

INDEPENDENCE OVERLAY METROPOLITAN DISTRICT

FINANCIAL STATEMENTS
DECEMBER 31, 2025

TABLE OF C O N T E N T S

Independent Auditors' Report	1
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statement of Net Position	4
Statement of Activities	5
FUND FINANCIAL STATEMENTS	
Balance Sheet – Governmental Fund	6
Reconciliation of the Balance sheet of Governmental Fund To the Statement of Net Position	7
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund	8
Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balance to the Statement of Activities	10
NOTES TO THE BASIC FINANCIAL STATEMENTS	11
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures, and Change in Fund Balance – Budget and Actual – General Fund	19



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Independence Overlay Metropolitan District
Elbert County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of Independence Overlay Metropolitan District, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise Independence Overlay Metropolitan 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 fund of Independence Overlay Metropolitan District as of December 31, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Independence Overlay Metropolitan 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.

Emphasis of Matter – Restatement of Beginning Net Position

As discussed in Note 8 to the financial statements, the beginning net position as of January 1, 2025 has been restated to correct an error in previously issued financial statements. Our opinions are not modified with respect to this matter.

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 Independence Overlay Metropolitan 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our 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 Independence Overlay Metropolitan 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 Independence Overlay Metropolitan 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 general fund budgetary comparison schedule 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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

The Adams Group, LLC

Greenwood Village, CO
July 15, 2026

INDEPENDENCE OVERLAY METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2025

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash	\$ 6,867
Operating fees receivable	186,646
Property taxes receivable	459,243
Due from County Treasurer	2,884
Prepaid items	23,178
Total assets	<u>678,818</u>
 <u>Liabilities</u>	
Accounts payable	54,698
Accrued interest payable	2,338
Developer advances - due in more than one year	200,000
Total liabilities	<u>257,036</u>
 <u>Deferred Inflows Of Resources</u>	
Unavailable revenue - operating fees	163,000
Unavailable revenue - property taxes	459,243
Total deferred inflows of resources	<u>622,243</u>
 <u>Net Position</u>	
Restricted:	
Emergency reserve	28,040
Unrestricted	(228,501)
Total net position	<u>\$ (200,461)</u>

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

INDEPENDENCE OVERLAY METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
General government	\$ 798,153	\$ 165,342	\$ -	\$ -	\$ (632,811)
Interest and fiscal charges	4,670	-	-	-	(4,670)
Total Governmental Activities	<u>\$ 802,823</u>	<u>\$ 165,342</u>	<u>\$ -</u>	<u>\$ -</u>	(637,481)
General Revenues:					
Property taxes					275,697
Specific ownership tax					35,479
Intergovernmental					142,332
Interest income					192
Late fees & fines					640
Total General Revenues					<u>454,340</u>
Net Position - Beginning, as previously reported					65,744
Restatement - See Note 8					<u>(83,064)</u>
Net Position - Beginning, as restated					(17,320)
Change in Net Position					<u>(183,141)</u>
Net Position - Ending					<u>\$ (200,461)</u>

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

INDEPENDENCE OVERLAY METROPOLITAN DISTRICT
BALANCE SHEET – GOVERNMENTAL FUND
DECEMBER 31, 2025

	General Fund
<u>Assets</u>	
Cash	\$ 6,867
Operating fees receivable	186,646
Property taxes receivable	459,243
Due from County Treasurer	2,884
Prepaid items	23,178
Total assets	<u>\$ 678,818</u>
 <u>Liabilities, deferred inflows of resources, and fund balances</u>	
Accounts payable	\$ 54,698
Total liabilities	<u>54,698</u>
 <u>Deferred Inflows of Resources</u>	
Unavailable revenue - operating fees	163,000
Unavailable revenue - property taxes	459,243
Total deferred inflows of resources	<u>622,243</u>
 <u>Fund Balance</u>	
Nonspendable:	
Prepaid items	23,178
Restricted:	
Emergency reserve	28,040
Unassigned (deficit)	<u>(49,341)</u>
Total fund balances	<u>1,877</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 678,818</u>

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

INDEPENDENCE OVERLAY METROPOLITAN DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUND TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2025

Amounts reported for governmental activities in the statement of net position
are different because:

Fund balance of Governmental fund	\$ 1,877
Some liabilities are not due in the current period and, therefore, are not reported in the fund balance sheet.	
Developer advances	(200,000)
Accrued interest payable	<u>(2,338)</u>
Net Position of Governmental Activities	<u>\$ (200,461)</u>

