	-	13,201
Transfer from District No. 2	-	957,447	-	957,447	-	957,447
Total Revenues	<u>524,928</u>	<u>2,736,042</u>	<u>60,938</u>	<u>3,321,908</u>	<u>-</u>	<u>3,321,908</u>
Expenditures						
Audit	6,650	-	-	6,650	-	6,650
Insurance	3,955	-	-	3,955	14,717	18,672
Dues	661	-	-	661	-	661
Elections	25,307	-	-	25,307	-	25,307
Transfer to District No. 1	476,000	-	-	476,000	-	476,000
County treasurer fees	6,300	23,194	-	29,494	-	29,494
Paying agent fees	-	10,058	788	10,846	-	10,846
Amortization of loss on refunding	-	-	-	-	18,057	18,057
Bond principal - Series 2020	-	710,000	-	710,000	(710,000)	-
Bond interest - Series 2020	-	1,007,856	-	1,007,856	(121,983)	885,873
Bond interest - Series 2025	-	803,772	-	803,772	104,386	908,158
Total Expenditures	<u>518,873</u>	<u>2,554,880</u>	<u>788</u>	<u>3,074,541</u>	<u>(694,823)</u>	<u>2,379,718</u>
Excess of Revenue over (under) Expenditures	<u>6,055</u>	<u>181,162</u>	<u>60,150</u>	<u>247,367</u>	<u>694,823</u>	<u>942,190</u>
Other Financing Sources (Uses)						
Proceeds of 2025 Series Bond	-	26,265,000	-	26,265,000	(26,265,000)	-
2025 Bond transfer to FRMD #1	-	(23,500,000)	-	(23,500,000)	-	(23,500,000)
2025 Bond premium	-	(105,095)	-	(105,095)	105,095	-
2025 Bond Underwriter's discount	-	(110,273)	-	(110,273)	-	(110,273)
2025 Bond Issue discount	-	(181,991)	-	(181,991)	-	(181,991)
2025 Bond - cost of issuance	-	(310,678)	-	(310,678)	-	(310,678)
Transfer (to) from other funds	-	(2,000,000)	2,000,000	-	-	-
Transfer (to) FRMD #1	-	-	(343,270)	(343,270)	-	(343,270)
Total Other Financing Sources (Uses)	<u>-</u>	<u>56,963</u>	<u>1,656,730</u>	<u>1,713,693</u>	<u>(26,159,905)</u>	<u>(24,446,212)</u>
Net Change in Fund Balances	<u>6,055</u>	<u>238,125</u>	<u>1,716,880</u>	<u>1,961,060</u>	<u>(1,961,060)</u>	
Change in Net Position					<u>(23,504,022)</u>	<u>(23,504,022)</u>
Fund Balances/Net Position						
Beginning of Year	<u>130,234</u>	<u>2,878,089</u>	<u>-</u>	<u>3,008,323</u>	<u>(31,590,872)</u>	<u>(28,582,549)</u>
End of Year	<u>\$ 136,289</u>	<u>\$ 3,116,214</u>	<u>\$ 1,716,880</u>	<u>\$ 4,969,383</u>	<u>\$ (57,055,954)</u>	<u>\$ (52,086,571)</u>

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

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 3

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

For the Year Ended December 31, 2025

	Original and Final Budget	Actual Amounts	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 420,015	\$ 420,015	\$ -
Specific ownership taxes	21,000	24,599	3,599
Conservation trust funds	15,000	13,201	(1,799)
Interest	25,000	67,113	42,113
Total Revenues	<u>481,015</u>	<u>524,928</u>	<u>43,913</u>
Expenditures			
Audit	6,650	6,650	-
Dues	1,900	661	1,239
Elections	15,000	25,307	(10,307)
Insurance	5,100	3,955	1,145
County treasurer fees	6,300	6,300	-
Transfer to District No. 1	476,000	476,000	-
Emergency reserve	15,300	-	15,300
Total Expenditures	<u>526,250</u>	<u>518,873</u>	<u>7,377</u>
Net Change in Fund Balance	(45,235)	6,055	51,290
Beginning Fund Balance	<u>114,949</u>	<u>130,234</u>	<u>15,285</u>
Ending Fund Balance	<u>\$ 69,714</u>	<u>\$ 136,289</u>	<u>\$ 66,575</u>

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

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 3
Notes to Financial Statements
December 31, 2025

Note 1:

Summary of Significant Accounting Policies and Definition of Reporting Entity

The accounting policies of the Fossil Ridge Metropolitan District No. 3 (District), located in Jefferson 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 October 10, 2006, as a quasi-municipal corporation and political subdivision of the State of Colorado pursuant to the Colorado Special District Act. At the time of organization of the District, the Fossil Ridge Metropolitan District No. 1 (District No. 1) and the Fossil Ridge Metropolitan District No. 2 (District No. 2) were also organized (collectively, the Districts). The Districts are governed by the same Service Plan (as amended by the Second Amended and Restated Service Plan approved by the City of Lakewood on August 27, 2007), which provides that District No. 1 is the "Operating District" and the District and District No. 2 are the "Taxing Districts". The Taxing Districts are to provide funding to the Operating District for the construction, operation and maintenance of various public improvements and the Operating District is expected to manage such construction, operation and maintenance. 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 component units as defined by the GASB.

