

Solaris Metropolitan District No. 3

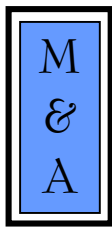
Financial Statements

December 31, 2025

**Solaris Metropolitan District No. 3
Financial Statements
December 31, 2025**

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Solaris Metropolitan District No. 3
Vail, Colorado**

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the 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 ("U.S. GAAP").

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). 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

The District's management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, 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 one year after the date that the financial statements are issued.

Member: American Institute of Certified Public Accountants

INDEPENDENT AUDITORS REPORT
To the Board of Directors
Solaris Metropolitan District No. 3

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 U.S. GAAS 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 U.S. GAAS, 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 in Section B be 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.

INDEPENDENT AUDITORS REPORT
To the Board of Directors
Solaris Metropolitan District No. 3

Required Supplementary Information (continued)

Accounting principles generally accepted in the United States of America require that the budgetary comparison information in Section E be 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. The budgetary comparison information was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. It 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 U.S. GAAS. In our opinion, the budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The individual fund budgetary comparison in Section F is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison found in Section F is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in blue ink that reads "McMahon and Associates, L.L.C." in a cursive script.

McMahon and Associates, L.L.C.
Avon, Colorado
September 28, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

Solaris Metropolitan District No. 3

Management's Discussion and Analysis December 31, 2025

As management of Solaris 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 fiscal year ended December 31, 2025.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are composed of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains additional supplementary information after the notes to the financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with an overview of the District's finances, from both a short-term fund perspective and a long-term economic perspective.

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

The Statement of Activities presents information showing how the government'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 related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The governmental activity of the District is primarily financing construction, operation, and maintenance of the basic public infrastructure that is performed by Solaris Metropolitan District No. 1. There are no business-type activities within the District.

The District's government-wide and fund financial statements can both be found on pages C1 & C2 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District currently has two funds, the General Fund and the Debt Service Fund, both of which are 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 expendable resources, as well as on balances of expendable resources available at the end of the fiscal 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 funds with similar 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. A reconciliation of the fund balance as reported in the governmental funds to the net position reported in the government-wide financial statements and a reconciliation of the net change in fund balance to the change in net position has been provided to facilitate the comparison between governmental funds and governmental activities.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages D1-D12 of this report.

Condensed Financial Information

A condensed comparative summary of the District's government-wide assets, liabilities, deferred inflows, net position, revenues and expenses follows:

Statement of Net Position

	Governmental Activities	
	<u>2025</u>	<u>2024</u>
Assets:		
Cash	\$ 1,383,707	\$ 1,337,705
Current and other assets	28,868,945	29,442,414
Total Assets	<u>30,252,652</u>	<u>30,780,119</u>
Deferred Outflows		
Deferred Loss on Refunding	1,131,336	1,178,563
Total Deferred Inflows	<u>1,131,336</u>	<u>1,178,563</u>
Liabilities:		
Current Liabilities	835,982	782,639
Long-term obligations	31,141,304	32,014,973
Total Liabilities	<u>31,977,286</u>	<u>32,797,612</u>
Deferred Inflows		
Property Taxes	376,645	389,410
Total Deferred Inflows	<u>376,645</u>	<u>389,410</u>
Net Position:		
Restricted for Debt Service	1,376,644	1,330,881
Restricted for TABOR	7,140	7,200
Unrestricted	(2,353,727)	(2,566,421)
Total Net Position	<u>\$ (969,943)</u>	<u>\$ (1,228,340)</u>

Statement of Activities

Revenue:		
Operating & Capital Grants and Contributions	\$ 903,823	\$ 928,091
General revenue:		
Property taxes	409,316	413,422
Interest and other revenue	40,177	43,860
Total Revenue	<u>1,353,316</u>	<u>1,385,373</u>
Expenses:		
General government	129,484	231,572
Interest on long-term debt	965,435	985,065
Total Expenses	<u>1,094,919</u>	<u>1,216,637</u>
Change in Net Position	<u>258,397</u>	<u>168,736</u>
Net Position – Beginning	<u>(1,228,340)</u>	<u>(1,397,076)</u>
Net Position – Ending	<u>\$ (969,943)</u>	<u>\$ (1,228,340)</u>

The District is one of the “taxing districts” in a triple district structure whereby the District is supporting the financing of the infrastructure provided by Solaris Metropolitan District No. 1. The District consists of commercial properties. Solaris Metropolitan District No. 1 is the “operating district” and as such, has and will continue to receive capital and service obligation payments from the District and District No. 2 to fund the construction and operation of infrastructure in the Districts. District No. 3 funds such costs with property taxes.