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

INDEPENDENCE OVERLAY METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN
FUND BALANCE – GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2025

	General Fund
<u>Revenues</u>	
Property taxes	\$ 275,697
Specific ownership tax	35,479
Intergovernmental	142,332
Status letter fee	6,432
Architectural review fee	26,450
Trash & recycling	131,160
Community center rental	1,300
Interest income	192
Late fees & fines	640
Total revenues	<u>619,682</u>
<u>Expenditures</u>	
Current:	
Accounting	9,287
Audit	10,000
District management	116,040
Legal	34,525
Treasurer's fees	8,278
Office supplies, Bill.com fees, other	1,631
Elections	572
Insurance, bonds & SDA dues	24,366
Website	1,446
Community center supplies	1,233
Community center maintenance	9,912
Swimming pool maintenance	64,824
Swimming pool management	107,300
Landscaping contract	130,637
Landscaping repairs & maintenance	5,448
Landscaping irrigation repairs	6,121
Utilities	13,544
Internet	276
Design review fees	30,885
Signage	17,307
Park & open space maintenance	20,483
Repairs	25,797
Snow removal	32,992
Trash & recycling - residential	122,971
Trash - community center	2,278

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

INDEPENDENCE OVERLAY METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN
FUND BALANCE – GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2025

Expenditures (Continued)

Debt service:

Developer advance repayment - principal	140,000
Developer advance repayment - interest	<u>2,332</u>
Total expenditures	<u>940,485</u>

Excess of revenues over (under) expenditures	(320,803)
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Other Financing Sources (Uses)

Developer advances	<u>315,000</u>
Total other financing sources (uses)	<u>315,000</u>

Net change in fund balances	(5,803)
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Fund balances, beginning of year	<u>7,680</u>
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Fund balances, end of year	<u><u>\$ 1,877</u></u>
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The accompanying notes are an integral part of these financial statements.

INDEPENDENCE OVERLAY METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND
BALANCE TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025

Amounts reported for governmental activities in the Statement of Activities
are different because:

Net change in fund balances - Total governmental fund	\$ (5,803)
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The issuance of long-term debt (e.g., developer advances) provides current financial resources to governmental fund, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental fund. Neither transaction, however, has any effect on net position.

Developer advances	(315,000)
Payment of principal - developer advances	140,000

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the Governmental fund.

Change in accrued interest payable	<u>(2,338)</u>
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Change in Net Position of Governmental Activities	<u><u>\$ (183,141)</u></u>
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The accompanying notes are an integral part of these financial statements.

INDEPENDENCE OVERLAY METROPOLITAN DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 1 – DEFINITION OF REPORTING ENTITY

Independence Overlay Metropolitan District (District), a quasi-municipal corporation and political subdivision of the State of Colorado was established on January 16, 2018 and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located within the County of Elbert, Colorado.

The District was formed in conjunction with eight other metropolitan districts which collectively comprise the Independence Development (Development).

The District was established principally to provide ongoing maintenance, repair, replacement and operation of the Development's parks and recreation facilities, storm drainage, open space, and public landscaping, the provision of covenant design, review and control enforcement services, and all necessary, incidental and appurtenant services, facilities and improvements thereto within the boundaries of the Development.

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

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements, which provide guidance for determining which governmental activities, organizations, and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential of the organization to provide specific financial benefits or burdens, and fiscal dependency.

The District is not financially accountable for any other organization nor is the District a component unit of any other primary governmental entity.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) include all of the activities of the District. As a general rule, the effect of interfund activity has been removed from these statements. These financial statements include all of the activities of the primary government. The statement of net position reports all financial and capital resources of the District.

INDEPENDENCE OVERLAY METROPOLITAN DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

The difference between the assets and deferred outflows of resources and liabilities and deferred inflows of resources of the District is reported as net position.

The statement of activities demonstrates the degree to which the direct and indirect expense of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider has been met. Expenditures for property and equipment are shown as increases in assets and redemption of bonds, notes, and developer advances are recorded as a reduction in liabilities.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes, specific ownership taxes, and service fees (e.g., trash & recycling, etc.). Expenditures, other than interest on long-term obligations are recorded when the liability is incurred or the long-term obligation paid.

INDEPENDENCE OVERLAY METROPOLITAN DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The District reports the following major governmental fund:

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

Budgets

In accordance with the State Budget Law, the District's Board of Directors hold a public hearing in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting.

