CASTLE OAKS METROPOLITAN DISTRICT NO. 3

2025 ANNUAL REPORT

Pursuant to § 32-1-207(3)(c), C.R.S., Castle Oaks Metropolitan District No. 3 (the "**District**") is required to provide an annual report to the Town of Castle Rock, Colorado (the "**Town**") with regard to the following matters:

For the year ending December 31, 2025, the District makes the following report:

§32-1-207(3) Statutory Requirements

1. **Boundary changes made**

   There were no boundary changes made or proposed to the District's boundaries as of December 31, 2025.

2. **Intergovernmental Agreements entered into or terminated with other governmental entities.**

   The District neither entered into nor proposed any Intergovernmental Agreements with other governmental entities as of December 31 of the prior year.

3. **Access information to obtain a copy of rules and regulations adopted by the board.**

   The District does not currently have rules and regulations.

4. **A summary of litigation involving public improvements owned by the District**

   To our actual knowledge, based on review of the court records in Douglas County, Colorado and the Public Access to Court Electronic Records (PACER), there is no litigation involving the District's public improvements as of December 31, 2025.

5. **The status of the construction of public improvements by the District.**

   The District did not construct any public improvements in 2025.

6. **A list of facilities or improvements constructed by the District that were conveyed or dedicated to the county or municipality.**

   The District did not construct any facilities or improvements in 2025.

7. **The final assessed valuation of the District as of December 31st of the reporting year.**

   The District's assessed valuation as of December 31, 2025, was $50,365,730.

8. **A copy of the current year's budget.**

   A copy of the 2026 Budget is attached hereto as **Exhibit A.**

9. **A copy of the audited financial statements, if required by the "Colorado Local Government Audit Law", part 6 of article 1 of title 29, or the application for exemption from audit, as applicable.**

   The 2025 Audit is in process and will be submitted in a Supplemental Report once completed.

10. **Notice of any uncured defaults existing for more than ninety (90) days under any debt instrument of the District.**

    The District is not aware of any uncured events of default by the District under any debt instrument that continued beyond ninety days.

11. **Any inability of the District to pay its obligations as they come due under any obligation which continues beyond a ninety (90) day period.**

    The District is not aware of any inability to pay its obligations as they come due that continued beyond ninety days.

<u>Service Plan Requirements</u>

Pursuant to the Service Plan, as amended, for Castle Oaks Metropolitan District No. 3 (the "**District**"), the District is required to submit an annual report to the Town of Castle Rock, Colorado (the "**Town**") which reflects activity and financial events of the District through the preceding December 31 (the "**report year**") and includes the following:

To the best of its actual knowledge, for the year ending December 31, 2025, the District makes the following report:

1. **A narrative summary of the progress of the District in implementing its service plan for the report year.**

   Construction within the District is proceeding as expected. See item C below.

2. **Except when an exemption from audit has been granted for the report year under the Local Government Audit Law, the audited financial statements of the District for the report year including as statement of financial condition (i.e. balance sheet) as of December 31 of the report year and the statement of operations (i.e. revenues and expenditures) for the report year.**

   The 2025 Audit is in process and will be submitted in a Supplemental Report once completed.

3. **Unless disclosed within a separate schedule to the financial statements, a summary of the capital expenditures incurred by the District in development of public facilities in the report year, as well as any capital improvements or projects proposed to be undertaken in the five (5) years following the report year**.

   The following is a summary of the planned improvements in the report year and for the next five (5) years:

   > **Castle Oaks Drive North (Includes Rocky View North Section)** – Construction start on this phase has been delayed to 2026.

4. **Unless disclosed within a separate schedule to the financial statements, a summary of the financial obligations of the District at the end of the report year, including the amount of outstanding indebtedness, the amount and terms of any new District indebtedness or long-term obligations issued in the report year, the amount of payment or retirement of existing indebtedness or long-term obligations issued in the report year, the total assessed valuation of all taxable properties within the District as of January 1 of the report year, and the current mill levy of the District pledged to debt retirement in the report year.**

   A summary of the financial obligations of the District can be found in the 2026 budget attached hereto as **Exhibit A**.

