INDEPENDENCE METROPOLITAN DISTRICT NO. 3

FINANCIAL STATEMENTS
DECEMBER 31, 2025

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THE ADAMS GROUP, LLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Independence Metropolitan District No. 3
Elbert County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Independence Metropolitan District No. 3, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise Independence Metropolitan District No. 3'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 Independence Metropolitan District No. 3 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 Metropolitan District No. 3, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 Metropolitan District No. 3's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our 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 Metropolitan District No. 3's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Independence Metropolitan District No. 3's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Independence Metropolitan District No. 3's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Adams Group, LLC

Greenwood Village, CO
July 15, 2026

INDEPENDENCE METROPOLITAN DISTRICT NO. 3
STATEMENT OF NET POSITION
DECEMBER 31, 2025

	Governmental Activities
Assets	
Cash and investments	$ 2,162
Cash and investments - restricted	4,965,293
Property taxes receivable	2
Due from Independence Districts	223,242
Prepaid items	2,774
Capital assets, not being depreciated	46,217,379
Total assets	51,410,852
Deferred Outflows of Resources	
Deferred loss on bond refundings, net	1,114,470
Liabilities	
Accounts payable	13,061
Accrued interest payable - Senior	245,391
Noncurrent liabilities:	
Due in more than one year	82,612,140
Total liabilities	82,870,592
Deferred Inflows Of Resources	
Unavailable revenue - property taxes	2
Total deferred inflows of resources	2
Net Position	
Restricted:	
Debt service	3,419,139
Emergency reserve	22,758
Unrestricted (deficit)	(33,787,169)
Total net position	$ (30,345,272)

The notes are an integral part of these financial statements.

INDEPENDENCE METROPOLITAN DISTRICT NO. 3
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
General government	$ 547,987	$ -	$ -	$ -	$ (547,987)
Interest and fiscal charges	4,238,622	-	-	-	(4,238,622)
Total Governmental Activities	$ 4,786,609	$ -	$ -	$ -	(4,786,609)
			General Revenues:		
			Property taxes		2
			Intergovernmental		2,136,368
			Impact fees		598,190
			Investment earnings		243,430
			Total General Revenues		2,977,990
			Change in Net Position		(1,808,619)
			Net Position - Beginning		(28,536,653)
			Net Position - Ending		$ (30,345,272)

The notes are an integral part of these financial statements.

INDEPENDENCE METROPOLITAN DISTRICT NO. 3
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Assets				
Cash and investments	$ 2,162	$ -	$ -	$ 2,162
Cash and investments - restricted	-	4,965,293	-	4,965,293
Property taxes receivable	-	2	-	2
Due from Independence Districts	-	223,242	-	223,242
Prepaid items	2,774	-	-	2,774
Total assets	$ 4,936	$ 5,188,537	$ -	$ 5,193,473
Liabilities, deferred inflows of resources and fund balance				
Accounts payable	$ 13,061	$ -	$ -	$ 13,061
Total liabilities	13,061	-	-	13,061
Deferred Inflows Of Resources				
Unavailable revenue - property taxes	-	2	-	2
Total deferred inflows of resources	-	2	-	2
Fund Balance				
Nonspendable:				
Prepaid items	2,774	-	-	2,774
Restricted:				
Debt service	-	5,188,535	-	5,188,535
Emergency reserve	22,758	-	-	22,758
Unassigned (deficit)	(33,657)	-	-	(33,657)
Total fund balances	(8,125)	5,188,535	-	5,180,410
Total liabilities, deferred inflows of resources and fund balances	$ 4,936	$ 5,188,537	$ -	$ 5,193,473

The notes are an integral part of these financial statements.

INDEPENDENCE METROPOLITAN DISTRICT NO. 3
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS 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 funds	$ 5,180,410
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	46,217,379
Deferred outflows of resources, including deferred loss on bond refundings, net of accumulated amortization, are not available to pay for current period expenditures and, therefore, are not reported in the funds	1,114,470
Some liabilities are not due in the current period and, therefore, are not reported in the fund balance sheet.	
Series 2024A & 2024B Bonds	(64,093,000)
Developer advances - operating & capital	(17,128,676)
Accrued interest	(1,635,855)
Net Position of Governmental Activities	$ (30,345,272)

The notes are an integral part of these financial statements.