Government-wide Financial Analysis. During 2025 the District's primary activity was to collect property taxes to pay service costs to District No. 1 for the infrastructure in the Districts and to pay outstanding debt service.

Financial Analysis of the District's Funds

As mentioned earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$1,391,037. The \$1,391,037 ending fund balance is the result of a cumulative surplus of revenues in excess of expenditures.

The District adopts budgets for each fund on an annual basis. A budgetary comparison has been provided on page E1 for the General Fund and on page F1 for the debt service fund.

Capital assets. All public infrastructure capital assets utilized by the Solaris districts are constructed and operated by District No.1. Therefore, no capital assets are reported by the District.

Long-term debts. In October 2016, the District issued \$29,330,000 General Obligation Refunding Bonds Series 2016A and \$4,000,000 Subordinate Limited Tax General Obligation Bond Series 2016B. A portion of the proceeds from this bond issuance was transferred to District No. 2 to fully repay the Series 2013 bonds. In 2021, the District entered into the 2021 Refunding Note in the amount of \$34,375,000. The District paid \$34,931,566 to an escrow fund to fully refund the General Obligation Refunding Bonds Series 2016A and Subordinate Limited Tax General Obligation Bond Series 2016B. This transaction is more fully described in the Notes to the Financial Statement on page D9 of this report.

Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Marchetti & Weaver, LLC, 28 Second Street, Suite 213, Edwards, CO 81632 or you may call (970) 926-6060.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Solaris Metropolitan District No. 3
Statement of Net Position
December 31, 2025

Assets:

Cash and cash equivalents	1,383,707
Amounts due from treasurer	1,787
Property taxes receivable	376,645
Due from other governments	6,537
Capital obligations due from Solaris Metropolitan District No. 2	28,483,976
Total Assets	<u>30,252,652</u>

Deferred Outflow of Resources:

Deferred charge on refunding	1,131,336
Total Deferred Outflow of Resources	<u>1,131,336</u>

Liabilities:

Current liabilities due in less than one year:	
Due to other governments	994
Accrued interest payable	74,988
Loan payable	760,000
Non-current liabilities due in excess of one year:	
Service obligations due to Solaris Metropolitan District No. 1	216,304
Loan payable	30,925,000
Total Liabilities	<u>31,977,286</u>

Deferred Inflow of Resources:

Property tax revenue	376,645
Total Deferred Inflow of Resources	<u>376,645</u>

Net Position:

Restricted for debt service	1,376,644
Restricted for emergencies	7,140
Unrestricted	(2,353,727)
Total Net Position	<u>(969,943)</u>

The accompanying notes are an integral part of these financial statements.

Solaris Metropolitan District No. 3
Statement of Activities
For the Year Ended December 31, 2025

		Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Functions/Programs:	Expenses				Net (Expense) Revenue
Governmental activities:					
General government	129,484	-	10,256	893,567	774,339
Interest	965,435	-	-	-	(965,435)
Total primary government	<u>1,094,919</u>	<u>-</u>	<u>10,256</u>	<u>893,567</u>	<u>(191,096)</u>
General revenues:					
Taxes:					
Property tax					
					389,998
Specific ownership tax					
					19,318
Interest income					
					40,177
Total General Revenues					
					<u>449,493</u>
Change in Net Position					258,397
Net Position - Beginning					<u>(1,228,340)</u>
Net Position - Ending					<u><u>(969,943)</u></u>

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

Solaris Metropolitan District No. 3
Balance Sheet
Governmental Funds
December 31, 2025