5. **The District's budget for the calendar year in which the annual report is submitted**.

   A copy of the District's 2026 budget is attached hereto as **Exhibit A**.

6. **A summary of residential and commercial development that has occurred within the District for the report year.**

   Home sales and construction finished in the Sunstone portion of the District as both Meritage Homes and TriPointe Homes completed their last homes in 2025. Additionally, KB Homes continued home construction on finished lots in the North Basin portion of the District.

7. **A summary of all fees, charges and assessments imposed by the District as of January 1 of the report year**.

   The District imposes a one-time facilities fee on property within the District in the amount of $4,000 per Type I residential unit and $1,500 per Type II residential unit due on or before the issuance of the building permit.

8. **Certification of the Board that no action, event, or condition of Section 11.02.060 (Material Modification of Service Plan) has occurred in the report year**.

   The Certificate of Compliance is attached hereto as **Exhibit B**.

9. **The names, business addresses and phone numbers of all members of the Board and its chief administrative officer and general counsel, together with the date, place and time of the regular meetings of the Board.**

Board of Directors:

Craig Campbell
WBA, PC
2154 E. Commons Ave, Suite 2000
Centennial, CO 80122
303-858-1800

Thomas Morton
WBA, PC
2154 E. Commons Ave, Suite 2000
Centennial, CO 80122
303-858-1800

Brooke MacIssac
WBA, PC
2154 E. Commons Ave, Suite 2000
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Maximilian Neumann
WBA, PC
2154 E. Commons Ave, Suite 2000
Centennial, CO 80122
303-858-1800

Emily Bourgouin
WBA, PC
2154 E. Commons Ave, Suite 2000
Centennial, CO 80122
303-858-1800

General Counsel:

Zachary P. White, Esq.
WBA, PC
Attorneys at Law
2154 E. Commons Ave, Suite 2000
Centennial, CO 80122

Regular Meetings are scheduled for July 22 and October 28, 2026, at 9:00 a.m. via teleconference.

EXHIBIT A
2026 Budget

CASTLE OAKS METROPOLITAN DISTRICT NO. 3

ANNUAL BUDGET

FOR THE YEAR ENDING DECEMBER 31, 2026

CASTLE OAKS METROPOLITAN DISTRICT NO. 3
SUMMARY
2026 BUDGET
WITH 2024 ACTUAL AND 2025 ESTIMATED
For the Years Ended and Ending December 31,

1/27/26

	ACTUAL 2024	ESTIMATED 2025	BUDGET 2026
BEGINNING FUND BALANCES	$ 2,344,344	$ 2,889,946	$ 3,170,922
REVENUES			
Property taxes	1,820,802	1,858,769	1,813,166
Specific ownership taxes	136,386	167,335	135,987
Facilities fees	132,000	120,000	100,000
Interest Income	161,912	140,000	116,000
Other Revenue	5,990	-	-
Total revenues	2,257,090	2,286,104	2,165,153
Total funds available	4,601,434	5,176,050	5,336,075
EXPENDITURES			
General Fund	68,223	57,601	80,500
Debt Service Fund	1,643,265	1,947,527	2,107,000
Total expenditures	1,711,488	2,005,128	2,187,500
Total expenditures and transfers out requiring appropriation	1,711,488	2,005,128	2,187,500
ENDING FUND BALANCES	$ 2,889,946	$ 3,170,922	$ 3,148,575
EMERGENCY RESERVE	$ 3,800	$ 3,200	$ 3,000
AVAILABLE FOR OPERATIONS	379,986	427,406	444,320
MILL LEVY STABILIZATION FUND - SERIES 2020	1,000,000	1,000,000	1,000,000
TOTAL RESERVE	$ 1,383,786	$ 1,430,606	$ 1,447,320

See summary of significant assumptions.

