

TWIN BUTTES METROPOLITAN DISTRICT NO. 3

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

December 31, 2025



TWIN BUTTES METROPOLITAN DISTRICT NO. 3

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Independent Auditor's Report



Board of Directors
Twin Buttes Metropolitan District No. 3
Durango, Colorado

INDEPENDENT AUDITOR'S REPORT

Opinions

We have audited the accompanying financial statements of the governmental activities and the major funds of the Twin Buttes 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 the major funds of the District, as of December 31, 2025, and the respective changes in financial position thereof 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 and budgetary comparison information on page 18 is presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The budgetary comparison information for the Debt Service Fund on page 19 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

DWC

Grand Junction, Colorado

June 4, 2026

Management's Discussion and Analysis

TWIN BUTTES METROPOLITAN DISTRICT NO. 3

MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and for the year ended December 31, 2025

As management of the Twin Buttes Metropolitan District No. 3 (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2025, with comparative information presented for the year ended December 31, 2024. We encourage readers to consider the information presented here in conjunction with the additional information furnished in our basic financial statements to better understand the financial position of the District.

Financial Highlights

- In the government-wide financial statements, the District's assets equaled its liabilities and deferred inflows of resources at December 31, 2025 and 2024. In addition, the District's revenues equaled its expenses for the years ended December 31, 2025 and 2024 as expected.
- The General Fund had no fund balance at December 31, 2025 and 2024 as expected.
- The Debt Service Fund had no fund balance at December 31, 2025 and 2024 as expected.
- Certain administrative costs related to operating the District were paid for by Twin Buttes Metropolitan District No. 1 (District No. 1) (See Note 5).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. This report also contains required and other supplemental information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private sector business.

The statement of net position presents information on all of the District's assets and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether financial position is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus, revenues and expenses are reported in the statement of activities for some items that will only result in cash flows in future fiscal periods.

In the government-wide financial statements, the District's activities are shown in one category; governmental activities. The District's activities are principally supported by property taxes.

The government-wide financial statements can be found on pages 8 and 9.

Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. The District's funds are all considered governmental funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The District presents two governmental funds, the General Fund and the Debt Service Fund. The District's Governmental Funds financial statements can be found on pages 10 and 11.

An annual appropriated budget was adopted for the funds in 2025 and 2024. Budgetary comparison schedules have been provided on pages 18 and 19 to demonstrate compliance with the adopted budgets.

Notes to Basic Financial Statements

The notes to the basic financial statements provide additional information that are essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the basic financial statements can be found on pages 12 through 17.

Required Supplementary Information (RSI)

The RSI presents additional information that differs from the basic financial statements in that the auditor applies certain limited procedures in reviewing the information. In this report, RSI includes the management's discussion and analysis and budgetary comparison schedule on page 18.

Government-wide Financial Analysis

The following summarizes the District's governmental net position as of December 31:

		2025	2024	Change
Assets				
Current and other assets		\$ 34,770	\$ 27,864	\$ 6,906
	Total Assets	34,770	27,864	6,906
Liabilities				
Current liabilities		179	-	179
	Total Liabilities	179	-	179
Deferred Inflows of Resources				
Property tax revenue		34,591	27,864	6,727
	Total Deferred Inflows of Resources	34,591	27,864	6,727
Net Position				
Unrestricted		-	-	-
	Total Net Position	\$ -	\$ -	\$ -

The following summarizes the change in the District's governmental net position for the years ended December 31:

		2025	2024	Change
Revenues				
General revenues:				
Taxes		\$ 30,421	\$ 30,975	\$ (554)
Conservation trust funds		12	12	-
	Total Revenues	30,433	30,987	(554)
Expenses				
Treasurer's fees		836	853	(17)
Intergovernmental expenses		29,597	30,134	(537)
	Total Expenses	30,433	30,987	(554)
	Change in Net Position	-	-	-
Net position – January 1		-	-	-
Net position – December 31		\$ -	\$ -	\$ -

Mill Levy and Debt

Total authorized mill levy and total authorized and outstanding debt consists of the following as of December 31, 2025:

	General	Debt	Total
Authorized Mill Levy	20.000	50.000	70.000
Debt Authorized	Debt Outstanding		
\$37,250,000	\$0		

Financial Analysis of Governmental Funds

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance related legal requirements.