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

Property Tax

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 30 or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows of resources in the year they are levied and measurable. The deferred inflows of resources related to property tax revenues are recorded as revenue in the year for which they are levied, in most instances in the year in which collection occurs.

INDEPENDENCE OVERLAY METROPOLITAN DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position (Continued)

Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the statement of net position and balance sheets will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position and fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until then.

In addition to liabilities, the statement of net position and balance sheets will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position and fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Fund Balances - Governmental Funds

Net position is reported in the governmental activities and is classified as restricted and unrestricted. Restrictions of net position represent amounts that are not available for appropriation or are legally restricted. Fund balances of governmental funds are classified as follows:

Nonspendable fund balance – the amount of fund balance that is not in spendable form (such as inventory, prepaids or developer advances) or is legally or contractually required to be maintained intact.

Restricted fund balance – the amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest-level action to remove or change the constraint. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board.

Assigned fund balance – amounts the District intends to use for a specific purpose. Intent can be expressed by the District Board of Directors or by an official or body to which the District Board of Directors delegates the authority.

INDEPENDENCE OVERLAY METROPOLITAN DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position (Continued)

Fund Balances - Governmental Funds (Continued)

Unassigned fund balance – amounts that are available for any purpose. The District has a deficit in unassigned fund balance. The deficit is primarily a result of accumulated operating losses.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, then finally unassigned funds, as needed, unless the District Board of Directors has provided otherwise in its commitment or assignment actions.

Net Position

The District has a deficit in unrestricted net position. The deficit is a result of accumulated operating losses.

NOTE 3 – CASH

As of December 31, 2025, the District's cash deposits had a bank balance of \$101,715, and a carrying balance of \$6,867.

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories the reporting of the uninsured deposits and assets maintained in the collateral pools.

INDEPENDENCE OVERLAY METROPOLITAN DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 4 – LONG-TERM OBLIGATIONS

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

	Balance 12/31/24	Additions	Deletions	Balance 12/31/25	Due Within One Year
Developer Advances	\$ 25,000	\$ 315,000	\$ (140,000)	\$ 200,000	\$ -
	<u>\$ 25,000</u>	<u>\$ 315,000</u>	<u>\$ (140,000)</u>	<u>\$ 200,000</u>	<u>\$ -</u>

Developer Advances

The District entered into an Advance and Reimbursement Agreement with CB Independence Holding Company, LLC (Developer), dated July 23, 2018, to repay advances made by the Developer to the District. The District agreed to repay the Developer for such advances plus accrued interest at the rate of the higher of 7% or the U.S. Prime Rate plus 2% as of the date of each advance. The District's Service Plan limits interest to 8%.

Authorized Debt

Pursuant to the terms of its service plan, the District is not authorized to issue bonds or any other form of debt without first amending the service plan.

NOTE 5 – RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, the District may be exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years. The District pays annual premiums to the Pool for liability, property, public officials' liability and workers compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

INDEPENDENCE OVERLAY METROPOLITAN DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 6 – TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments, except those governmental activities designated as Enterprises.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. The District recorded restricted fund balance for TABOR emergency reserves of \$28,040 as of December 31, 2025.

On November 7, 2017, the District's voters passed an election question authorizing the retention of all revenues received from any source during the 2017 budget year and each budget year thereafter that are in excess of the revenue and fiscal year spending limits that would otherwise apply under Article X, Section 20 of the Colorado Constitution or any other law.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

NOTE 7 – RELATED PARTIES

The District is one of nine metropolitan districts that serve the Development and some members of the District's Board of Directors serve on the board of directors of multiple districts that serve the Development. The developer of the infrastructure which constitutes the District is Craft Bandera Acquisition Company, LLC and Craft Companies, LLC. Some of the members of the District's Board of Directors are employed, owners of, or consultants of the Developer.

INDEPENDENCE OVERLAY METROPOLITAN DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 7 – RELATED PARTIES (CONTINUED)

During the year ended December 31, 2025, the District received advances from the Developer totaling \$315,000. During the year ended December 31, 2025, the District repaid principal and interest to the Developer totaling \$142,332. As of December 31, 2025, the District owed the Developer \$200,000 of outstanding principal and accrued interest of \$2,338.

During the year ended December 31, 2025, the District received \$142,332 transferred from Independence Metropolitan District No. 3 which is included in “Intergovernmental” revenues in the accompanying statement of revenues, expenditures, and changes in fund balances.