CASTLE OAKS METROPOLITAN DISTRICT NO. 3
PROPERTY TAX SUMMARY INFORMATION
2026 BUDGET
WITH 2024 ACTUAL AND 2025 ESTIMATED
For the Years Ended and Ending December 31,

1/27/26

	ACTUAL 2024	ESTIMATED 2025	BUDGET 2026
ASSESSED VALUATION			
Residential	$ 46,553,800	$ 49,136,580	$ 48,427,380
Agricultural	1,060	1,060	510
State assessed	13,100	13,600	15,600
Vacant land	3,442,030	1,922,630	1,299,080
Personal property	568,410	572,640	623,120
Other	40	40	40
Certified Assessed Value	$ 50,578,440	$ 51,646,550	$ 50,365,730
MILL LEVY			
General	1.500	1.500	1.500
Debt Service	34.500	34.500	34.500
Total mill levy	36.000	36.000	36.000
PROPERTY TAXES			
General	$ 75,868	$ 77,470	$ 75,548
Debt Service	1,744,956	1,781,806	1,737,618
Levied property taxes	1,820,824	1,859,276	1,813,166
Adjustments to actual/rounding	(22)	(507)	-
Budgeted property taxes	$ 1,820,802	$ 1,858,769	$ 1,813,166
BUDGETED PROPERTY TAXES			
General	**$ 75,867**	**$ 77,449**	**$ 75,548**
Debt Service	**1,744,935**	**1,781,320**	**1,737,618**
	$ 1,820,802	**$ 1,858,769**	**$ 1,813,166**

See summary of significant assumptions.

CASTLE OAKS METROPOLITAN DISTRICT NO. 3
GENERAL FUND
2026 BUDGET
WITH 2024 ACTUAL AND 2025 ESTIMATED
For the Years Ended and Ending December 31,

1/27/26

	ACTUAL 2024	ESTIMATED 2025	BUDGET 2026
BEGINNING FUND BALANCES	$ 325,470	$ 383,786	$ 430,606
REVENUES			
Property taxes	75,867	77,449	75,548
Specific ownership taxes	5,683	6,972	5,666
Interest Income	38,999	20,000	16,000
Other Revenue	5,990	-	-
Total revenues	126,539	104,421	97,214
Total funds available	452,009	488,207	527,820
EXPENDITURES			
General and administrative			
Accounting	24,781	20,000	30,000
Auditing	6,950	7,150	7,350
County Treasurer's Fee	1,142	1,162	1,133
Dues and Membership	333	338	500
Insurance	3,551	3,651	4,000
Legal	29,812	20,000	30,000
Miscellaneous	600	-	1,000
Election	454	4,500	-
Website	600	800	1,000
Contingency	-	-	5,517
Total expenditures	68,223	57,601	80,500
Total expenditures and transfers out requiring appropriation	68,223	57,601	80,500
ENDING FUND BALANCES	$ 383,786	$ 430,606	$ 447,320
EMERGENCY RESERVE	$ 3,800	$ 3,200	$ 3,000
AVAILABLE FOR OPERATIONS	379,986	427,406	444,320
TOTAL RESERVE	$ 383,786	$ 430,606	$ 447,320

See summary of significant assumptions.

CASTLE OAKS METROPOLITAN DISTRICT NO. 3
DEBT SERVICE FUND
2026 BUDGET
WITH 2024 ACTUAL AND 2025 ESTIMATED
For the Years Ended and Ending December 31,

1/27/26

	ACTUAL 2024	ESTIMATED 2025	BUDGET 2026
BEGINNING FUND BALANCES	$ 2,018,874	$ 2,506,160	$ 2,740,316
REVENUES			
Property taxes	1,744,935	1,781,320	1,737,618
Specific ownership taxes	130,703	160,363	130,321
Interest Income	122,913	120,000	100,000
Facilities fees	132,000	120,000	100,000
Total revenues	2,130,551	2,181,683	2,067,939
Total funds available	4,149,425	4,687,843	4,808,255
EXPENDITURES			
Debt Service			
Bond interest	1,370,000	1,363,800	1,346,600
Bond principal	155,000	430,000	620,000
County Treasurer's Fee	26,265	26,727	26,064
Paying agent fees	4,000	7,000	7,000
Repay developer advance	88,000	120,000	100,000
Contingency	-	-	7,336
Total expenditures	1,643,265	1,947,527	2,107,000
Total expenditures and transfers out requiring appropriation	1,643,265	1,947,527	2,107,000
ENDING FUND BALANCES	$ 2,506,160	$ 2,740,316	$ 2,701,255
MILL LEVY STABILIZATION FUND - SERIES 2020	$ 1,000,000	$ 1,000,000	$ 1,000,000
TOTAL RESERVE	$ 1,000,000	$ 1,000,000	$ 1,000,000

See summary of significant assumptions.