The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The District has two major governmental funds, the General Fund and the Debt Service Fund. As expected the General Fund and Debt Service Fund had no fund balance as of December 31, 2025 and 2024 as pursuant to the intergovernmental agreement with District No. 1 and 2, the District revenues are transferred out to Districts No. 1 and 2.

General Fund and Debt Service Fund - Budgetary Highlights

The various revenues of this District are primarily dedicated to District No. 1 operations and District No. 2 debt service. The District's expenditures in 2025 were intergovernmental transfers of collected revenues to fund District No. 1's operating costs and District No 2's debt service costs and were comparable to budget and prior year as expected. The District's General Fund and Debt Service Fund unassigned fund balances were drawn down to zero at the end of 2025 accordingly.

Economic Factors and Next Year's Budget

The District was formed for the primary purpose of generating revenue from property taxes, development fees, and real estate transfer fees to either fund operating costs of District No. 1 or to service bonded debt issued by any of the three other districts. This District is currently composed of approximately 100 acres of undeveloped land and is either classified as ranch property or governmental with minimal assessable value. Development of the property within the District will not occur for several years. Until such development activity occurs the assessable value and property tax revenues will remain minimal. Development fee and real estate transfer fee revenues will not occur until development is complete and the properties are sold. Accordingly, fund activity and balances, whether government wide or on an individual fund basis, were minimal for 2025 and the foreseeable future.

Request for Information

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Steven Wilson, 692 Twin Buttes Ave., Durango, CO 81301.

Basic Financial Statements

Government-wide Financial Statements

TWIN BUTTES METROPOLITAN DISTRICT NO. 3

STATEMENT OF NET POSITION

December 31, 2025

ASSETS

Property taxes receivable	\$	34,591
Specific ownership taxes receivable		179
<i>Total Assets</i>		<u>34,770</u>

LIABILITIES

Intergovernmental payables		179
<i>Total Liabilities</i>		<u>179</u>

DEFERRED INFLOWS OF RESOURCES

Property tax revenue		34,591
<i>Total Deferred Inflows of Resources</i>		<u>34,591</u>

NET POSITION

Unrestricted		-
<i>Total Net Position</i>	\$	<u><u>-</u></u>

See accompanying notes.

TWIN BUTTES METROPOLITAN DISTRICT NO. 3

STATEMENT OF ACTIVITIES

For the year ended December 31, 2025

GOVERNMENTAL ACTIVITIES:

PROGRAM EXPENSES

Treasurer's fees	\$	836
Intergovernmental expenses		29,597
<i>Total Program Expenses</i>		30,433

GENERAL REVENUES

Taxes:		
Property taxes		27,864
Specific ownership taxes		2,557
Conservation trust funds		12
<i>Total General Revenues</i>		30,433
<i>Change in Net Position</i>		-

Net Position - January 1		
		-
Net Position - December 31		
	\$	-

See accompanying notes.

Fund Financial Statements

TWIN BUTTES METROPOLITAN DISTRICT NO. 3

BALANCE SHEET – GOVERNMENTAL FUNDS

December 31, 2025

	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS			
Property taxes receivable	\$ 9,883	\$ 24,708	\$ 34,591
Specific ownership taxes receivable	179	-	179
<i>Total Assets</i>	<u>\$ 10,062</u>	<u>\$ 24,708</u>	<u>\$ 34,770</u>
LIABILITIES			
Intergovernmental payables	\$ 179	\$ -	\$ 179
<i>Total Liabilities</i>	<u>179</u>	<u>-</u>	<u>179</u>
DEFERRED INFLOWS OF RESOURCES			
Property tax revenue	9,883	24,708	34,591
<i>Total Deferred Inflows of Resources</i>	<u>9,883</u>	<u>24,708</u>	<u>34,591</u>
FUND BALANCE			
Unassigned	-	-	-
<i>Total Fund Balance</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</i>	<u>\$ 10,062</u>	<u>\$ 24,708</u>	<u>\$ 34,770</u>

See accompanying notes.