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

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 3
Notes to Financial Statements
December 31, 2025

Basis of Presentation

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

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the governmental funds statement of revenues, expenditures and change in fund balance/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 plus deferred outflows of resources and the (b) liabilities plus 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 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 *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, specific ownership 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.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 3
Notes to Financial Statements
December 31, 2025

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 the financial resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs.

Improvement Project Fund – The IPF Fund was setup to fund projects that were part of the Brookfield Settlement. These are capital projects that the developer had not completed. From the bond that was issued \$2,000,000 was set up to fund the completion of those projects.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted first, then unrestricted resources as they are needed.

Budgetary Accounting

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with the Local Government Budget Law of Colorado, the District's board of directors holds a public hearing 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 total appropriation can only be modified upon completion of public notification and hearing 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.

Assets, Liabilities 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.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 3
Notes to Financial Statements
December 31, 2025

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 one item that qualifies for reporting in this category. Accordingly, the item, deferred loss on refunding, is deferred and recognized as an outflow of resources in the period that the amount is incurred.

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. This item is deferred property taxes. 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.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 3
Notes to Financial Statements
December 31, 2025

Bond Premium, Bond Refunding Costs, Prepaid Bond Insurance Costs and Deferred Loss on Refunding

In the fund financial statements, governmental fund types recognize bond premiums and discounts, bond insurance costs and bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs and insurance, whether or not withheld from the actual debt issuances are reported as debt service expenditures.

In the government-wide financial statements, prepaid bond insurance costs and deferred loss on refunding are being amortized over the term of the bonds using the straight-line method. The bond premium is amortized over the term of the bonds using the effective interest method. At December 31, 2025, the accumulated amortization of the prepaid bond insurance costs and deferred loss on refunding for the 2020 Bond was \$73,907 and \$93,295, respectively. The accumulated amortization of the prepaid bond insurance cost for the 2020 Bond was \$14,305 and for the 2025 Bond was \$412.

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

The nonspendable fund balance in the General Fund and the Debt Fund in the amount of \$3,748 and \$6,650, respectively, represents prepaid expenditures for the ensuing fiscal year and is therefore not in spendable form.

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 Debt Service Fund and the Improvement Project Fund in the amount of \$2,665,484 and \$776,880, respectively. The restricted funds are for the payment of the debt service costs associated with the outstanding debt (see Note 3) and the improvement projects.

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 \$15,600 of the General Fund balance has been reserved in compliance with this requirement.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 3
Notes to Financial Statements
December 31, 2025

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.

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.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 3
Notes to Financial Statements
December 31, 2025

Note 2:

Cash and Investments

As of December 31, 2025 cash and investments are classified in the accompanying statement of net position as follows:

Cash and investments-unrestricted	\$ 240,358
Cash and investments-restricted	<u>4,830,831</u>
Total	<u>\$5,071,189</u>

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

Investments – Colotrust	\$3,060,993
UMB	<u>2,010,196</u>
Total	<u>\$5,071,189</u>

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.

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.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 3
Notes to Financial Statements
December 31, 2025

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 investment:

COLOTRUST

During 2025, the District invested in the Colorado Local Government Liquid Asset Trust (Colotrust), 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 Colotrust. The District invested in COLOTRUST PLUS+, one of the three portfolios offered by Colotrust. Colotrust records its investments at fair value and the District records its investments in Colotrust using the net asset value method. COLOTRUST PLUS+ operates similarly to a money market fund and each share is equal in value to \$1.00. There are no unfunded commitments, the redemption period frequency is daily and there is no redemption notice period. COLOTRUST PLUS+ may invest in U.S. Treasury securities, federal instrumentality and agency securities, repurchase agreements and tri-party repurchase agreements, collateralized bank deposits, government money market funds, corporate bonds and highest rated commercial paper.

A designated custodial bank serves as custodian for Colotrust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for Colotrust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by Colotrust. COLOTRUST PLUS+ is rated AAAM by S&P Global Ratings with a weighted average maturity of under 60 days. At December 31, 2025, the District had \$3,060,993 invested in COLOTRUST PLUS+.

The District has investments at UMB for future bond payments. The funds at UMB are invested in COLOTRUST PLUS+. At December 31, 2025 the investment accounts carried a value of \$2,010,196.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 3
Notes to Financial Statements
December 31, 2025

Note 3:

Long-Term Obligations

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

	<u>Balance</u> <u>1/1/2025</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2025</u>	<u>Current</u> <u>Portion</u>
Bonds payable:					
Series 2020 - G.O. Bonds	\$ 30,675,000	\$ -	\$ 710,000	\$ 29,965,000	\$ 750,000
Series 2020 - premium	1,654,410	-	119,025	1,535,385	-
Series 2025 - G.O. Bonds	-	26,265,000	-	26,265,000	305,000
Total	<u>\$ 32,329,410</u>	<u>\$ 26,265,000</u>	<u>\$ 829,025</u>	<u>\$ 57,765,385</u>	<u>\$ 1,055,000</u>