CASTLE OAKS METROPOLITAN DISTRICT NO. 3
2026 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS

Services Provided

Castle Oaks Metropolitan District No. 3 (The District), a quasi-municipal corporation and a political subdivision of the State of Colorado, was organized by court order and decree of the District Court for the County of Douglas on June 29, 2006, and is governed pursuant to the provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District is located within the Town of Castle Rock, Colorado.

The District was established to provide financing for the operations and maintenance and design, acquisition, installation, construction, and completion of public improvements and services, including water, sanitation/storm sewer, streets, park and recreation, transportation, mosquito control, safety protection, television relay and translation, and security.

On November 3, 2015, District voters authorized the District to issue $504,000,000 of general obligation bonds or other financial obligations for the infrastructure development of the services noted in the preceding paragraph, however, the District's amended Service Plan limits its general obligation debt to $36,000,000. Additionally, the District can levy up to $10,000,000 annually to pay for administration and operating costs.

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

The District prepares its budget on the modified accrual basis of accounting in accordance with the requirements of Colorado Revised Statutes C.R.S. 29-1-105 using its best estimates as of the date of the budget hearing. These estimates are based on expected conditions and its expected course of actions. The assumptions disclosed herein are those that the District believes are significant to the budget. There will usually be differences between the budget and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

Revenues

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 taxpayer's election, in February and June. Delinquent taxpayers are notified in August, and generally, sale of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

The calculation of taxes levied is displayed on the Property Tax Summary page of the budget using the adopted mill levy imposed by the District.

Revenues - (continued)

Property Taxes - (continued)

For property tax collection year 2026, HB24B-1001 set the assessment rates as follows:

Category	Rate		Category	Rate
Single-Family Residential	6.25%		Agricultural Land	27.00%
Multi-Family Residential	6.25%		Renewable Energy Land	27.00%
Commercial	27.00%		Vacant Land	27.00%
Industrial	27.00%		Personal Property	27.00%
Lodging	27.00%		State Assessed	27.00%
			Oil & Gas Production	87.50%

Specific Ownership Taxes

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on vehicle licensing within the County as a whole. The specific ownership taxes are allocated by the County Treasurer to all taxing entities within the County. The budget assumes that the District’s share will be equal to approximately 7.5% of the property taxes collected.

Facilities Fees

The District imposes a Facilities Fee of $4,000 on each single-family, town homes and patio homes, and a Facilities Fee of $1,500 on apartments or other multifamily residential units. The fees are payable by homebuilders when the building permits are issued. The first $500,000 of Facilities Fee revenue collected after June 1, 2020 is pledged for debt service payments and has been collected as of December 31, 2021. The remaining Facilities Fee revenue can be used to pay any other District indebtedness.

Interest Income

Interest earned on the District’s available funds has been estimated based on historical earnings.

Expenditures

Administrative Expenditures

Administrative expenditures include the services necessary to maintain the administrative viability such as legal, accounting, insurance, and other administrative expenses of the District.

County Treasurer's Fees

County Treasurer's fees have been computed at 1.5% of property tax collections.

Debt Service

Principal and interest payments are provided based on the debt amortization schedules from the Series 2020 General Obligation Limited Tax Refunding Bonds (discussed under Debt and Leases).