	General Fund	Debt Service	Total Governmental Funds
Assets:			
Cash and cash equivalents	14,393	1,369,314	1,383,707
Amounts due from treasurer	994	793	1,787
Property taxes receivable	200,169	176,476	376,645
Due from other governments	-	6,537	6,537
Total Assets	<u>215,556</u>	<u>1,553,120</u>	<u>1,768,676</u>
Liabilities:			
Due to other governments	994	-	994
Total Liabilities	<u>994</u>	<u>-</u>	<u>994</u>
Deferred Inflow of Resources:			
Unavailable property tax revenue	200,169	176,476	376,645
Total Deferred Inflow of Resources	<u>200,169</u>	<u>176,476</u>	<u>376,645</u>
Fund Balances:			
Restricted for debt service	-	1,376,644	1,376,644
Restricted for emergencies	7,140	-	7,140
Unassigned	7,253	-	7,253
Total Fund Balances	<u>14,393</u>	<u>1,376,644</u>	<u>1,391,037</u>
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	<u><u>215,556</u></u>	<u><u>1,553,120</u></u>	<u><u>1,768,676</u></u>

The accompanying notes are an integral part of these financial statements.

Solaris Metropolitan District No. 3
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2025

Governmental Funds Total Fund Balance		1,391,037
Deferred outflows are not available for current period expenditures and therefore, are not reported in the funds. This represents the District's deferred charges on refunding.		1,131,336
Amounts due from other Districts for capital obligations are not considered current financial resources and, therefore, are not reported in the funds.		28,483,976
Long-term liabilities, including bonds payable and developer advances, are not due and payable in the current period and, therefore, are not reported in the funds. This is the amount of District long-term liabilities. Details of these amounts are as follows:		
Bonds payable	(31,685,000)	
Accrued interest payable	<u>(74,988)</u>	
		(31,759,988)
Amounts due to other Districts for capital and service obligations are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(216,304)</u>
Net Position of Governmental Activities		<u><u>(969,943)</u></u>

The accompanying notes are an integral part of these financial statements.

Solaris Metropolitan District No. 3
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2025

	General Fund	Debt Service	Total Governmental Funds
Revenues:			
Property taxes	216,960	173,038	389,998
Specific ownership taxes	10,747	8,571	19,318
Capital obligation payments from Solaris Metropolitan District No. 2	-	1,454,278	1,454,278
Interest	234	39,943	40,177
Interdistrict payments from Solaris Metropolitan District No. 1	10,256	-	10,256
Total Revenues	<u>238,197</u>	<u>1,675,830</u>	<u>1,914,027</u>
Expenditures:			
General government	237,962	5,191	243,153
Debt service			
Bond principal	-	705,000	705,000
Bond interest	-	919,876	919,876
Total Expenditures	<u>237,962</u>	<u>1,630,067</u>	<u>1,868,029</u>
Excess (Deficiency) of Revenues over Expenditures	<u>235</u>	<u>45,763</u>	<u>45,998</u>
Net Change in Fund Balances	235	45,763	45,998
Fund Balances - Beginning	<u>14,158</u>	<u>1,330,881</u>	<u>1,345,039</u>
Fund Balances - Ending	<u><u>14,393</u></u>	<u><u>1,376,644</u></u>	<u><u>1,391,037</u></u>

The accompanying notes are an integral part of these financial statements.

Solaris Metropolitan District No. 3
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Year Ended December 31, 2025

Net change in fund balances for total governmental funds		45,998
Changes in long-term receivables do not provide current financial resources and are no available to cover current costs.		(560,711)
The repayment of the principal of long-term debt consumes current financial resources of governmental funds. This transaction, however, has no effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Principal repayments - Bonds payable	705,000	
Refunding bond proceeds	113,669	
Amortization of bond refunding gains	<u>(47,226)</u>	
		771,443
The change in long-term liabilities reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds.		<u>1,667</u>
Change in Net Position of Governmental Activities		<u><u>258,397</u></u>

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Solaris Metropolitan District No. 3
Notes to the Financial Statements
December 31, 2025