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

Direct Borrowing Debt:

\$33,105,000 Limited Tax General Obligation Refunding and Improvement Bonds, Series 2020

On October 29, 2020, the District issued \$33,105,000 of General Obligation Refunding and Improvement Bonds, Series 2020 (Series 2020 Bonds). The Series 2020 Bonds are limited tax and special revenue obligations of the District secured and payable from pledged revenue consisting of ad valorem taxes and specific ownership taxes collected by the District and District No. 2 as defined by the bond indenture. The Series 2020 Bonds were issued for the purpose of paying (i) the costs of paying and discharging the District's outstanding 2014 Series Bonds and 2016 Series Bonds (ii) the costs of paying and discharging District No. 1's Series 2010 Bonds (iii) purchasing insurance policies on the bonds issued (iv) paying the costs of issuing the bonds; and, reimbursing the Developer (defined below) for a portion of the public improvements constructed by the Developer or funds advanced to District No. 1.

The Series 2020 Bonds include interest at rates ranging from 2.125% to 5.000% payable semiannually on each June 1 and December 1, commencing on June 1, 2021, and mature on June 1, 2050. The Series 2020 Bonds are subject to both optional and mandatory redemption, in whole or in part, upon payment of the principal amount so redeemed plus accrued interest to the date of redemption, with no redemption premium, beginning December 31, 2031 and December 31, 2045.

The Series 2020 Bonds are secured by the required mill levy and the portion of the specific ownership taxes collected as a result of the required mill levy for both the District and District No. 2, and any other legally available moneys as determined by District No. 1.

Events of default for the Series 2020 Bonds include: (i) failure by the District to impose the required mill levy or apply the pledged revenue as required by the indenture; (ii) failure by

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 3
Notes to Financial Statements
December 31, 2025

District No. 2 to impose the required mill levy or apply the pledged revenue as required by the pledge agreement; (iii) failure by the District to meet financial or custodial covenants as described in the indenture; (iv) default by District No. 2 in the performance or conditions of the joint funding and capital pledge agreement (as discussed in Note 4); or (v) the District files a petition under federal bankruptcy laws.

Immediately upon the occurrence and continuance of an event of default, the trustee has rights or remedies including (i) rights to the appointment of a receiver for control of trust assets and (ii) right to file a suit for judgment, action or special proceedings as advised by trustee counsel.

The following is a summary of the annual long-term debt principal and interest requirements on the Series 2020 Bonds:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 750,000	\$ 972,356	\$ 1,722,356
2027	785,000	934,856	1,719,856
2028	825,000	895,606	1,720,606
2029	865,000	854,356	1,719,356
2030	910,000	811,106	1,721,106
2031 - 2035	5,170,000	3,430,430	8,600,430
2036 - 2040	5,965,000	2,634,801	8,599,801
2041 - 2045	6,790,000	1,809,000	8,599,000
2046 - 2050	7,905,000	701,328	8,606,328
	<u>\$ 29,965,000</u>	<u>\$ 13,043,839</u>	<u>\$ 43,008,839</u>

\$26,265,000 Limited Tax General Obligation Improvement Bonds, Series 2025

On April 10, 2025, the District issued \$26,265,000 of General Obligation Improvement Bonds, Series 2025 (Series 2025 Bonds). The Series 2025 Bonds are limited tax and special revenue obligations of the District secured and payable from pledged revenue consisting of ad valorem taxes and specific ownership taxes collected by the District and District No. 2 as defined by the bond indenture. The Series 2025 Bonds were issued for the purpose of financing the costs of the agreement and mutual release with the developer. It includes a transfer of \$23,500,000 to District No.1 to pay off the developer advance to Brookfield Developer as part of the Settlement Agreement and the funding of an Improvement Project Fund of \$2,000,000.

The Series 2025 Bonds include interest at rates ranging from 4.625% to 5.000% payable semiannually on each June 1 and December 1, commencing on December 1, 2025, and mature on December 1, 2054. The Series 2025 Bonds are subject to both optional and mandatory redemption, in whole or in part, upon payment of the principal amount so redeemed plus accrued interest to the date of redemption, with no redemption premium, beginning December 31, 2030 and December 31, 2042.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 3
Notes to Financial Statements
December 31, 2025

The Series 2025 Bonds are secured by the required mill levy and the portion of the specific ownership taxes collected as a result of the required mill levy for both the District and District No. 2, and any other legally available moneys as determined by District No. 1.

Events of default for the Series 2025 Bonds include: (i) failure by the District to impose the required mill levy or apply the pledged revenue as required by the indenture; (ii) failure by District No. 2 to impose the required mill levy or apply the pledged revenue as required by pledge agreement; (iii) failure by the District to meet financial or custodial covenants as described in the indenture; (iv) default by District No. 2 in the performance or conditions of the joint funding and capital pledge agreement (as discussed in Note 4); or (v) the District files a petition under federal bankruptcy laws.