Debt and Leases

The District issued the 2020 Bonds on September 10, 2020, in the par amount of $34,250,000. Proceeds from the sale of the 2020 Bonds were used to: (i) refund the District's outstanding General Obligation Limited Tax Refunding Bonds, Series 2017 (the "2017 Bonds"); (ii) finance public improvements related to a residential development in the Town of Castle Rock; (iii) purchase a Municipal Bond Debt Service Reserve Fund Insurance Policy issued by Assured Guaranty Municipal Corp. (the "Reserve Policy"); and (iv) pay costs of issuance of the 2020 Bonds.
.
The 2020 Bonds bear interest at 4.00% per annum (2.357194% yield) and are payable semiannually on June 1 and December 1, beginning on December 1, 2020. The 2020 Bonds issued as serial bonds mature on December 1 of the years 2024 through 2030; thereafter, the 2020 Bonds issued as term bonds have annual mandatory sinking fund principal payments due on December 1, commencing December 1, 2031. The 2020 Bonds mature on December 1, 2050.

To the extent principal of any Bond is not paid when due, such principal shall remain outstanding until the earlier of its payment or the Termination Date of December 2, 2060, and shall continue to bear interest at the rate then borne by the 2020 Bonds. To the extent interest on any Bond is not paid when due, such interest shall compound on each interest payment date, at the rate then borne by the Bond.

The 2020 Bonds are subject to redemption prior to maturity, at the option of the District, on December 1, 2030, and on any date thereafter, upon payment of par and accrued interest, without redemption premium.

The 2020 Bonds are secured by Pledged Revenue which means: (i) the Required Mill Levy; (ii) the Refunded Bonds Mill Levy Revenue; (iii) the Capital Fees; (iv) the portion of the Specific Ownership Tax which is collected as a result of imposition of the Required Mill Levy; and (v) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Pledged Revenue.

Debt and Leases - (continued)

"Refunded Bonds Mill Levy Revenue" means the debt service mill levy revenues derived from the debt service mill levy imposed in 2019 (for collection in 2020) for the payment of the 2017 Bonds.

"Capital Fees" means all fees, rates, tolls, penalties, and charges of a capital nature (excluding periodic, recurring service charges) imposed by the District, including the Facility Fees. Facility Fees means the first $500,000 of fees imposed and collected by the District since June 1, 2020, pursuant to the Facility Fee Resolution adopted on March 5, 2015, including any amendments or supplements.

The District has covenanted to impose a Required Mill Levy upon all taxable property of the District each year in an amount, when combined with moneys in the Bond Fund, the Mill Levy Stabilization Fund, and any other legally available moneys held by the District, sufficient to pay the 2020 Bonds when due, and if necessary, an amount sufficient to replenish the Reserve Fund to the amount of the Required Reserve, but (i) not in excess of 55 mills (subject to adjustment for changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut or abatement after January 9, 2001) and (ii) for so long as the Mill Levy Stabilization Fund is less than the Minimum Mill Levy Stabilization Amount, not less than 35.603 mills (subject to adjustment), or such lesser mill levy which will pay the 2020 Bonds when due, will replenish the Reserve Fund to the amount of the Required Reserve, and will fund the Mill Levy Stabilization Fund up to the Minimum Mill Levy Stabilization Fund Amount. The Required Mill Levy is net of the collection costs of the County and any tax refunds or abatements authorized by or on behalf of the County.

The 2020 Bonds are additionally secured by the Reserve Fund which was funded with the Reserve Policy in the amount of $2,369,800 (the amount of the Required Reserve) and by amounts in the Mill Levy Stabilization Fund.

The Reserve Policy guarantees the scheduled payment of principal of and interest on the 2020 Bonds when due as set forth in the policy.

Subject to the receipt of sufficient Pledged Revenue, the Mill Levy Stabilization Fund is to be maintained until the Mill Levy Stabilization Conversion Date, after which the Mill Levy Stabilization Fund shall be terminated and any moneys therein remitted to the District for application to any lawful purpose of the District. The Mill Levy Stabilization Fund was partially funded at closing from funds on hand related to the 2017 Bonds in the amount of $232,000 and will be funded in the future solely by deposits of Pledged Revenue up to the Minimum Mill Levy Stabilization Fund Amount of $1,000,000.

Moneys in the Mill Levy Stabilization Fund are to be used solely for the purpose of paying the principal of, premium, if any, or interest on the 2020 Bonds. The District may use amounts in the Mill Levy Stabilization Fund to reduce the Required Mill Levy otherwise necessary to pay the 2020 Bonds in accordance with the definition of the Required Mill Levy above.

