

**Inverness Metropolitan Improvement District
Arapahoe and Douglas Counties, Colorado**

FINANCIAL STATEMENTS

With Independent Auditor's Report

December 31, 2025

INVERNESS METROPOLITAN IMPROVEMENT DISTRICT

Contents

INDEPENDENT AUDITOR'S REPORT	I
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	1
STATEMENT OF ACTIVITIES.....	2
BALANCE SHEET – GOVERNMENTAL FUNDS	3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS	4
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES.....	5
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL - GENERAL FUND	6
NOTES TO FINANCIAL STATEMENTS	7
SUPPLEMENTAL INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL CAPITAL PROJECTS FUND	19
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED.....	20

Board of Directors
Inverness Metropolitan Improvement District
Arapahoe and Douglas Counties, Colorado

Independent Auditor's Report

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Inverness Metropolitan Improvement District (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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Inverness Metropolitan Improvement District as of December 31, 2025, and the respective changes in financial position and the respective budgetary comparison for the general fund 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 (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

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 (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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

"Wipfli" is the brand name under which Wipfli LLP and Wipfli Advisory LLC and its respective subsidiary entities provide professional services. Wipfli LLP and Wipfli Advisory LLC (and its respective subsidiary entities) practice in an alternative practice structure in accordance with the AICPA Code of Professional Conduct and applicable law, regulations, and professional standards. Wipfli LLP is a licensed independent CPA firm that provides attest services to its clients, and Wipfli Advisory LLC provides tax and business consulting services to its clients. Wipfli Advisory LLC and its subsidiary entities are not licensed CPA firms.

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 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 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.

"Wipfli" is the brand name under which Wipfli LLP and Wipfli Advisory LLC and its respective subsidiary entities provide professional services. Wipfli LLP and Wipfli Advisory LLC (and its respective subsidiary entities) practice in an alternative practice structure in accordance with the AICPA Code of Professional Conduct and applicable law, regulations, and professional standards. Wipfli LLP is a licensed independent CPA firm that provides attest services to its clients, and Wipfli Advisory LLC provides tax and business consulting services to its clients. Wipfli Advisory LLC and its subsidiary entities are not licensed CPA firms.

Other Matters

Required Supplemental Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States 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.

Supplemental 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 supplemental information as listed in the table of contents is presented for the purposes of legal compliance and additional analysis and is not a required part of the financial statements. The supplemental information is the responsibility of management and was derived from and relates 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 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. In our opinion, such information is fairly stated in all material respects in relation to the financial statements as a whole.

The logo for Wipfli LLP, featuring the company name in a stylized, handwritten-style script.

Wipfli LLP
Denver, Colorado

July 10, 2026

"Wipfli" is the brand name under which Wipfli LLP and Wipfli Advisory LLC and its respective subsidiary entities provide professional services. Wipfli LLP and Wipfli Advisory LLC (and its respective subsidiary entities) practice in an alternative practice structure in accordance with the AICPA Code of Professional Conduct and applicable law, regulations, and professional standards. Wipfli LLP is a licensed independent CPA firm that provides attest services to its clients, and Wipfli Advisory LLC provides tax and business consulting services to its clients. Wipfli Advisory LLC and its subsidiary entities are not licensed CPA firms.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
December 31, 2025
(See Independent Auditor's Report)

Statement of Net Position December 31, 2025

ASSETS	Governmental Activities
Cash and investments	\$ 3,681,439
Cash and investments - Restricted	63,740
Accounts receivable	2,622
Prepaid expenses	28,737
Property taxes receivable	1,519,105
Capital assets, not being depreciated	1,414,866
Capital assets, net of accumulated depreciation	13,132,772
Total assets	\$ 19,843,281
LIABILITIES	
Accounts payable	\$ 199,337
Deposits payable	48,000
Total liabilities	247,337
DEFERRED INFLOWS OF RESOURCES	
Property tax revenue	1,519,105
Total deferred inflows of resources	1,519,105
NET POSITION	
Net investment in capital assets	14,547,638
Restricted for:	
Emergency reserves	63,740
Unrestricted	3,465,461
Total net position	\$ 18,076,839

(See Notes to Basic Financial Statements)

INVERNESS METROPOLITAN IMPROVEMENT DISTRICT

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2025 (See Independent Auditor's Report)