INDEPENDENCE METROPOLITAN DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Revenues				
Property taxes	$ -	$ 2	$ -	$ 2
Impact fees	598,190	-	-	598,190
Intergovernmental	-	2,136,368	-	2,136,368
Investment income	19	243,411	-	243,430
Total revenues	598,209	2,379,781	-	2,977,990
Expenditures				
Current:				
Accounting	8,743	-	-	8,743
Audit	11,000	-	-	11,000
Bank fees	-	13,522	111	13,633
Capital outlay	-	-	16,968,301	16,968,301
District management	18,130	-	-	18,130
Legal	5,374	-	-	5,374
Elections	365	-	-	365
Insurance, bonds & SDA dues	4,009	-	-	4,009
Intergovernmental	479,733	-	-	479,733
Trustee fees	-	7,000	-	7,000
Debt service:				
Interest	-	2,797,459	-	2,797,459
Total expenditures	527,354	2,817,981	16,968,412	20,313,747
Other Financing Sources (Uses)				
Transfers in	-	256,391	-	256,391
Transfers out	(254,403)	-	(1,988)	(256,391)
Developer advances	160,375	-	16,968,301	17,128,676
Total other financing sources (uses)	(94,028)	256,391	16,966,313	17,128,676
Net change in fund balances	(23,173)	(181,809)	(2,099)	(207,081)
Fund balances, beginning of year	15,048	5,370,344	2,099	5,387,491
Fund balances, end of year	$ (8,125)	$ 5,188,535	$ -	$ 5,180,410

The notes are an integral part of these financial statements.

INDEPENDENCE METROPOLITAN DISTRICT NO. 3
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES 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 funds	$ (207,081)
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense	
Capital outlay	16,968,301
The issuance of long-term debt (e.g. bonds, developer advances) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position	
Proceeds from developer advances - operating & capital	(17,128,676)
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 funds.	
Amortization of prepayment premium	(38,430)
Change in accrued interest payable	(1,402,733)
Change in Net Position of Governmental Activities	$ (1,808,619)

The notes are an integral part of these financial statements.

NOTE 1 – DEFINITION OF REPORTING ENTITY

Independence Metropolitan District No. 3 (District), a quasi-municipal corporation and political subdivision of the State of Colorado was established on December 27, 2017 and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located within Elbert County, 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 finance the acquisition, construction, and installation of improvements, for the use and benefit of property owners, residents, taxpayers, and system users within and around the boundaries of the District.

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. The effect of interfund activity has been removed from these statements and include all of the activities of the primary government. The statement of net position reports all financial and capital resources of the District. 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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 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. Intergovernmental 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 and capital fees. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred or the long-term obligation paid. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted first, then unrestricted resources as they are needed.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

In the fund financial statements, the District reports the following major governmental funds:

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.

Debt Service Fund accounts for the resources accumulated and payments made for principal, interest, and related expenses on the long-term general obligation debt of the governmental funds.

Capital Projects Fund accounts for capital outlay for the acquisition of infrastructure assets within the Development.

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

Capital Assets

Capital assets consist entirely of land and construction projects in progress. Therefore, no depreciation is calculated on these assets. Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress, and are not included in the calculation of net investment in capital assets. Such assets are recorded at acquisition cost or estimated acquisition cost if purchased or constructed. The District has not adopted a formal capitalization policy.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 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.

Impact Fees

In exchange for certain infrastructure improvements, Elbert County has entered into an agreement with the District to remit certain Elbert County Growth Impact Fees, use tax, and sales tax generated by the County in connection with the development of all the Districts in the development.

The abatement will be used first to reimburse the developer for costs of constructing improvements within or adjacent to the development. Any remaining funds will be released to the Overlay Metropolitan District.