Independence Water & Sanitation District is responsible for billing trash and recycling fees on behalf of the District. During the year ended December 31, 2025, the District recorded \$131,160 of revenue billed by the Independence Water & Sanitation District which is included in “Trash & recycling” in the accompanying statement of revenues, expenditures, and changes in fund balances. As of December 31, 2025, the District recognized a receivable due from Independence Water & Sanitation District totaling \$186,646.

NOTE 8 – RESTATEMENT

During the year ended December 31, 2025, the District identified an error in the prior year related to trash and recycling fees applicable the 2025 annual service period that were improperly recognized as revenue as “Charges for Services” in the statement of activities. The error resulted in an overstatement of beginning net position of governmental activities as of January 1, 2025. In accordance with GASB Statement No. 100, Accounting Changes and Error Corrections, the error has been corrected by restating beginning net position for governmental activities as of January 1, 2025. The restatement had no impact on fund balance as of January 1, 2025. The effect of the restatement on beginning net position is as follows:

	<u>As Previously Reported</u>	<u>Error Correction</u>	<u>As Restated</u>
Net Position - Beginning	<u>\$ 65,744</u>	<u>\$ (83,064)</u>	<u>\$ (17,320)</u>

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENCE OVERLAY METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2025

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Property taxes	\$ 279,786	\$ 279,786	\$ 275,697	\$ (4,089)
Specific ownership tax	16,787	34,975	35,479	504
Intergovernmental	-	142,334	142,332	(2)
Status letter fee	3,500	3,500	6,432	2,932
Architectural review fee	45,000	45,000	26,450	(18,550)
Trash & recycling	140,000	140,000	131,160	(8,840)
Community center rental	1,200	1,200	1,300	100
Interest income	-	-	192	192
Late fees & fines	-	-	640	640
Total revenues	<u>486,273</u>	<u>646,795</u>	<u>619,682</u>	<u>(27,113)</u>
<u>Expenditures</u>				
Current:				
Accounting	-	10,000	9,287	713
Audit	500	500	10,000	(9,500)
District management	50,000	110,000	116,040	(6,040)
Legal	15,000	15,000	34,525	(19,525)
Engineering	5,000	5,000	-	5,000
Treasurer's fees	8,394	8,394	8,278	116
Office supplies, Bill.com fees, other	1,500	1,500	1,631	(131)
Elections	2,000	2,000	572	1,428
Insurance, bonds & SDA dues	26,000	26,000	24,366	1,634
Website	1,500	1,500	1,446	54
Community center supplies	8,000	8,000	1,233	6,767
Community center maintenance	15,000	15,000	9,912	5,088
Swimming pool maintenance	40,000	40,000	64,824	(24,824)
Swimming pool management	125,000	125,000	107,300	17,700
Landscaping contract	50,000	100,000	130,637	(30,637)
Landscaping repairs & maintenance	6,000	6,000	5,448	552
Landscaping irrigation repairs	15,000	15,000	6,121	8,879
Utilities	30,000	30,000	13,544	16,456
Internet	5,000	5,000	276	4,724
Design review fees	45,000	45,000	30,885	14,115
Irrigation water	10,000	10,000	-	10,000
Signage	-	17,000	17,307	(307)
Park & open space maintenance	15,000	15,000	20,483	(5,483)
Repairs	-	20,000	25,797	(5,797)
Snow removal	50,000	50,000	32,992	17,008
Trash & recycling - residential	140,000	140,000	122,971	17,029
Trash - community center	600	600	2,278	(1,678)
Contingency / emergencies	6,000	100,000	-	100,000

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INDEPENDENCE OVERLAY METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2025

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<u>Expenditures (Continued)</u>				
Debt service:				
Developer advance repayment - principal	-	140,000	140,000	-
Developer advance repayment - interest	-	2,332	2,332	-
Total expenditures	<u>670,494</u>	<u>1,063,826</u>	<u>940,485</u>	<u>123,341</u>
Excess of revenues over (under) expenditures	(184,221)	(417,031)	(320,803)	96,228
<u>Other Financing Sources</u>				
Developer advances	<u>185,000</u>	<u>473,000</u>	<u>315,000</u>	<u>(158,000)</u>
Net change in fund balance	779	55,969	(5,803)	(61,772)
Fund balance, beginning of year	<u>4,273</u>	<u>7,680</u>	<u>7,680</u>	<u>-</u>
Fund balance, end of year	<u>\$ 5,052</u>	<u>\$ 63,649</u>	<u>\$ 1,877</u>	<u>\$ (61,772)</u>

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