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u>
Primary government			
General government	\$ 346,999	\$ -	\$ (346,999)
Public works	2,205,139	-	(2,205,139)
Recreation program	11,121	19,990	8,869
Covenant control	36,329	62,444	26,115
Total Governmental activities	<u>\$ 2,599,588</u>	<u>\$ 82,434</u>	<u>\$ (2,517,154)</u>
 General Revenues			
Property Taxes			1,445,473
Specific Ownership Taxes			96,235
Excluded Property Fees			296,899
Landscape Reimbursement			48,218
Interest Income			155,407
Total General Revenues			<u>2,042,232</u>
 Change in Net Position			(474,922)
 Net Position - Beginning			18,551,761
 Net Position - Ending			<u>\$ 18,076,839</u>

(See Notes to Basic Financial Statements)

INVERNESS METROPOLITAN IMPROVEMENT DISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS

December 31, 2025

(See Independent Auditor's Report)

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and investments	\$ 3,658,163	\$ -	\$ 23,276	\$ 3,681,439
Cash and investments - Restricted	63,740	-	-	63,740
Receivable - County Treasurer	-	-	-	-
Accounts receivable	2,622	-	-	2,622
Prepaid expenses	28,737	-	-	28,737
Property taxes receivable	1,519,105	-	-	1,519,105
Total assets	\$ 5,272,367	\$ -	\$ 23,276	\$ 5,295,643
LIABILITIES				
Accounts and retainage payable	\$ 176,061	\$ -	\$ 23,276	\$ 199,337
Deposits payable	48,000	-	-	48,000
Total liabilities	224,061	-	23,276	247,337
DEFERRED INFLOWS OF RESOURCES				
Property tax revenue	1,519,105	-	-	1,519,105
Total deferred inflows of resources	1,519,105	-	-	1,519,105
FUND BALANCES				
Nonspendable:				
Prepaid expenses	28,737	-	-	28,737
Restricted for:				
Emergencies	63,740	-	-	63,740
Assigned for:				
Subsequent year's expenditures	602,447	-	-	602,447
Unassigned	2,834,277	-	-	2,834,277
Total fund balances	3,529,201	-	-	3,529,201
Total liabilities, deferred inflows of resources and fund balances	\$ 5,272,367	\$ -	\$ 23,276	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	14,547,638
Net position of governmental activities	\$ 18,076,839

(See Notes to Basic Financial Statements)

INVERNESS METROPOLITAN IMPROVEMENT DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

For the Year Ended December 31, 2025
(See Independent Auditor's Report)

	General Fund	Debt Service Fund	Capital Projects	Total Governmental Funds
Revenues				
Property taxes	\$ 1,445,473	\$ -	\$ -	\$ 1,445,473
Specific ownership taxes	96,235	-	-	96,235
Excluded property fees	296,899	-	-	296,899
Recreation fees	19,990	-	-	19,990
Review and permit fees	62,444	-	-	62,444
Investment earnings	155,407	-	-	155,407
Landscape reimbursement	48,218	-	-	48,218
Total revenues	2,124,666	-	-	2,124,666
Expenditures				
General government	346,999	-	-	346,999
Public works	1,253,397	-	-	1,253,397
Recreation program	11,121	-	-	11,121
Covenant control	36,329	-	-	36,329
Capital outlay	-	-	356,243	356,243
Total expenditures	1,647,846	-	356,243	2,004,089
Excess of revenues over (under) expenditures	476,820	-	(356,243)	120,577
Other financing sources (uses)				
Operating transfers in (out)	(356,243)	-	356,243	-
Total other financing sources and (uses)	(356,243)	-	356,243	-
Net change in fund balances	120,577	-	-	120,577
Fund balances - beginning	3,408,624	-	-	3,408,624
Fund balances - ending	\$ 3,529,201	\$ -	\$ -	\$ 3,529,201

(See Notes to Basic Financial Statements)

INVERNESS METROPOLITAN IMPROVEMENT DISTRICT

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

(See Independent Auditor's Report)

Net change in fund balances - governmental funds:	\$	120,577
---	----	---------

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

Governmental funds report capital outlays as expenditures. In the statement of activities capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset. Therefore, this is the amount of depreciation in the current period.