I. Summary of Significant Accounting Policies

The District was organized in 2006 concurrently with Solaris Metropolitan District No. 1 ("District 1") and Solaris Metropolitan District No. 2 ("District 2") and is a quasi-municipal corporation and political subdivision of the State of Colorado, organized under Title 32, Article 1, C.R.S., and governed by a five-member elected Board of Directors. On September 19, 2006, a Consolidated Service Plan ("Service Plan") for the Districts was approved. On April 3, 2007, the first amendment to the Service Plan was approved. 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 Districts were organized to provide various public improvements necessary and appropriate for the development of the Solaris Vail project. The public improvements, which include sanitation, water, streets, traffic and safety controls, and parks and recreation, will be constructed for the benefit of the taxpayers and service users within the Districts' boundaries.

The District serves as one of the "Taxing District" with District 2 and District 1 serves as the "Operating District". The Operating District is responsible for providing the day-to-day operations and administrative management for all three Districts. The District also serves as the Issuing District for the Taxing Districts' long term debt obligations and is the obligor on the General Obligation Loan, Series 2021, issued pursuant to the Loan Agreement, dated December 15, 2021.

The District's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established by GAAP used by the District are discussed below.

A. Reporting Entity

The reporting entity consists of (a) the primary government; i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits, to, or to impose specific financial burdens on, the District. Consideration is also given to other organizations which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria discussed above, the District is not financially accountable for any other entity, nor is the District a component unit of any other government.

B. Government-wide and Fund Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as governmental type.

Solaris Metropolitan District No. 3
Notes to the Financial Statements
December 31, 2025
(continued)

I. Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements (continued)

1. Government-wide Financial Statements

In the government-wide Statement of Net Position, all balances are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The government-wide focus is on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

2. Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The fund focus is on current available resources and budget compliance.

The District reports the following governmental fund:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *Debt Service Fund* accounts for the accumulation of resources for general long-term debt repayment.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements. Financial statement presentation refers to classification of revenues by source and expenses by function.

1. Long-term Economic Focus and Accrual Basis

Governmental activities in the government-wide financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

Solaris Metropolitan District No. 3
Notes to the Financial Statements
December 31, 2025
(continued)

I. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

2. Current Financial Focus and Modified Accrual Basis

The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter (60 days) to be used to pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

3. Financial Statement Presentation

Amounts reported as program revenues include capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and interest income.

D. Financial Statement Accounts

1. Cash and Cash Equivalents

Cash and equivalents are defined as deposits that can be withdrawn at any time without notice or penalty and investments with maturities of three months or less.

Investments are stated at amortized cost. The change in value of investments is recognized as an increase or decrease to investment assets and investment income. The District's investment policy is detailed in note III.A.

2. Receivables

Receivables are reported net of an allowance for uncollectible accounts. There was no allowance as of December 31, 2025.

3. Property Taxes

Property taxes are assessed in one year as a lien on the property, but not collected by governmental units until the subsequent year. In accordance with accounting principles generally accepted in the United States of America, the assessed but uncollected property taxes have been recorded as a receivable and deferred inflow of resources.

Solaris Metropolitan District No. 3
Notes to the Financial Statements
December 31, 2025
(continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

4. Long-term Debt

In the government-wide financial statements, long-term debt is reported as a liability. In the fund financial statements, the face amount of the debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures in the fund financial statements. Long-term debt also includes contractual obligations as described in note V.A.

5. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net 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 assets 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 qualified for this category. The deferred charge on refunding is amortized over the life of the refunding debt and amortization is included in interest expense.

In addition to liabilities, the Statement of Net 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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Unavailable property tax revenue is deferred and recognized as an inflow of resources in the period that the amounts become available and earned.

6. Fund Balance

The District classifies governmental fund balances as follows:

Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority which is the Board of Directors.

Solaris Metropolitan District No. 3
Notes to the Financial Statements
December 31, 2025
(continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

6. Fund Balance (continued)

Assigned – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Board of Directors or its management designee.