Immediately upon the occurrence and continuance of an event of default, the trustee has rights or remedies including (i) rights to the appointment of a receiver for control of trust assets and (ii) right to file a suit for judgment, action or special proceedings as advised by trustee counsel.

The following is a summary of the annual long-term debt principal and interest requirements on the Series 2025 Bonds:

	Principal	Interest	Total
2026	\$ 305,000	\$ 1,252,631	\$ 1,557,631
2027	320,000	1,237,381	1,557,381
2028	335,000	1,221,381	1,556,381
2029	355,000	1,204,631	1,559,631
2030	370,000	1,186,881	1,556,881
2031 - 2035	2,150,000	5,637,655	7,787,655
2036 - 2040	2,755,000	5,041,905	7,796,905
2041 - 2045	3,510,000	4,281,405	7,791,405
2046 - 2050	4,440,000	3,346,188	7,786,188
2051 - 2054	11,725,000	1,386,579	13,111,579
	<u>\$ 26,265,000</u>	<u>\$ 25,796,637</u>	<u>\$ 52,061,637</u>

Debt Authorization

As of December 31, 2025, the District had remaining voted debt authorization of approximately \$647,255,000. Per the District's Service Plan, the District, in combination with Districts No. 1 and No. 2, cannot issue more than \$91 million in revenue debt, of which \$70 million of such authorization may be allocated to general obligation debt. As of December 31, 2025, the Districts have issued \$64,395,000 in general obligation debt, the proceeds of which \$60,417,634 were paid to the Developer, \$1,977,366 were paid for bond issuance cost and \$2,000,000 were set up in an Improvement Project Fund.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 3
Notes to Financial Statements
December 31, 2025

Note 4:

District Agreements

Joint Funding and Capital Pledge Agreement

In 2009 and 2014 the District entered into Joint Funding Agreements with Districts No. 1 and No. 3 for the purpose of providing for the payment of debt in Districts No. 1 and No. 2. On October 29, 2020, the District entered into a Joint Funding and Capital Pledge Agreement (2020 Joint Funding Agreement) with Districts No. 1 and No. 2. Whereas the 2009 Joint Funding Agreement, as amended, contemplated that any subsequent debt obligations secured by *ad valorem* property taxes would be issued by District No. 1, the Districts subsequently determined that it would be in the best interest of the Districts, the residents and the taxpayers thereof: (i) for such indebtedness to be issued by the District, (ii) for such indebtedness be payable from such *ad valorem* property taxes and specific ownership taxes of the Taxing Districts for the purpose of prepaying in full District No. 1's Series 2010 Bonds, the District's Series 2014 Bonds and Series 2016 Bonds, and financing or reimbursing the Developer for an additional portion of the public improvements constructed by the Developer or funds advanced to District No. 1.

Under the 2020 Joint Funding Agreement, the Taxing Districts are obligated to provide for the payment to the District's trustee of certain property taxes and specific ownership taxes collected for the purpose of paying debt service on District's Series 2020 Bonds.

Master Intergovernmental Agreement

On January 8, 2008, the District entered into a Master Intergovernmental Agreement (Master IGA) with District No. 1 and District No. 2. Per the Master IGA, District No. 1 is to construct, own, operate the facilities, and to provide certain maintenance services to the facilities, for the benefit of the residents within the Districts' boundaries. Subject to the limitations of the Service Plan, the Districts are to pay the costs related to the construction, operation, and certain maintenance services of such facilities, including the payment of eligible costs owed the Developer from the proceeds of bonds issued to finance such facilities. In addition, and subject to the limitations of the Service Plan, the costs for certain administrative, operational, and maintenance services are paid from homeowner assessments and various fees, and the annual mill levy certified by the District and District No. 2. At December 31, 2025 the total *ad valorem* property tax for the District and for District No. 2 was 37.5 mills each. The IGA also sets forth certain provisions pertaining to the processes for the payment of capital, operations, and maintenance costs, review of budgets and project plans, execution of construction contracts, administrative management, establishment of user fees and the transfers of funds between the Districts.

Reimbursement of Developer Loan and Public Infrastructure Acquisition Agreement

On May 13, 2008, District No. 1 and Carma Lakewood LLC entered into a Reimbursement of Developer Loan and Public Infrastructure Acquisition Agreement (Loan Agreement). On December 6, 2011 Carma Lakewood LLC, Solterra LLC and District No. 1 entered into an Assignment of Reimbursement of Developer Loan and Public Infrastructure Acquisition

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 3
Notes to Financial Statements
December 31, 2025

Agreement, by which Carma Lakewood LLC assigned all of its rights and delegated all of its duties under the Loan Agreement to Solterra LLC (Developer or Solterra LLC). The Loan Agreement provides that the Developer may construct public improvements and transfer them to District No. 1 (or to a third party at District No. 1's discretion). The Loan Agreement expressly limits District No. 1's obligation to repay the Developer for cash advances, or the value of public improvements constructed, to bond proceeds. The Districts are responsible for determining when bonds should be issued, based upon numerous economic factors. District No. 1's board of directors may, in its sole discretion, use other legally available funds to repay Developer advances. The Developer's cash advances bear interest at a rate of 6% per annum from the date of the advance. With respect to public improvements constructed by the Developer, interest at the rate of 6% per annum will begin accruing when all of the following criteria have been met: a) District No. 1 has provided notice of acceptance to the Developer; b) the notice also states that the District No. 1 does not have funds to pay the purchase price at such time as defined in the Loan Agreement; and, c) the Developer has provided a bill of sale and otherwise satisfied District No. 1's conditions for District No. 1 to acquire the public improvements.