Depreciation expense	(951,742)
Capital outlay	356,243
Change in net position of governmental activities	<u>\$ (474,922)</u>

(See Notes to Basic Financial Statements)

INVERNESS METROPOLITAN IMPROVEMENT DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2025

	Original and Final Budget Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
REVENUES			
Property taxes	\$ 1,575,429	\$ 1,445,473	\$ (129,956)
Specific ownership taxes	98,000	96,235	(1,765)
Excluded property fees	296,938	296,899	(39)
Recreation fees	15,000	19,990	4,990
Review and permit fees	37,000	62,444	25,444
Investment earnings, net	40,700	155,407	114,707
Landscape reimbursement	51,000	48,218	(2,782)
Total revenues	<u>2,114,067</u>	<u>2,124,666</u>	<u>10,599</u>
EXPENDITURES			
General government			
District management	208,600	208,271	329
Accounting and audit	66,080	70,187	(4,107)
Legal	12,000	9,738	2,262
Director's fees	6,500	4,818	1,682
Professional services	20,000	1,238	18,762
Office operating	4,500	2,214	2,286
Insurance	55,000	26,507	28,493
Treasurer's fees	24,000	21,525	2,475
Miscellaneous	5,000	2,501	2,499
Total general government	<u>401,680</u>	<u>346,999</u>	<u>54,681</u>
Public works			
Landscape maintenance	557,200	551,206	5,994
Street maintenance and repairs	250,000	122,914	127,086
Sidewalk maintenance and repairs	190,000	158,021	31,979
Lighting	90,000	48,267	41,733
Snow removal	320,000	188,497	131,503
Irrigation	75,000	126,808	(51,808)
Trash patrol	65,000	57,684	7,316
Total public works	<u>1,547,200</u>	<u>1,253,397</u>	<u>293,803</u>
Recreation program	10,000	11,121	(1,121)
Covenant control	40,000	36,329	3,671
Contingency	100,000	-	100,000
Total expenditures	<u>2,098,880</u>	<u>1,647,846</u>	<u>451,034</u>
Excess of revenues over expenditures	15,187	476,820	(440,435)
OTHER FINANCING SOURCES (USES)			
Operating transfers in			
Operating transfers (out)	(670,000)	(356,243)	313,757
Total other financing sources (uses)	<u>(670,000)</u>	<u>(356,243)</u>	<u>313,757</u>
Net change in fund balances	(654,813)	120,577	(126,678)
Fund balances - beginning	3,408,624	3,408,624	-
Fund balances - ending	<u>\$ 2,753,811</u>	<u>\$ 3,529,201</u>	<u>\$ 775,390</u>

(See Notes to Basic Financial Statements)

INVERNESS METROPOLITAN IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2025

Note 1 – Definition of Reporting Entity

Inverness Metropolitan Improvement District (the District) is a quasi-municipal corporation and political subdivision of the State of Colorado, was organized on October 30, 1980, 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 in Arapahoe and Douglas Counties, Colorado. The District was established to provide for the acquisition, construction, completion, installation of public improvements, including open space, park and recreational facilities and programs, and to improve the transportation system, including roads and a possible mass transit system. The District also administers, enforces and interprets the Inverness Protective Covenants. The District's primary revenues are from property taxes and development fees. The District is governed by an elected Board of Directors.

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 for the organization to provide specific financial benefits or burdens and fiscal dependency.

As of December 31, 2025, no component unit has been identified as reportable to the District, nor is the District a component unit of any other primary governmental entity.

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

Note 2 – Summary of Significant Accounting Policies

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of net position reports all financial resources of the District. The difference between the sum of assets and deferred outflows of resources and the sum of 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 expenses 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

INVERNESS METROPOLITAN IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

(continued)

December 31, 2025

Note 2 – Summary of Significant Accounting Policies (continued)

revenues.

Separate financial statements are provided for the 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. Property taxes are recognized as revenues in the year for which they are levied.

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 revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. Property taxes and intergovernmental revenues associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Other revenue items are considered to be measurable and available only when the District receives the cash.

The District reports the following major governmental funds:

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 reported in another fund.

The debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.

The capital projects fund is used to account for financial resources to be used for the acquisition and construction of capital facilities and other assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires District management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported

INVERNESS METROPOLITAN IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

(continued)

December 31, 2025

Note 2 – Summary of Significant Accounting Policies (continued)

amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Budgetary Information

In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of 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 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 unless otherwise indicated.