Unassigned - includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

7. Restricted and Unrestricted Resources

The District uses restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the District first uses committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

E. Use of Estimates

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

F. Subsequent Events

Management has evaluated subsequent events through **September 28, 2026**; the date these financial statements were available to be issued.

Solaris Metropolitan District No. 3
Notes to the Financial Statements
December 31, 2025
(continued)

II. Stewardship, Compliance, and Accountability

A. Budgetary Information

In the fall of each year, the District's Board of Directors formally adopts a budget with appropriations by fund for the ensuing year pursuant to the Local Government Budget Law of Colorado. The budgets for the funds are adopted on a basis consistent with generally accepted accounting principles ("GAAP").

As required by Colorado statutes, the District followed the following timetable in approving and enacting a budget for 2025:

- (1) For the 2025 budget year, prior to August 25, 2024, the County Assessor sent to the District the certified assessed valuation of all taxable property within the District's boundaries and prior to December 10, 2024, the County Assessor sent the final recertified assessed valuation to the District.
- (2) On or before October 15, 2024, the District's accountant submitted to the District's Board of Directors a recommended budget which detailed the necessary property taxes needed along with other available revenues to meet the District's operating requirements.
- (3) A public hearing on the proposed budget and capital program was held by the Board no later than 45 days prior to the close of the fiscal year.
- (4) For the 2025 budget, prior to December 15, 2024, the District computed and certified to the County Commissioners a rate of levy that derived the necessary property taxes as computed in the proposed budget.
- (5) For the 2025 budget, the final budget and appropriating resolution was adopted prior to December 31, 2024.

After adoption of the budget resolution, the District may make the following changes: a) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; b) it may approve supplemental appropriations to the extent of revenues in excess of the estimated in the budget; c) it may approve emergency appropriations; and d) it may reduce appropriations for which originally estimated revenues are insufficient.

Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2024 were collected in 2025 and taxes certified in 2025 will be collected in 2026. Taxes are due on January 1st in the year of collection; however, they may be paid in either one installment (no later than April 30th) or two equal installments (not later than February 28th and June 15th) without interest or penalty. Taxes which are not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 15th.

The level of control in the budget at which expenditures exceed appropriations is at the fund level. All appropriations lapse at year end.

Solaris Metropolitan District No. 3
Notes to the Financial Statements
December 31, 2025
(continued)

II. Stewardship, Compliance, and Accountability (continued)

B. TABOR Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government. Any revenues earned in excess of the fiscal year spending limit must be refunded in the next fiscal year, unless voters approve retention of such excess revenue.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR also requires local governments to establish an emergency reserve to be used for declared emergencies only. The reserve is calculated at 3% of fiscal year spending. Fiscal year spending excludes bonded debt service and enterprise spending. The District has reserved \$7,140, which is the approximate required reserve, at December 31, 2025.

On November 7, 2006, a majority of the District's electors authorized the District to collect, keep and expend all District revenue during 2006, and continuing thereafter without regard to limitations under TABOR.

On November 7, 2006, the District's electors authorized the issuance of \$280,000,000 in debt and approved an increase in property tax revenue to pay such debt. The Consolidated Service Plan, as amended, establishes an aggregate debt issuance limitation of \$40,000,000 applicable to Solaris Metropolitan District Nos. 1, 2, and 3 collectively. All bonded debt of the Districts has been issued, as more fully described in the financial statements of those Districts.

The District's management believes it is in compliance with the financial provisions of TABOR.

III. Detailed Notes on all Funds

A. Deposits and Investments

The District's deposits are entirely covered by federal depository insurance ("FDIC") or by collateral held under Colorado's Public Deposit Protection Act ("PDPA"). The FDIC insures the first \$250,000 of the District's deposits at each financial institution. Deposit balances over \$250,000 are collateralized as required by PDPA. The carrying amount of the District's demand deposits was \$0 at year end.