The repayment obligations of District No. 1 constitute a multiple fiscal year financial obligation; however, the Districts' eligible electors previously authorized this multiple fiscal year financial obligation, so it is not subject to annual appropriation. That said, as discussed above, the repayment obligation is restricted to bond proceeds. The Loan Agreement states that it is between District No. 1 and the Developer. However, given the provisions of the Master IGA, the District and District No. 2 are impacted from certain covenants contained therein.

Note 5:

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.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 3
Notes to Financial Statements
December 31, 2025

On November 7, 2006, 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.

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.

Note 6:

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 7:

Developer Lawsuit on General Obligation Bonds and Maintenance of Improvements

In 2005, Carma Lakewood LLC ("***Carma***") commenced development of a residential community called "Solterra", which is located in the City of Lakewood. To finance and construct the public improvements within Solterra, Carma organized the District in 2005. At the same time, Carma also organized Fossil Ridge Metropolitan District No. 1 ("***District No. 1***") and Fossil Ridge Metropolitan District No. 2 ("***District No. 2***"). The District and District No. 2 are referred to collectively as the "***Taxing Districts***", and with District No. 1, the "***Districts***"). The primary purpose of the Taxing Districts was to generate tax revenue to pay the principal and interest on all general obligation debt that would be issued to fund certain public improvements.

In the fall of 2006, the Districts' voters authorized the Districts to issue up to \$70,000,000 in general obligation debt (i.e., general obligations bonds ("***Bonds***"). On May 13, 2008, District No. 1 and Carma entered into a Reimbursement of Developer Loan and Public Infrastructure Acquisition Agreement ("***Loan Agreement***"). On December 6, 2011, Carma, Solterra LLC, and District No. 1 entered into an agreement that assigned all of Carma's rights and delegated all of its duties under the Loan Agreement to Solterra LLC ("***Developer***").

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 3
Notes to Financial Statements
December 31, 2025

Prior to December 2022, the Districts had issued \$38,130,000 in Bonds, the proceeds of which were paid to the Developer. The Districts were authorized to issue up to an additional \$31,870,000 in Bonds. On December 6, 2022, the Developer filed a lawsuit against the Districts in the District Court for Jefferson County, Case No. 2022CV31409. Solterra filed a First Amended Complaint and Jury Demand (“**Complaint**”) on February 8, 2023, asserting claims against the District(s) for breach of the Loan Agreement, declaratory relief regarding the Districts’ Repayment Obligation, breach of the Loan Agreement regarding maintenance, breach of the covenant of good faith and fair dealing, unjust enrichment, and promissory estoppel (collectively, the “**Claims**”). Solterra asserted it is owed at least \$31.87 million from the Districts under the Loan Agreement.

The Districts filed their Answer and Counterclaims on November 10, 2023. The Districts asserted the following counterclaims against the Developer: a) declaratory judgment as to how much, if any, District No. 1 still owed the Developer; b) declaratory judgment as to the Districts’ discretion in determining if and when to bond; c) declaratory judgment that the Developer must repair and maintain certain public infrastructure that had never been accepted by District No. 1; d) an accounting from the Developer as to alleged costs incurred to build public infrastructure; e) breach of contract for failing to follow applicable acceptance procedures; f) unjust enrichment based on the Districts having to fund local public improvements that were required to be privately funded by the Developer; g) breach of the duty of good faith and fair dealing based on the Developer unilaterally deeding property to District No. 1 to avoid contractual acceptance obligations; and, h) breach of the duty of good faith and fair dealing in causing the Developer board members to resign from the Districts’ boards, including conspiracy and aiding and abetting claims related to the same.

On January 22, 2025, the parties entered into a Settlement Agreement and Mutual Release to fully resolve this matter (“**Settlement Agreement**”). Among other terms of the settlement, one or more of the Districts were required to issue Bonds in an amount sufficient to make a net payment to the Developer in the amount of \$23,500,000. On April 10, 2025, the District issued Bonds in an amount that was sufficient to pay the Developer the \$23,500,000. The Developer and the Districts promptly filed with the Court a Stipulation for Dismissal with Prejudice, which the Court granted on April 17, 2025. The litigation was fully and finally resolved by the Court’s April 17, 2025 Order.

Developer Lawsuit to Enforce Service Plan

On February 17, 2023, the Developer filed a motion in the District Court for Jefferson County, Case No. 2005CV003044, to enforce the Districts’ Service Plan (“**Motion**”) against both the Districts and Green Mountain Water and Sanitation District (“**GMWSD**”), arguing that the District and GMWSD unilaterally modified the Districts’ Service Plan by failing and/or refusing to agree to provide sewer service to the Developer’s filings 18, 20, and 21 within the Solterra development, which were not yet occupied and/or built out.