Pooled Cash and Investments

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a minimum number of bank accounts. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility.

Interfund Balances

The District reports interfund balances that are representative of lending/borrowing arrangements between funds in the fund financial statements as due to/from other funds. The interfund balances have been eliminated in the government-wide statements.

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in two 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 property tax revenues are recorded as revenue in the year they are available or collected.

INVERNESS METROPOLITAN IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

(continued)

December 31, 2025

Note 2 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets, which include primarily land, infrastructure, and related improvements, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Landscaping and parks are not depreciated.

Upon completion of construction, certain infrastructure projects are conveyed to Arapahoe and Douglas Counties, Colorado or recorded in the District's general fixed assets. Depreciation expense is computed using the straight-line method over the assets' estimated economic lives as follows:

Sidewalks and Bridges	20 years
Roads	20 years
Median Improvements	30 years
Signage, Traffic Signals and Street Lights	7 years
Fiber Optics	7 years
Other	5-50 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, deferred property tax revenue, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

INVERNESS METROPOLITAN IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

(continued)

December 31, 2025

Note 2 – Summary of Significant Accounting Policies (continued)

Equity

Net Position

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted as they are needed.

Fund Balance

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: non-spendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. As of December 31, 2025, the District uses five classifications: non-spendable, restricted, committed, assigned and unassigned, as described below.

The following classifications describe the relative strength of the spending constraints:

Non-spendable fund balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or is legally or contractually required to be maintained intact.

Restricted fund balance – The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.

Committed fund balance – The portion of fund balance constrained for specific purposes according to limitations imposed by the District's highest level of decision making authority, the Board of Directors, prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Board of Directors.

Assigned fund balance – The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

Unassigned fund balance – The residual portion of fund balance that does not meet any of the above criteria.

INVERNESS METROPOLITAN IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

(continued)

December 31, 2025

Note 2 – Summary of Significant Accounting Policies (continued)

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's policy to use the most restrictive classification first.

Adoption of New Accounting Standards

In December 2023, the GASB issued Statement No. 102, Certain Risk Disclosures ("Statement 102"). Statement 102 requires note disclosure when (a) a concentration or constraint is known prior to issuance of the financial statements, (b) it makes the reporting unit vulnerable to the risk of a substantial impact, and (c) an event associated with the concentration or constraint has occurred, has begun to occur, or is more likely than not to begin to occur within 12 months of issuance.

The District adopted the requirements of the guidance effective January 1, 2025, and has elected to apply the provisions of this standard to the beginning of the period of adoption. Management performed the analysis required under Statement 102 and did not identify any concentrations or constraints that require disclosure.

Note 3 - Cash and Investments

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

Statement of net position:

Cash and investments	\$ 3,681,439
Cash and investments-Restricted	63,740
Total cash and investments	<u>\$ 3,745,179</u>

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

Deposits with financial institutions	\$ 89,525
Investments	3,655,654
	<u>\$ 3,745,179</u>

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.

INVERNESS METROPOLITAN IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

(continued)

December 31, 2025

Note 3 - Cash and Investments (continued)

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

At December 31, 2025, the District's cash deposits had a bank balance of \$160,327 and a carrying balance of \$89,525.

Investments

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

The District generally limits its investment to those which are believed to have 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 credit risk for investments that are in the possession of another party.

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 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. government agency securities, and securities of the World Bank
- General obligation 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 repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

Fair Value Measurement and Application

Certain investments are measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant

INVERNESS METROPOLITAN IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

(continued)

December 31, 2025

Note 3 - Cash and Investments (continued)

unobservable inputs. The District's investment is not required to be categorized within the fair value hierarchy. This investment's value is calculated using the net asset value method (NAV) per share.

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

Investment	Amount
Colorado Liquid Asset Trust (Colotrust) Total investments	\$ <u>3,655,654</u>
	\$ <u>3,655,654</u>

Colotrust

The local government investment pool, Colorado Local Government Liquid Asset Trust ("COLOTRUST" or the "Trust") is rated AAAM by Standard & Poor's with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST PLUS+ using the net asset value method. The Trust operates similarly to a money market fund with each share maintaining a value of \$1.00. Investments consist of U.S. Treasury bills and notes 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 repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to the trusts. Substantially all securities owned by the Trust are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians' internal records identify the investments owned by COLOTRUST. At December 31, 2025, the District had \$3,655,654 invested in COLOTRUST.