Deferred Inflows and Deferred Outflows 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 represents a consumption of net position and fund balance that applies to a future period(s) and is therefore not recognized as an outflow of resources (expenditure) until that time.

The deferred loss on bond refunding is being amortized using the straight-line method as a component of interest expense over the life of the refunding bonds. The deferred loss on bond refunding totaling $1,152,900 is reported net of accumulated amortization of $38,430 as of 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 Inflows and Deferred Outflows of Resources (Continued)
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 represents an acquisition of net position and fund balance that applies to a future period(s) and is therefore not recognized as an inflow of resources (revenue) until that time.

Fund Balances - Governmental Funds
The District's governmental fund balances may consist of five classifications based on the relative strength of the spending constraints:

Nonspendable fund balance – the amount of fund balance that is not in spendable form (such as inventory or prepaid items) 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.

Unassigned fund balance – amounts that are available for any purpose.

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, and then unassigned funds.

NOTE 3 – CASH AND INVESTMENTS

Cash and investments as of December 31, 2025, are classified in the accompanying financial statements as follows:

Cash and investments	$	2,162
Cash and investments - restricted		4,965,293
Total cash and investments	$	4,967,455

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

Deposits with financial institutions	$	2,169
Investments		4,965,286
Total cash and investments	$	4,967,455

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 and the reporting of the uninsured deposits and assets maintained in the collateral pools.

As of December 31, 2025, the District's cash deposits had a bank balance of $5,942 and a carrying balance of $2,169.

Investments

The District has not adopted a formal investment policy, however, the District follows State statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate risk, and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial risk for investments that are in the possession of another party.

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- Obligations of the United States, certain U.S. Agency securities, and securities of the World Bank
- General obligations and revenue bonds of U.S. local government entities
- Certain certificates of participation
- Certain securities lending agreements
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools*

As of December 31, 2025, the District had the following investments:

Investment	Weighted Average Maturity	Fair Value
Colorado Local Government Liquid Asset Trust (COLOTRUST)	60 days or less	$ 4,965,286

COLOTRUST

The District invested in the Colorado Local Government Liquid Trust (COLOTRUST) (the Trust), an investment vehicle established for local governmental entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust currently offers three portfolios – COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE.

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

COLOTRUST (Continued)

COLOTRUST PRIME and COLOTRUST PLUS+, which operate similarly to a money market fund and each share is equal in value to $1.00, offer daily liquidity. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

COLOTRUST EDGE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a $10.00 transactional share price. COLOTRUST EDGE may invest in securities authorized by Section 24-75-601.1, CRS, including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, and highest rated commercial paper.

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 the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST PRIME and COLOTRUST PLUS+ are rated AAAm by Standard & Poor's. COLOTRUST EDGE is rated AAAf/S1 by Fitch Ratings. COLOTRUST records its investments at fair value and the District records its investments in COLOTRUST at NAV as determined by fair value. There are no unfunded commitments, the redemption frequency is daily or weekly, and there is no redemption notice period.

NOTE 4 – CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2025 follows:

Governmental Activities	Balance 12/31/24	Additions	Deletions	Balance 12/31/25
Capital assets, not being depreciated:				
Land	$ 406,349	$ -	$ -	$ 406,349
Construction in progress	28,842,729	16,968,301	-	45,811,030
Total Capital Assets	$ 29,249,078	$ 16,968,301	$ -	$ 46,217,379

NOTE 4 – CAPITAL ASSETS (CONTINUED)

Improvements are intended to be for the use and benefit of all the taxpayers, residents, and owners of real property within the Development boundaries. Upon completion, the District intends to convey all of the improvements to Elbert County or other appropriate governmental or quasi-governmental entities.