TWIN BUTTES METROPOLITAN DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – GOVERNMENTAL FUNDS

For the year ended December 31, 2025

	General Fund	Debt Service Fund	Total Governmental Funds
REVENUES			
Taxes:			
Property taxes	\$ 7,961	\$ 19,903	\$ 27,864
Specific ownership taxes	731	1,826	2,557
Conservation trust funds	12	-	12
<i>Total Revenues</i>	<u>8,704</u>	<u>21,729</u>	<u>30,433</u>
EXPENDITURES			
Treasurer's fees	239	597	836
Intergovernmental expenditures	8,465	21,132	29,597
<i>Total Expenditures</i>	<u>8,704</u>	<u>21,729</u>	<u>30,433</u>
<i>Excess of Revenues Over Expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - January 1	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying notes.

Notes to Basic Financial Statements

TWIN BUTTES METROPOLITAN DISTRICT NO. 3

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Twin Buttes Metropolitan District No. 3 (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The District's significant accounting policies are described below:

Financial Reporting Entity

The Twin Buttes Metropolitan District Nos. 1-4 are political subdivisions of the State of Colorado, formed in 2013 for the purpose of providing the management, implementation, and coordination of the financing, acquisition, completion, and operation of certain public infrastructure and services throughout the Twin Buttes of Durango Development (the Development). The improvements will be for the collective use and benefit of the property owners within, and residents of, the Development. The District was designed, along with Twin Buttes Metropolitan District No. 4 (District No. 4), to collect property taxes which are pledged to repay the bonds issued by Twin Buttes Metropolitan District No. 2 (District No. 2). It will also contain a portion of the residential property of the Development. The commercial property of the Development will be located in District No. 4. Twin Buttes Metropolitan District No. 1 (District No.1) is the managing district and incurs a majority of the operating costs of the Development (see Note 6). District Nos. 2 and 4 are authorized to issue bonds and collect property taxes for the repayment of the debt. The District is governed by an elected four-member Board of Directors (the Board).

Government-wide Financial Statements

The government-wide financial statements consist of a statement of net position and a statement of activities to report information on all of the non-fiduciary activities of the District as a whole. These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets, liabilities, and deferred inflows of resources, including any capital assets and any long-term liabilities, are included in the accompanying statement of net position.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or program. There were no *Program revenues* for the year ended December 31, 2025, but in future years this may include 1) charges to those 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 included among program revenues, will be reported instead as *general revenues*, and are pledged to pay principal and interest payments for the bond held by District No. 2. The District has no *business-type activities*, which rely to a significant extent on user charges for support.

Fund Financial Statements

The accounts of the District are organized on the basis of funds. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Governmental funds are accounted for on a flow of current financial resources basis. Balance sheets for these funds generally include only current assets, current liabilities, and appropriate deferred inflows and deferred outflows of resources. Reported fund balances are considered a measure of available, spendable resources. Operating statements for these funds present a summary of available, spendable resources and expenditures for the period.

For the year ended December 31, 2025, the District has two funds, the General Fund, which is the District's primary operating fund that accounts for all financial resources of the District, except those required to be accounted for in another fund; and the Debt Service Fund, which is the fund that accounts for property taxes which are pledged to repay the bond held by District No. 2. Both funds are considered major funds.

Separate financial statements are provided for the governmental funds.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues will be recorded when earned. Expenditures are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items, if any, are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The modified accrual basis of accounting is used by all governmental funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues will be considered available if collected within 60 days after year end. The revenues associated with the current period which are susceptible to accrual are property taxes. Grant revenues, if any, will be recognized as they are earned. All other revenues will be reported when cash is received. Expenditures are recorded when the related fund liability is incurred. Exceptions to this general rule would include principal and interest on general long-term debt which would be recognized when due, and compensated absences which would be recognized when the obligations are expected to be liquidated with available financial resources.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Property Taxes

Property taxes for the current year are levied in December of the previous year and attach as a lien on property on January 1. They are payable in full by April 30 or in two equal installments due February 28 and June 15. Property taxes levied in 2025 are reported as a receivable and deferred inflow of resources at December 31. The deferred taxes are reported as revenue in the year in which the lien attaches and they are available and collectible.