INVERNESS METROPOLITAN IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

(continued)

December 31, 2025

Note 4 – Capital Assets

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

	Balances 12/31/2024	Additions	Deletions	Balances 12/31/2025
Governmental Activities:				
Capital Assets, not being depreciated				
Construction In Progress	\$ 210,730	\$ 222,052	\$ (126,716)	\$ 306,066
Water Tap Fees	66,856	-	-	66,856
Land and Easements	6,701	-	-	6,701
Roads	643,615	100,979	-	744,594
Pedestrian Overpasses	257,437	33,212	-	290,649
Total Capital Assets, not being depreciated	1,185,339	356,243	(126,716)	1,414,866
Capital Assets, being depreciated				
Sidewalks	4,298,033	-	-	4,298,033
Median Improvements	561,480	-	-	561,480
Bridges	2,311,166	126,716	-	2,437,882
Fiber Optics	68,351	-	-	68,351
Signage	4,761,172	-	-	4,761,172
Traffic Signals/Street Lights	2,588,757	-	-	2,588,757
Landscaping	4,842,195	-	-	4,842,195
Parks and Recreational Facilities	3,925,657	-	-	3,925,657
Roads	1,436,161	-	-	1,436,161
Other	424,452	-	-	424,452
Total Capital Assets, being depreciated	25,217,424	126,716	-	25,344,140
Less Accumulated Depreciation				
Sidewalks	(2,506,559)	(178,202)	-	(2,684,761)
Median Improvements	(304,513)	(18,715)	-	(323,228)
Bridges	(907,556)	(69,633)	-	(977,189)
Fiber Optics	(68,352)	-	-	(68,352)
Signage	(3,654,300)	(220,754)	-	(3,875,054)
Traffic Signals/Street Lights	(2,489,020)	(45,526)	-	(2,534,546)
Building	(422,943)	(1,510)	-	(424,453)
Landscaping	(387,376)	(193,688)	-	(581,064)
Parks and Recreational Facilities	(455,715)	(151,905)	-	(607,620)
Roads	(63,292)	(71,809)	-	(135,101)
Total Accumulated Depreciation	(11,259,626)	(951,742)	-	(12,211,368)
Total Capital Assets, Being Depreciated, Net	13,957,798	(825,026)	-	13,132,772
Governmental Activities Capital Assets, Net	\$ 15,143,137	\$ (468,783)	\$ (126,716)	\$ 14,547,638

Depreciation expense was charged to public works for the year ended December 31, 2025, in the amount of \$951,742.

INVERNESS METROPOLITAN IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

(continued)

December 31, 2025

Note 5 – Long-Term Debt

Debt Authorization

At the November 1, 2011, election a majority of the District's qualified voters authorized the issuance of general obligation indebtedness in an amount not to exceed \$4,000,000 for public improvements, all of which was issued by the issuance of the District's General Obligation Refunding and Improvement Bonds, Series 2012. At the November 3, 2015, election, a majority of the District's qualified voters authorized an additional amount not to exceed \$20,000,000 for public improvements, none of which has been issued. At December 31, 2025, the District had a total authorized but unissued debt of \$20,000,000 for public improvements.

Note 6 – Net Position

The District's net position consists of three components – net investment in capital assets, restricted and unrestricted, which are shown on the Statement of Net Position on page 1.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2025, the District had net investment in capital assets in the amount of \$14,547,638.

Restricted assets include net position that is restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. As of December 31, 2025, the District has restricted net position of \$63,740 for Emergency Reserves.

As of December 31, 2025, the District has unrestricted net position of \$ 3,465,461.

Note 7 – Excluded Properties

The District has excluded approximately 100 acres under various agreements dated between 2005 and 2025. The District will continue to provide facilities, services and programs to these properties in the same manner and to the same extent as prior to the exclusions. These property owners are obligated to pay debt service property taxes for the debt existing prior to the exclusion and also pay a tax equivalency fee for general fund services and debt services on bonds issued after the exclusion.

INVERNESS METROPOLITAN IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

(continued)

December 31, 2025

Note 8 – Interfund Transfers

The transfer from the General Fund to the Capital Projects Fund was to support Capital expenditures.