NOTE 5 – 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
Governmental Activities					
General obligation bonds:					
Series 2024A	$ 54,785,000		$ -	$ 54,785,000	$ -
Series 2024B	9,308,000		-	9,308,000	-
Series 2024B - Accrued Interest		683,459	-	683,459	-
Developer Advances - Operating	-	160,375	-	160,375	-
Developer Advances - Capital	-	16,968,301	-	16,968,301	-
Developer Advances - Accrued Interest	-	707,005	-	707,005	-
	$ 64,093,000	$ 18,519,140	$ -	$ 82,612,140	$ -

General Obligation and Special Revenue Refunding and Improvement Senior Bonds, Series 2024A

In December 2024, the District issued General Obligation and Special Revenue Refunding and Improvement Senior Bonds (the 2024A Bonds) in the aggregate principal amount of $54,785,000. The 2024A Bonds were issued with an interest rate of 5.375% per annum. Interest is payable semi-annually on June 1 and December 1, commencing on June 1, 2025. Any unpaid interest compounds semi-annually thereafter. Principal is payable each December 1 from the available pledged revenues, if any. The failure to pay principal of or interest on the 2024A Bonds when due shall not constitute an event of default. The 2024A Bonds mature on December 1, 2059. Unpaid principal or interest, if any, as of December 2, 2059 will be deemed discharged.

Proceeds of the 2024A Bonds were used to: (i) finance a portion of the costs of public improvements benefiting the Development, (ii) refund the 2019A Bonds, the 2019B Bonds, and the 2021B Bonds, (iii) fund the Senior Surplus Fund in the amount of $5,009,000, and (iv) pay other costs in connection with the issuance of the 2024A Bonds.

NOTE 5 – LONG-TERM OBLIGATIONS (CONTINUED)

General Obligation and Special Revenue Refunding and Improvement Senior Bonds, Series 2024A (Continued)

The 2024A Bonds are secured and payable from the Senior Pledged Revenues, consisting generally of (i) Senior Property Tax Revenues, (ii) the System Development Fee Revenues, (iii) Specific Ownership Tax Revenues, (iv) all Senior PILOT Revenues, and (v) any other legally available moneys which the District determines. The District along with Independence Metropolitan District No. 1 and Independence Metropolitan District No. 2 have each covenanted to levy the Senior Required Mill Levy, consisting of ad valorem property taxes. The mill levy is capped at 55 mills. The 2024A Bonds are also secured by the Senior Surplus Fund up to the maximum surplus amount of $10,957,000. As of December 31, 2025 the Senior Surplus Fund totaled $4,714,326.

The 2024A Bonds are subject to optional redemptions prior to maturity and a redemption premium equal to a percentage of the principal amount so redeemed. From December 1, 2029 to November 30, 2023, bonds can be prepaid at a redemption premium of 3%. From December 1, 2030 to November 30, 2031, bonds can be prepaid at a redemption premium of 2%. From December 1, 2031 to November 30, 2032, bonds can be prepaid at a redemption premium of 1%. After December 1, 2032 bonds can be redeemed without premium.

The 2024A Bonds are subject to mandatory sinking fund redemption. The District's long-term obligations on the bonds follows (assuming no optional redemptions occur):

Year Ending December 31,	Principal	Interest	Total
2026	$ -	$ 2,944,694	$ 2,944,694
2027	-	2,944,694	2,944,694
2028	280,000	2,944,694	3,224,694
2029	660,000	2,929,644	3,589,644
2030	390,000	2,894,169	3,284,169
2031 - 2035	4,130,000	13,975,269	18,105,269
2036 - 2040	6,555,000	12,608,407	19,163,407
2041 - 2045	9,565,000	10,541,183	20,106,183
2046 - 2050	13,610,000	7,559,401	21,169,401
2051 - 2054	19,595,000	3,102,181	22,697,181
Total	$ 54,785,000	$ 62,444,336	$ 117,229,336

NOTE 5 – LONG-TERM OBLIGATIONS (CONTINUED)

General Obligation and Special Revenue Subordinate Bonds, Series 2024B

In December 2024, the District issued General Obligation and Special Revenue Subordinate Bonds (the 2024B Bonds) in the aggregate principal amount of $9,308,000. The 2024B Bonds were issued with an interest rate of 7.125% per annum. Interest is payable annually on December 15, commencing on December 15, 2025. Any unpaid interest compounds annually thereafter. The 2024B Bonds are structured as cash flow bonds, meaning that the Indenture contains no scheduled payments of principal on the bonds other than at maturity. Principal is payable each December 15 from the available pledged revenues, if any, pursuant to a mandatory redemption. Payment of principal and interest on the 2024B Bonds is subordinate to the annual payment of debt service on the 2024A Bonds and to the funding of the Senior Surplus Fund in the Maximum Surplus Amount. The 2024B Bonds mature on December 15, 2059. Unpaid principal or interest, if any, as of December 16, 2059 will be deemed discharged.