On March 21, 2023, the Districts responded to the Developer’s Motion, arguing that the Districts’ Service Plan contemplates that sewer service would be provided through the District’s Intergovernmental Agreement with GMWSD and, as such, GMWSD is the party responsible for

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 3
Notes to Financial Statements
December 31, 2025

providing the service. A two-day evidentiary hearing was held on October 9-10, 2023. On October 14, 2023, the Court issued an Order denying the Developer's Motion. On November 17, 2023, the Developer appealed the Court's Order to the Colorado Court of Appeals, Case No. 2023CA1990. The Districts filed their Answer Brief on July 26, 2024.

On November 26, 2024, the parties signed a Settlement Agreement. Among other things, the Settlement Agreement required GMWSD to issue certificates for providing sewer service in Filings 18, 20 and 21 as they are built out. On November 27, 2024, the parties filed a Joint Notice of Settlement, Motion to Vacate Oral Argument, and Stay of Appeal Pending Completion of Settlement, which the Court granted.

On January 16, 2025, the Parties filed a Stipulation for Dismissal with Prejudice, which the Court granted on January 22, 2025, fully resolving the matter.

Developer Lawsuit for Allegedly Failing to Provide Sewer Service

On April 24, 2024, the Developer filed a separate civil action in the Jefferson County District Court, Case No. 2024CV30589, against the Districts and GMWSD asserting the following claims based on the same facts the Court considered in ruling against the Developer in the lawsuit discussed above: unjust enrichment, promissory estoppel, breach of contract, and alleged violations of the Colorado and United States Constitutions.

On June 20, 2024, GMWSD filed a Motion to Dismiss the lawsuit with prejudice on the grounds that a) the claims are barred by either issue preclusion or claim preclusion; b) the claims fail to plausibly allege a claim; and c) the claims are barred by a failure to comply with the relevant provisions of sovereign immunity. On June 28, 2024, the Districts filed a similar Motion to Dismiss. On or about August 13, 2024, the Court denied GMWSD and the Districts' Motions to Dismiss and the case proceeded through various Court procedures, with a jury trial set to begin on March 4, 2025.

On November 26, 2024, the parties signed a Settlement Agreement. On January 16, 2025, the Parties filed a Stipulation for Dismissal with Prejudice, which the Court granted on January 17, 2025, fully resolving the matter.

Note 8:

Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

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

- 1) The statement of net position includes prepaid bond insurance to be amortized over the life of the related debt obligation; however, this amount is reported as an expenditure for governmental funds.
- 2) Deferred loss on refunding debt obligations is reported as a deferred outflow of resources in the statement of net position; however, this is not reported in the

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 3
Notes to Financial Statements
December 31, 2025

governmental funds balance sheet as the issuance of long-term debt provides/consumes the current financial resources of governmental funds.

- 3) 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 Change in Fund Balance/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 in the statement of activities; and,
- 2) Governmental funds report long-term debt proceeds and premiums as revenue and long-term debt payments and transfers to escrow agents as expenditures, however, in the statement of activities, these revenues and payments are recorded as changes in long-term liabilities.
- 3) Governmental funds report bond insurance costs as expenditures, however in the statement of activities, these amounts are amortized over the life of the related debt obligation.
- 4) Amortization of deferred loss on refunding is reported as an expenditure in the statement of activities, however, this is not reported as an expenditure in governmental funds as it does not require the use of financial resources.

Note 9:

Subsequent Event

Management has evaluated subsequent events through July 13th, 2026 and no material events were identified requiring disclosure.

This information is an integral part of the accompanying financial statements.

SUPPLEMENTAL INFORMATION

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 3
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE - BUDGET AND ACTUAL -
DEBT SERVICE FUND
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual Amounts	Variance Favorable (Unfavorable)
Revenues				
Property taxes	\$ 1,545,440	\$ 1,545,440	\$ 1,545,440	\$ -
Specific ownership taxes	92,700	108,659	108,659	-
Interest	50,000	124,496	124,496	-
Transfer from District No. 2	941,721	957,447	957,447	-
Total Revenues	<u>2,629,861</u>	<u>2,736,042</u>	<u>2,736,042</u>	<u>-</u>
Expenditures				
County treasurer fees	23,182	23,194	23,194	-
Paying agent fees	7,000	10,058	10,058	-
Bond principal - Series 2020	710,000	710,000	710,000	-
Bond interest - Series 2020	1,007,856	1,007,856	1,007,856	-
Bond interest - Series 2025	-	803,772	803,772	-
Total Expenditures	<u>1,748,038</u>	<u>2,554,880</u>	<u>2,554,880</u>	<u>-</u>
Excess of Revenue over (under) Expenditures	<u>881,823</u>	<u>181,162</u>	<u>181,162</u>	<u>-</u>
Other Financing Sources (Uses)				
Proceeds of 2025 Series Bond	-	26,265,000	26,265,000	-
2025 Bond transfer to FRMD #1	-	(23,500,000)	(23,500,000)	-
2025 Bond premium	-	(105,095)	(105,095)	-
2025 Bond Underwriter's discount	-	(110,273)	(110,273)	-
2025 Bond Issue discount	-	(181,991)	(181,991)	-
2025 Bond - cost of issuance	-	(310,678)	(310,678)	-
Transfer to Improvement Project Fund	-	(2,000,000)	(2,000,000)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>56,963</u>	<u>56,963</u>	<u>-</u>
Net Change in Fund Balance	<u>881,823</u>	<u>238,125</u>	<u>238,125</u>	<u>-</u>
Beginning Fund Balance	<u>2,784,172</u>	<u>2,878,089</u>	<u>2,878,089</u>	<u>-</u>
Ending Fund Balance	<u>\$ 3,665,995</u>	<u>\$ 3,116,214</u>	<u>\$ 3,116,214</u>	<u>\$ -</u>