District No. 2 issued Tax support revenue Bond Series 2025 in 2025 to refund the 2016A and 2018B bonds, which were originally issued in 2016 and 2018, respectively. Property tax revenues from the District and District No. 4 are pledged for the repayment of this bond. This was accounted for as an intergovernmental expenditure in 2025.

Deferred Inflows of Resources

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* (GASB 63), defines the five elements that make up a statement of financial position to include:

- Assets – resources with a present service capacity under District control.
- Deferred Outflows of Resources – consumption of net position by the District that is applicable to a future reporting period. The District had no deferred outflows of resources as of December 31, 2025.
- Liabilities – present obligations to sacrifice resources.
- Deferred Inflows of Resources – acquisitions of net position by the District that is applicable to a future reporting period.
- Net Position – residual of all other elements presented in a statement of financial position.

Net Position

Net position represents the difference between assets, liabilities, and deferred inflows of resources. Net position is reported as restricted when there are limitations on their use due to external restrictions imposed by creditors, grantors, laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. As of December 31, 2025, the District had no restrictions on net position.

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Non-spendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District did not have any non-spendable resources as of December 31, 2025.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The District did not have any restricted resources as of December 31, 2025.

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's Board. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District did not have any committed resources as of December 31, 2025.
- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to the District manager through the budgetary process. The District did not have any assigned resources as of December 31, 2025.
- Unassigned: This classification includes the residual fund balance for the General Fund.

The District would typically use committed resources first and then assigned resources as appropriate opportunities arise, but the District reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE FUND FINANCIAL STATEMENTS

The governmental fund balance sheet normally includes a reconciliation between *fund balance* of the *governmental fund* and *net position of governmental activities* as reported in the government-wide statement of net position. Additionally, the governmental fund statement of revenues, expenditures, and changes in fund balance normally includes a reconciliation between the *net change in fund balances* of the *governmental fund* and the *changes in net position of governmental activities* as reported in the government-wide statement of activities. These reconciliations detail items that require adjustment to convert from the current resources measurement and modified accrual basis for government fund statements to the economic resources measurement and full accrual basis used for government-wide statements. As of and for the year ended December 31, 2025, these reconciliations are not presented as the District had no reconciling items that required adjustments from the fund financial statements to the government wide financial statements.

NOTE 3 - TAX, SPENDING AND DEBT LIMITATIONS

Colorado voters passed an amendment to the State Constitution, Article X, Section 20 Taxpayer Bill of Rights, commonly known as TABOR, which has several limitations including revenue raising, spending abilities, debt limitations, and other specific requirements of state and local governments. Future spending and revenue limits are determined based on the year's fiscal year spending, adjusted for allowable increases based upon information and local growth. An election was held in November 2013 and voters approved a measure to allow the District to keep and retain all revenues, including grants, in excess of the fiscal year spending limit. TABOR also requires a reserve of 3% of the District's fiscal year spending, excluding bonded debt service. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of TABOR. As of December 31, 2025, none of the District's governmental fund balance is classified as restricted for an emergency reserve.

NOTE 4 - BUDGETS

The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- A. Budgets are required by state law.
- B. The budget officer is required to submit a proposed budget to the Board by October 15.
- C. Public hearings are conducted by the Board to obtain taxpayer comments.
- D. Certification of the mill levies to the Board of County Commissioners and adoption of the budget and appropriations are required by December 15.
- E. Expenditures may not legally exceed appropriations at the fund level. Board approval is required for changes in the budget. The District amended its originally adopted 2025 budget. The District expended less than was appropriated during the year ended December 31, 2025 in the Debt Service Fund. The District expended \$1 more than was appropriated in the General Fund due to the fact that fees and taxes collected were higher than budgeted and therefore intergovernmental transfers were higher than budgeted. This may be a violation of state budget law.
- F. Budget appropriations lapse at the end of each year.
- G. Budgets are adopted on the modified accrual basis of accounting.