Proceeds of the 2024B Bonds were used to: (i) finance a portion of the costs of public improvements benefitting the Development, and (ii) pay other costs in connection with the issuance of the 2024B Bonds.

The 2024B Bonds are secured and payable from the Subordinate Pledged Revenues, consisting generally of (i) Subordinate Property Tax Revenues, (ii) Subordinate System Development Fees, (iii) Subordinate PILOT Revenues, (iv) Subordinate Specific Ownership Tax Revenues, and (v) any other legally available moneys which the District determines.

The 2024B Bonds are subject to optional redemptions prior to maturity and a redemption premium equal to a percentage of the principal amount so redeemed. From December 1, 2029 to November 30, 2030, bonds can be prepaid at a redemption premium of 3%. From December 1, 2030 to November 30, 2031, bonds can be prepaid at a redemption premium of 2%. From December 1, 2031 to November 30, 2032, bonds can be prepaid at a redemption premium of 1%. After December 1, 2032 bonds can be redeemed without premium.

The 2024B Bonds are subject to mandatory sinking fund redemption. However, due to the nature of cash flow bonds, the District has excluded estimated debt service requirements on the bonds.

NOTE 5 – LONG-TERM OBLIGATIONS (CONTINUED)

Pledge Agreements

Pursuant to the Pledge Agreements, the District, along with other Independence Metropolitan Districts, will service the 2024A and 2024B Bonds with revenues derived from the required Senior and Subordinate Pledged Revenues. The amount of debt to be serviced by each District is currently uncertain as it will be determined based on the future revenues derived from each District.

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

On November 7, 2017, a majority of qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed $295,520,000 to fund the development. On May 2, 2023, a majority of qualified electors of the District authorized the issuance of additional indebtedness in an amount not to exceed $270,780,000.

As of December 31, 2025, the District had authorized and issued indebtedness from the election in the following amounts:

	Authorized	Remaining
Voter debt authorization limit	$ 566,300,000	$ 566,300,000

NOTE 6 – NET POSITION

The District has a deficit in unrestricted net position. This deficit amount is a result of the District being responsible for the repayment of bonds issued for public improvement which were conveyed to other governmental entities.

Net position restricted for debt service consists of amounts that are restricted for use externally by creditors. Net position restricted for emergency reserves consists of amounts that are restricted by TABOR.

NOTE 7 – 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.

NOTE 8 – CONTINGENCY

There is no assurance that the property in the service area of the District will be developed as currently contemplated or at all. A number of factors may affect the development, including the overall economy of the region, Elbert County, and the southeast Denver metropolitan area in particular. The collection of property and other taxes is dependent on the development occurring in the District, and the timing of debt service payments is, in part, dependent on the collection of property and other taxes.

NOTE 9 – 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.

NOTE 9 – TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)

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 $22,758 as of December 31, 2025.

On November 7, 2017, the District’s voters passed an election question authorized 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 10 – 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 are employed, owners of, or consultants of the Developer.

During the year ended December 31, 2025, the District acquired infrastructure assets from the developer totaling $16,968,301. As of December 31, 2025, the District had outstanding principal and accrued interest payable due to the developer totaling $17,128,676 and $707,005, respectively.

During the year ended December 31, 2025, the District received a total of $2,136,368 from Independence Districts which are controlled by members of the District’s Board of Directors. Such payments are included in intergovernmental revenues in the accompanying statement of revenues, expenditures, and changes in fund balances. As of December 31, 2025, $223,242 was due from the districts.