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 3
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE - BUDGET AND ACTUAL -
IMPROVEMENT PROJECT FUND
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual Amounts	Variance Favorable (Unfavorable)
Revenues				
Interest	\$ -	\$ 60,938	\$ 60,938	\$ -
Total Revenues	-	60,938	60,938	-
Expenditures				
Paying agent fees	-	788	788	-
Total Expenditures	-	788	788	-
Excess of Revenue over (under) Expenditures	-	60,150	60,150	-
Other Financing Sources (Uses)				
Transfer from Debt Fund	-	2,000,000	2,000,000	-
Transfer to FRMD #1	-	(343,270)	(343,270)	-
Total Other Financing Sources (Uses)	-	1,656,730	1,656,730	-
Net Change in Fund Balance	-	1,716,880	1,716,880	-
Beginning Fund Balance	-	-	-	-
Ending Fund Balance	<u>\$ -</u>	<u>\$ 1,716,880</u>	<u>\$ 1,716,880</u>	<u>\$ -</u>

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 3

SUMMARY OF ASSESSED VALUATION, MILL LEVY AND PROPERTY TAXES COLLECTED

December 31, 2025

District No. 2

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied		Total Property Tax		Percent Collected to Levied
		General	Debt Service	Levied	Collected	
2008	\$ 2,440,570	30.000	0.000	\$ 73,217	\$ 73,296	100.11%
2009	\$ 3,895,030	0.000	30.000	\$ 116,851	\$ 121,571	104.04%
2010	\$ 6,656,870	0.000	30.000	\$ 199,706	\$ 195,884	98.09%
2011	\$ 7,395,640	0.000	30.000	\$ 221,869	\$ 204,065	91.98%
2012	\$ 10,435,617	0.000	30.000	\$ 313,069	\$ 312,188	99.72%
2013	\$ 11,679,755	0.000	30.000	\$ 350,393	\$ 350,391	100.00%
2014	\$ 13,648,409	0.000	30.000	\$ 409,452	\$ 409,450	100.00%
2015	\$ 15,615,700	5.000	35.000	\$ 624,628	\$ 624,626	100.00%
2016	\$ 20,546,882	0.000	35.000	\$ 821,875	\$ 821,872	100.00%
2017	\$ 21,055,483	5.000	35.000	\$ 842,219	\$ 841,275	99.89%
2018	\$ 21,787,559	5.458	38.210	\$ 951,419	\$ 949,638	99.81%
2019	\$ 21,813,016	5.458	32.210	\$ 821,653	\$ 819,361	99.72%
2020	\$ 23,857,072	5.458	38.210	\$ 1,041,791	\$ 1,042,405	100.06%
2021	\$ 24,125,979	6.000	33.000	\$ 940,913	\$ 942,584	100.18%
2022	\$ 26,717,441	5.500	30.000	\$ 948,469	\$ 938,357	98.93%
2023	\$ 26,024,127	5.800	30.700	\$ 949,881	\$ 949,886	100.00%
2024	\$ 31,744,479	7.800	28.700	\$ 1,158,674	\$ 1,158,053	99.95%
2025	\$ 31,702,753	7.800	28.700	\$ 1,157,150	\$ 1,156,619	99.95%
Estimated for Year Ending December 31, 2026	\$ 32,208,859	6.500	31.000	\$ 1,207,832		