The Mill Levy Stabilization Fund Conversion Date is the first date on which both of the following conditions are met: (i) the Debt to Assessed Ratio is 50% or less; and (ii) no amounts of principal or interest on the 2020 Bonds are due but unpaid.

The District has no operating or capital leases.

Debt and Leases - (continued)

	Balance at December 31, 2024	Additions	Reductions	Balance at December 31, 2025
G.O Bonds - Series 2020	$ 34,095,000	$ -	$ 430,000	$ 33,665,000
Bond Premium - Series 2020	4,208,498	-	253,724	3,954,774
Developer Advance - Capital	12,993,318	-	-	12,993,318
Accrued Interest- Developer Advance - Capital	2,525,373	997,127	120,000	3,402,500
Total	$ 53,822,189	$ 997,127	$ 803,724	$ 54,015,592

	Balance at December 31, 2025	Additions	Reductions	Balance at December 31, 2026
G.O Bonds - Series 2020	$ 33,665,000	$ -	$ 620,000	$ 33,045,000
Bond Premium - Series 2020	3,954,774	-	250,524	3,704,250
Developer Advance - Capital	12,993,318	-	-	12,993,318
Accrued Interest- Developer Advance - Capital	3,402,500	1,041,127	100,000	4,343,627
Total	$ 54,015,592	$ 1,041,127	$ 970,524	$ 54,086,195

Reserve Funds

Emergency Reserve

The District has provided for an Emergency Reserve equal to at least 3% of the fiscal year spending for 2026, as defined under TABOR.

Debt Service Reserves

The District maintains a Mill Levy Stabilization Fund as required with the issuance of the Series 2020 Bonds. The maximum Mill Levy Stabilization Fund amount is $1,000,000 and is currently funded.

The 2020 Senior Bonds are additionally secured by the 2020 Reserve Fund, which is funded by a Reserve Fund Insurance Policy with a policy limit equivalent to the required reserve amount of $2,369,800.

CASTLE OAKS METROPOLITAN DISTRICT NO. 3
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
FOR YEAR ENDED DECEMBER 31, 2026

Bonds and Interest Maturing in the Year Ending December 31,	$34,250,000 General Obligation Limited Tax Refunding Bonds Series 2020 Interest 4.00% Dated September 10, 2020 Interest Payable June 1 and December 1 Principal Payable December 1		
	Principal	Interest	Total
2026	$ 620,000	$ 1,346,600	$ 1,966,600
2027	645,000	1,321,800	1,966,800
2028	700,000	1,296,000	1,996,000
2029	730,000	1,268,000	1,998,000
2030	795,000	1,238,800	2,033,800
2031	825,000	1,207,000	2,032,000
2032	895,000	1,174,000	2,069,000
2033	930,000	1,138,200	2,068,200
2034	1,000,000	1,101,000	2,101,000
2035	1,040,000	1,061,000	2,101,000
2036	1,115,000	1,019,400	2,134,400
2037	1,160,000	974,800	2,134,800
2038	1,210,000	928,400	2,138,400
2039	1,255,000	880,000	2,135,000
2040	1,540,000	829,800	2,369,800
2041	1,600,000	768,200	2,368,200
2042	1,665,000	704,200	2,369,200
2043	1,730,000	637,600	2,367,600
2044	1,800,000	568,400	2,368,400
2045	1,870,000	496,400	2,366,400
2046	1,945,000	421,600	2,366,600
2047	2,025,000	343,800	2,368,800
2048	2,105,000	262,800	2,367,800
2049	2,190,000	178,600	2,368,600
2050	2,275,000	91,000	2,366,000
	$ 33,665,000	$ 21,257,400	$ 54,922,400

See summary of significant assumptions.

EXHIBIT B

Certificate of Compliance

On behalf of the Board of Directors of the Castle Oaks Metropolitan District No. 3, I hereby certify that no action, event or condition set forth in Section 11.02.060 of the Intergovernmental Affairs Chapter of the Town of Castle Rock Code has occurred in the report year.

Craig Campbell

Craig Campbell, Officer of the District