NOTE 10 – RELATED PARTIES (CONTINUED)

During the year ended December 31, 2025, the District paid a total of $479,733 to Independence Districts, which are controlled by members of the District's Board of Directors. Such payments are included in intergovernmental expenditures in the accompanying statement of revenues, expenditures, and changes in fund balances.

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENCE METROPOLITAN DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED DECEMBER 31, 2025

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	$ 1	$ -	$ -	$ -
Impact fees	-	650,000	598,190	(51,810)
Investment income	-	-	19	19
Total revenues	1	650,000	598,209	(51,791)
Expenditures				
Current:				
Accounting	-	15,000	8,743	6,257
Audit	12,000	12,000	11,000	1,000
District management	12,000	12,000	18,130	(6,130)
Legal	4,500	4,500	5,374	(874)
Elections	500	500	365	135
Insurance, bonds & SDA dues	4,500	4,500	4,009	491
Intergovernmental	15,000	479,735	479,733	2
Contingency / emergencies	10,000	100,000	-	100,000
Total expenditures	58,500	628,235	527,354	100,881
Excess of revenues over (under) expenditures	(58,499)	21,765	70,855	49,090
Other Financing Sources (Uses)				
Developer advances	50,000	253,000	160,375	(92,625)
Transfers out	-	(254,403)	(254,403)	-
Total other financing sources (uses)	50,000	(1,403)	(94,028)	(92,625)
Net change in fund balance	(8,499)	20,362	(23,173)	(43,535)
Fund balance, beginning of year	12,344	15,050	15,048	(2)
Fund balance, end of year	$ 3,845	$ 35,412	$ (8,125)	$ (43,537)

SUPPLEMENTARY INFORMATION

INDEPENDENCE METROPOLITAN DISTRICT NO. 3
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL – DEBT SERVICE FUND
YEAR ENDED DECEMBER 31, 2025

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	$ 2	$ 2	2	$ -
Intergovernmental	2,732,468	3,224,200	2,136,368	(1,087,832)
Investment income	100,000	250,000	243,411	(6,589)
Total revenues	2,832,470	3,474,202	2,379,781	(1,094,421)
Expenditures				
Bank fees	6,500	13,750	13,522	228
Trustee fees	9,000	7,000	7,000	-
Contingency	-	25,000	-	25,000
Debt service:				
Interest	2,323,676	2,797,459	2,797,459	-
Total expenditures	2,339,176	2,843,209	2,817,981	25,228
Excess of revenues over (under) expenditures	493,294	630,993	(438,200)	(1,069,193)
Other Financing Sources (Uses)				
Transfers in	-	256,407	256,391	(16)
Net change in fund balance	493,294	887,400	(181,809)	(1,069,209)
Fund balance, beginning of year	3,555,540	5,370,341	5,370,344	3
Fund balance, end of year	$ 4,048,834	$ 6,257,741	$ 5,188,535	$ (1,069,206)

INDEPENDENCE METROPOLITAN DISTRICT NO. 3
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – CAPITAL PROJECTS FUND
YEAR ENDED DECEMBER 31, 2025

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Investment income	$ -	$ 16	$ -	$ (16)
Total revenues	-	16	-	(16)
Expenditures				
Bank fees	-	111	111	-
Capital outlay	8,000,000	20,285,000	16,968,301	3,316,699
Total expenditures	8,000,000	20,285,111	16,968,412	3,316,699
Excess of revenues over (under) expenditures	(8,000,000)	(20,285,095)	(16,968,412)	3,316,683
Other Financing Sources (Uses)				
Developer advances	-	20,285,000	16,968,301	(3,316,699)
Transfers out	-	(2,004)	(1,988)	16
Total other financing sources (uses)	-	20,282,996	16,966,313	(3,316,683)
Net change in fund balance	(8,000,000)	(2,099)	(2,099)	-
Fund balance, beginning of year	8,000,000	2,099	2,099	-
Fund balance, end of year	$ -	$ -	$ -	$ -