Solaris Metropolitan District No. 3
Notes to the Financial Statements
December 31, 2025
(continued)

III. Detailed Notes on all Funds (continued)

A. Deposits and Investments (continued)

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments, and entities such as the District, may invest which include:

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market mutual funds
- Guaranteed investment contract
- Local government investment pools

Interest Rate Risk. As a means of limiting its exposure to interest rate risk, the District diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer and type of issuer. The District coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term to less than five years (less in some cases) from the purchase date. As a result of the limited length of maturities the District has limited its interest rate risk.

Credit Risk. District investment policy limits investments to those authorized by State statutes. The District's general investment policy is to apply the prudent-person rule: investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

Concentration of Credit Risk. The District diversifies its investments by security type and institution. Financial institutions holding District funds must provide the District a copy of the certificate from the Banking Authority that states that the institution is an eligible public depository.

At year end, the District had the following deposits and investments with the following maturities:

	Standard & Poors Rating	Carrying Amounts	Term to Maturity	
			Less than one year	More than one year
<i>Deposits:</i>				
Certificates of deposit	Not rated	1,127,291	-	1,127,291
<i>Investments:</i>				
Investment pool	AAAm	256,416	256,416	-
		<u>1,383,707</u>	<u>256,416</u>	<u>1,127,291</u>

Solaris Metropolitan District No. 3
Notes to the Financial Statements
December 31, 2025
(continued)

III. Detailed Notes on all Funds (continued)

A. Deposits and Investments (continued)

At December 31, 2025, the District had the following recurring fair value measurements.

Investments Measured at Amortized Cost	Total
CSAFE	256,416
	<u>256,416</u>

Fair Value of Investments. The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

Investments classified in Level 1 are valued using prices quoted in active markets for those securities. Investments classified in Level 2 are valued using the following approaches:

- U.S. Treasuries, U.S. Agencies, and Commercial Paper: quoted prices for identical securities in markets that are not active;
- Repurchase Agreements, Negotiable Certificates of Deposit, and Collateralized Debt Obligations: matrix pricing based on the securities' relationship to benchmark quoted prices;
- Money Market, Bond, and Equity Mutual Funds: published fair value per share (unit) for each fund.

As of December 31, 2025, the District had invested \$256,416 in the Colorado Surplus Asset Fund Trust (CSAFE), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State Statutes governing the Trust. The Trust operates similarly to a 2a-7-like money market fund and each share is equal in value to \$1.00. CSAFE is rated AAAM by the Standard & Poor's Corporation. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as depository in connection with direct investment and withdrawals. The custodian's internal records segregate investments owned by the Trust. Investments in CSAFE are stated as amortized value which approximates fair value.

Solaris Metropolitan District No. 3
Notes to the Financial Statements
December 31, 2025
(continued)

III. Detailed Notes on all Funds (continued)

B. Long-term Debt

2021 Refunding Note

The 2021 Refunding Note was issued for the purpose of refunding the District's outstanding 2016A General Obligation Refunding Bonds (Series 2016A) and the Series 2016B Subordinate Limited Tax General Obligation Refunding Bonds (Series 2016B). The note bears annual interest of 2.84%. Certain property taxes levied by the District are pledged for the payment of the note. The total amount of the note issued were \$34,375,000 and the total paid to escrow, including contribution from the District, was \$34,931,566. This refunding reduced total debt service payments over the next 24 years by approximately \$17,697,884.

The District has the following payments to maturity as of December 31, 2025:

Year Ending December 31,	Principal	Interest	Total
2026	760,000	899,854	1,659,854
2027	780,000	878,270	1,658,270
2028	835,000	856,118	1,691,118
2029	860,000	832,404	1,692,404
2030	920,000	807,980	1,727,980
2031 - 2035	5,225,000	3,625,828	8,850,828
2036 - 2040	5,830,000	4,136,487	9,966,487
2041 - 2045	7,560,000	3,065,400	10,625,400
2046 - 2049	8,915,000	1,102,050	10,017,050
Total	31,685,000	16,204,391	47,889,391

The District has the following changes in long-term liabilities during the year ended December 31, 2025:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2021 Series Loan	32,390,000	-	(705,000)	31,685,000	760,000
	<u>32,390,000</u>	<u>-</u>	<u>(705,000)</u>	<u>31,685,000</u>	<u>760,000</u>

Solaris Metropolitan District No. 3
Notes to the Financial Statements
December 31, 2025
(continued)

IV. Other Information

A. Risk Management

Colorado Special Districts Property and Liability Pool

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; and general liability. The District is a member of the Colorado Special District Property and Liability Pool ("Pool") for property and liability insurance.