NOTE 5 - INTERGOVERNMENTAL AGREEMENT

Effective June 1, 2020, the District and District No. 1 entered into an amended intergovernmental financing agreement for the purpose of jointly financing the costs of any public improvements, facilities, systems, programs, or projects which the District may provide, or for the purpose of providing for the operations and maintenance of the District and its facilities and properties. According to this agreement, certain administrative costs directly associated with the District are considered obligations of District No. 1. As property tax and other operating and maintenance revenues are received by the District, an inter-governmental expense is recognized to transfer the tax revenue to District No. 1 to assist in the payment of these costs. Property tax revenues are transferred to District No. 1 or District No. 2. Future transfers of tax revenue may be in excess of actual costs paid by District No. 1 on behalf of the District. For the year ended December 31, 2025, activities of District Nos. 1-4 were as follows:

	District No. 1	District No. 2	District No. 3	District No. 4	Total
Program expenses	\$ (506,042)	\$ (1,287,425)	\$ (30,433)	\$ (173,761)	\$ (1,997,661)
Program revenues	59,738	142,396	-	-	202,134
General revenues	456,706	759,272	30,433	173,761	1,420,172
Other financing sources (uses)	683	(5,287,044)	-	-	(5,286,361)
<i>Change in net position</i>	<u>\$ 11,085</u>	<u>\$ (5,672,801)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,661,716)</u>

NOTE 6 - ECONOMIC DEPENDENCY

Pursuant to the Intergovernmental Agreement referred to in Note 5, the District relies on District No. 1 to cover the combined operating costs of all the districts. For the year ended December 31, 2025, the District earned no program revenue.

NOTE 7 - RELATED PARTIES

As described in Note 1, the District's Board is predominately composed of the same members as the Board of District Nos. 1, 2, & 4.

The contract accountant for the District also provides accounting services to the Developer.

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. These risks are covered by the District's participation in a special district funded pool. Settled claims have not exceeded this commercial coverage in the past year.

Required Supplemental Information

TWIN BUTTES METROPOLITAN DISTRICT NO. 3**SCHEDULE 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	Favorable (Unfavorable) Variance
REVENUES				
Taxes:				
Property taxes	\$ 7,961	\$ 7,961	\$ 7,961	\$ -
Specific ownership taxes	876	730	731	1
Conservation trust funds	12	12	12	-
<i>Revenues</i>	<u>8,849</u>	<u>8,703</u>	<u>8,704</u>	<u>1</u>
EXPENDITURES				
Treasurer's fees	239	239	239	-
Intergovernmental expenditures	8,610	8,464	8,465	(1)
<i>Total Expenditures</i>	<u>8,849</u>	<u>8,703</u>	<u>8,704</u>	<u>(1)</u>
<i>Excess of Revenues Over Expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund Balance - January 1			<u>-</u>	
Fund Balance - December 31			<u>\$ -</u>	

See accompanying notes and independent auditor's report.

Other Supplemental Information

TWIN BUTTES 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 Budget	Final Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Taxes:				
Property taxes	\$ 19,903	\$ 19,903	\$ 19,903	\$ -
Specific ownership taxes	2,189	1,834	1,826	(8)
<i>Revenues</i>	<u>22,092</u>	<u>21,737</u>	<u>21,729</u>	<u>(8)</u>
EXPENDITURES				
Treasurer's fees	597	597	597	-
Intergovernmental expenditures	21,495	21,140	21,132	8
<i>Total Expenditures</i>	<u>22,092</u>	<u>21,737</u>	<u>21,729</u>	<u>8</u>
<i>Excess of Revenues Over Expenditures</i>	-	-	-	-
<i>Net Change in Fund Balance</i>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund Balance - January 1			-	
Fund Balance - December 31			<u>\$ -</u>	

See accompanying notes and independent auditor's report.