District No. 3

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied		Total Property Tax		Percent Collected to Levied
		General	Debt Service	Levied	Collected	
2008	\$ 5,344,050	30.000	0.000	\$ 160,322	\$ 160,661	100.21%
2009	\$ 6,894,350	0.000	30.000	\$ 206,831	\$ 206,831	100.00%
2010	\$ 8,141,260	0.000	30.000	\$ 244,238	\$ 244,238	100.00%
2011	\$ 8,482,530	0.000	30.000	\$ 254,476	\$ 227,276	89.31%
2012	\$ 10,780,165	0.000	30.000	\$ 323,405	\$ 312,505	96.63%
2013	\$ 11,909,224	0.000	30.000	\$ 357,277	\$ 357,089	99.95%
2014	\$ 15,585,624	0.000	30.000	\$ 467,569	\$ 467,097	99.90%
2015	\$ 15,998,305	5.000	35.000	\$ 639,932	\$ 639,809	99.98%
2016	\$ 26,917,310	0.000	40.000	\$ 1,076,692	\$ 1,074,430	99.79%
2017	\$ 28,558,160	5.000	35.000	\$ 1,142,326	\$ 1,140,153	99.81%
2018	\$ 34,948,305	5.458	38.210	\$ 1,526,123	\$ 1,520,648	99.64%
2019	\$ 36,179,503	5.458	32.210	\$ 1,362,810	\$ 1,359,568	99.76%
2020	\$ 38,805,537	5.458	38.210	\$ 1,694,560	\$ 1,693,370	99.93%
2021	\$ 41,129,306	6.000	33.000	\$ 1,604,042	\$ 1,600,296	99.77%
2022	\$ 45,567,705	5.500	30.000	\$ 1,617,653	\$ 1,585,097	97.99%
2023	\$ 44,714,865	5.800	30.700	\$ 1,632,092	\$ 1,631,992	99.99%
2024	\$ 52,695,853	7.800	28.700	\$ 1,923,399	\$ 1,923,435	100.00%
2025	\$ 53,848,068	7.800	28.700	\$ 1,965,455	\$ 1,965,455	100.00%
Estimated for Year Ending December 31, 2026	\$ 54,107,275	6.500	31.000	\$ 2,029,023		

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.

**CONTINUING DISCLOSURE
ANNUAL FINANCIAL INFORMATION –
UNAUDITED**

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 3
ASSESSED AND ACTUAL VALUATION OF CLASSES OF PROPERTY IN DISTRICT
December 31, 2025
UNAUDITED

District No. 2

Class	2025 Assessed Valuation	Percent of Assessed Valuation	2025 Actual Valuation	Percent of Actual Valuation
Residential	\$ 31,804,993	98.75%	\$ 499,183,714	99.70%
Vacant	1,323	0.00%	4,900	0.00%
Commercial	497	0.00%	1,846	0.00%
State Assessed	401,957	1.25%	1,488,730	0.30%
Natural Resources	89	0.00%	330	0.00%
Total	<u>\$ 32,208,859</u>	<u>100.00%</u>	<u>\$ 500,679,520</u>	<u>100.00%</u>

District No. 3

Class	2025 Assessed Valuation	Percent of Assessed Valuation	2025 Actual Valuation	Percent of Actual Valuation
Residential	\$ 52,936,501	97.84%	\$ 841,629,517	99.49%
Vacant	476,658	0.88%	1,765,400	0.21%
Commercial	4,497	0.01%	24,549	0.00%
State Assessed	689,619	1.27%	2,554,144	0.30%
Total	<u>\$ 54,107,275</u>	<u>100.00%</u>	<u>\$ 845,973,610</u>	<u>100.00%</u>

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 3
MILL LEVY RECAP
December 31, 2024 and 2025
UNAUDITED

Taxing Authority	2024 Levy	2025 Levy
Jefferson County	26.978	26.978
Jefferson County School District No. R-1	44.488	44.349
Lakewood (City of)	4.496	4.711
Mount Carbon Metropolitan District (exclusion areas)	20.000	20.000
Urban Drainage & Flood Control District	0.900	0.900
Urban Drainage & Flood Control South Platte	0.100	0.100
West Metro Fire Protection District - General	13.102	13.790
West Metro Fire Protection District - Sub	0.588	0.571
Total Overlapping Mill Levy	110.652	111.399
The Financing Districts	36.500	37.500
Total Mill Levy	147.152	148.899

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 3
SELECTED DEBT RATIOS
December 31, 2025
UNAUDITED

	<u>District No. 1</u>	<u>District No. 2</u>	<u>District No. 3</u>	<u>Total</u>
General Obligation Debt Outstanding	\$ -	\$ -	\$ 56,230,000	\$ 56,230,000
District Assessed Value	*	\$ 32,208,859	\$ 54,107,275	\$ 86,316,134
Ratio of Debt to Assessed Value				65.14%

* The property in District No. 1 is included in either the District or District No. 2. Therefore, the assessed value for District No. 1 of \$3,621,171 is not included in the above table.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 3
ESTIMATED OVERLAPPING GENERAL OBLIGATION DEBT
December 31, 2025
UNAUDITED

<u>Overlapping Public Entity</u>	<u>Outstanding General Obligation Debt</u>	<u>Estimated Net Debt Chargeable to Properties in the District</u>	
		<u>Percent</u>	<u>Amount</u>
District No. 2			
Jefferson County School District No. R-1	\$ 726,768,176	0.31%	\$ 2,252,981
Mount Carbon Metropolitan District	34,017,595	46.69%	15,882,815
West Metro Fire Protection District	6,100,000	0.80%	48,800
Total District No. 2			<u>\$ 18,184,596</u>
District No. 3			
Jefferson County School District No. R-1	\$ 726,768,176	0.41%	\$ 2,979,750
Mount Carbon Metropolitan District	34,017,595	63.33%	21,543,343
West Metro Fire Protection District	6,100,000	1.08%	65,880
Total District No. 3			<u>\$ 24,588,973</u>