The Pool was formed by an intergovernmental agreement to provide public officials, property, general and automobile liability coverage for claims up to \$1,000,000, except if the claim falls within the government immunity statute, then the coverage is \$150,000 per person and a \$600,000 aggregate claim. The Pool is reinsured for 80% of the first \$250,000 of all claims and 100% for claims in excess of \$250,000. The District may be required to make additional contributions in the event aggregate losses incurred by the Pool exceed amounts recoverable from reinsurance contracts. 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. Any settled claims are not expected to exceed coverage. A summary of audited statutory basis financial information for the Pool can be found here: <https://csdpool.org/financials>.

During the normal course of business, the District may incur claims and other assertions against it from various agencies and individuals. Management of the District and their legal representatives have disclosed that they are not aware of any material outstanding claims against the District at December 31, 2025.

B. Related Parties

The District's Board of Directors are either officers or employees of or have business or professional relationships with the Developer.

V. Intergovernmental Agreements

A. District Operations Agreement

The Districts entered into an Amended and Restated District Operating (the "Agreement") dated March 19, 2013, amending and restating the Agreement dated April 26, 2007. The Agreement generally provides that the District will perform operations services including administration, financial management, election management, budget preparation, and insurance administration for the Taxing Districts and the Taxing Districts have pledged to levy taxes to provide for payment of the operations costs. As of December 31, 2025, the District owes \$216,304 to the Service District for these services.

Solaris Metropolitan District No. 3
Notes to the Financial Statements
December 31, 2025
(continued)

V. Intergovernmental Agreements

B. Intergovernmental Agreement with the Town of Vail, Colorado, Solaris Metropolitan District No. 1 and Solaris Metropolitan District No. 2

On March 22, 2007 the Districts entered into an Intergovernmental Agreement with the Town of Vail, Colorado, as required by the Consolidated Service Plan. Under this Agreement, the Districts must obtain the approval of the Vail Town Council prior to any inclusion of property located outside of the service area as defined in the Service Plan. Prior to the issuance of any privately placed debt, the Districts shall obtain a certificate from an External Financial Advisor certifying to the reasonableness of the interest rate and the structure. The IGA was amended on March 4, 2008, increasing the debt authorization limit from \$20,000,000 to \$40,000,000.

The Consolidated Service Plan of the Districts anticipates the dedication of the public improvements to the Town of Vail or other appropriate jurisdiction for ownership and maintenance. The Districts are authorized to operate or maintain any improvements not dedicated to other jurisdictions, including those improvements known as the "Plaza".

C. Omnibus Funding and Reimbursement Agreement

On October 13, 2016, the District, along with District 1 and District 2, entered into an agreement with Solaris Property Owner, LLC. This agreement consolidated several prior agreements and commitments between the parties. The following agreements were terminated: The Integrated Project Delivery Agreement, The Original Funding and Reimbursement Agreement, The Joint Resolution Agreement, and the 2010 Costs Agreement. Furthermore, this agreement included an amendment to the Capital Pledge and Mill Levy Policy Agreement, whereby the Taxing Districts will impose the Capital levies and pledge the levies to the issuer of the 2016 series bonds (District 3).

The General Obligation Refunding Bonds, Series 2016A and the Subordinate Limited Tax General Obligation Refunding Bonds, Series 2016B, in the amounts of \$29,330,000 and \$4,000,000 respectively, were issued for the purpose of: (i) repaying the Solaris Property Owner, LLC debt; (ii) refunding the Series 2013 bonds; (iii) funding the reserve funds; (iv) paying the bond issue costs. The General Obligation Loan, Series 2021 in the amounts of \$34,375,000 were issued for the purpose of: (i) repaying the Solaris Property Owner, LLC debt; (ii) refunding the Series 2016A and Series 2016B bonds; (iii) funding the reserve funds; (iv) paying the bond issue costs.

D. Capital Pledge Agreement

The Districts then entered into a Capital Pledge and Mill Levy Policy Agreement (the "Capital Pledge Agreement") dated December 15, 2021, whereby District No. 2 and District No. 3 pledged to levy taxes to provide for payment of the annual debt requirements for the Series 2021 loan. The Capital Pledge Agreement provides that the Taxing Districts will each levy a debt service mill levy not to exceed a maximum of 50 mills in either District (subject to certain adjustments) and which will be in a corresponding proportion of 46.391 mills in District No. 2 and 25 mills in District No. 3. As of December 31, 2025, the District is owed \$28,483,976 from District No. 2 under this agreement. The Service Plan also establishes a Maximum Debt Mill Levy Imposition Term of forty (40) years after the year of initial imposition of the mill levy on any single property developed for residential use, subject to certain exceptions for refunding's meeting net present value savings requirements, and requiring that a majority of the Board be residents, as provided in the Service Plan.

REQUIRED SUPPLEMENTARY INFORMATION

Solaris Metropolitan District No. 3
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Governmental Funds - General Fund
For the Year Ended December 31, 2025
(With Comparative Actual Amounts For the Year Ended 2024)

	2025			2024
	Original & Final Budget	Actual	Final Budget Variance Positive (Negative)	Actual
Revenues:				
Property taxes	216,633	216,960	327	216,314
Specific ownership taxes	11,914	10,747	(1,167)	10,536
Backfill income	-	-	-	3,307
Interest	200	234	34	297
Interdistrict payments from Solaris Metropolitan District No. 1	10,595	10,256	(339)	9,882
Total Revenues	<u>239,342</u>	<u>238,197</u>	<u>(1,145)</u>	<u>240,336</u>
Expenditures:				
General government:				
Accounting and auditing	5,775	5,775	-	5,500
Insurance	4,820	4,481	339	4,382
Treasurer's fees	6,500	6,509	(9)	6,546
Service obligation payments to Solaris Metropolitan District No. 1	222,048	221,197	851	223,662
Contingency	5,000	-	5,000	-
Total General Government Expenditures	<u>244,143</u>	<u>237,962</u>	<u>6,181</u>	<u>240,090</u>
Net Change in Fund Balance	(4,801)	235	5,036	246
Fund Balance - Beginning	13,927	14,158	231	13,912
Fund Balance - Ending	<u>9,126</u>	<u>14,393</u>	<u>5,267</u>	<u>14,158</u>

SUPPLEMENTARY INFORMATION

Solaris Metropolitan District No. 3
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Governmental Funds - Debt Service Fund
For the Year Ended December 31, 2025
(With Comparative Actual Amounts For the Year Ended 2024)

	2025			2024
	Original & Final Budget	Actual	Final Budget Variance Positive (Negative)	Actual
Revenues:				
Property taxes	172,777	173,038	261	174,754
Specific ownership taxes	9,503	8,571	(932)	8,511
Capital obligation payments from Solaris Metropolitan District No. 2	1,470,935	1,454,278	(16,657)	1,464,085
Interest	12,500	39,943	27,443	43,563
Total Revenues	<u>1,665,715</u>	<u>1,675,830</u>	<u>10,115</u>	<u>1,690,913</u>
Expenditures:				
General government:				
Treasurer's fees	5,183	5,191	(8)	5,288
Contingency	10,000	-	10,000	-
Debt service:				
Bond principal	705,000	705,000	-	690,000
Bond interest	919,876	919,876	-	939,472
Total General Government Expenditures	<u>1,640,059</u>	<u>1,630,067</u>	<u>9,992</u>	<u>1,634,760</u>
Net Change in Fund Balance	25,656	45,763	20,107	56,153
Fund Balance - Beginning	1,338,847	1,330,881	(7,966)	1,274,728
Fund Balance - Ending	<u>1,364,503</u>	<u>1,376,644</u>	<u>12,141</u>	<u>1,330,881</u>