Note 9 – Risk Management

The District is 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 10 - Tax, Spending and Debt Limitation

Article X, Section 20 of the Colorado Constitution, referred to 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.

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 and benefit increases.

On November 3, 1998, the District voters authorized the District to impose new taxes, increase the tax rate, and increase the present and future mill levies above those of the prior year, not to exceed a total of 6 mills, in addition to the mill levies for general obligation bonds or other multiple fiscal year obligations and change District tax policies whether or not the change would directly cause a net revenue gain to the District, to the extent necessary or desirable to provide for District capital improvements.

INVERNESS METROPOLITAN IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

(continued)

December 31, 2025

Note 10 - Tax, Spending and Debt Limitation (continued)

In addition, on May 2, 2000, the District voters authorized the District to operate without regard to any revenue limitations under TABOR or any other law or the emergency reserve requirement under TABOR.

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 11 - Debt Service Fund Budget and Actuals

For year ended December 31, 2025, there was no revenue or expenditures for the Debt Service fund. Beginning fund balance and ending fund balance was zero.

INVERNESS METROPOLITAN IMPROVEMENT DISTRICT

SUPPLEMENTAL INFORMATION

INVERNESS METROPOLITAN IMPROVEMENT DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET
AND ACTUAL CAPITAL PROJECTS FUND
For the Year Ended December 31, 2025
(See Independent Auditor's Report)

	Original and Final Budget Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
REVENUES			
Development Fees	\$ 290,000	\$ -	\$ (290,000)
Total revenues	<u>290,000</u>	<u>-</u>	<u>(290,000)</u>
EXPENDITURES			
Park master plan	135,000	29,196	105,804
Street overlays and improvements	100,000	-	100,000
Dry Creek road improvements	420,000	100,979	319,021
County Line interchange	320,000	39,792	280,208
Bicycle and pedestrian projects	746,000	33,212	712,788
Street light improvements	390,000	-	390,000
Bridge improvements	123,000	97,143	25,857
Landscaping improvements	550,000	55,921	494,079
Contingency	50,000	-	50,000
Total expenditures	<u>2,834,000</u>	<u>356,243</u>	<u>2,477,757</u>
Excess of expenditures over (under) revenues	(2,544,000)	(356,243)	2,187,757
OTHER FINANCING SOURCES (USES)			
Operating transfers in	670,000	356,243	(313,757)
Total other financing sources (uses)	<u>670,000</u>	<u>356,243</u>	<u>(313,757)</u>
Net change in fund balances	<u>(1,874,000)</u>	<u>-</u>	<u>1,874,000</u>
Fund balances - beginning	<u>1,874,000</u>	<u>-</u>	<u>(1,874,000)</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

INVERNESS METROPOLITAN IMPROVEMENT DISTRICT

SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED

December 31, 2025

Year ended December 31, (By County)	Prior Year	Total				Percent Collected to Levied
	Assessed Valuation for Current Year	Mills Levied		Property Taxes		
	Property Tax Levy	General	Debt	Levied	Collected	
2021						
Arapahoe	\$ 242,403,217	4.500	1.650	\$ 1,490,780		
Douglas	107,888,480	4.500	1.650	663,514		
	<u>\$ 350,291,697</u>			<u>\$ 2,154,294</u>	<u>\$ 2,040,840</u>	94.73%
2022						
Arapahoe	\$ 255,474,215	4.500	1.650	\$ 1,616,016		
Douglas	103,640,490	4.500	1.650	592,540		
	<u>\$ 359,114,705</u>			<u>\$ 2,208,556</u>	<u>\$ 2,125,952</u>	96.26%
2023						
Arapahoe	\$ 240,059,435	4.500		\$ 1,080,267		
Douglas	108,118,990	4.500		486,535		
	<u>\$ 348,178,425</u>			<u>\$ 1,566,802</u>	<u>\$ 1,537,271</u>	98.12%
2024						
Arapahoe	\$ 260,610,437	4.000		\$ 1,042,442		
Douglas	116,510,470	4.000		466,042		
	<u>\$ 377,120,907</u>			<u>\$ 1,508,484</u>	<u>\$ 1,552,014</u>	102.89%
2025						
Arapahoe	\$ 261,879,090	4.210		\$ 1,102,511		
Douglas	112,331,960	4.210		472,918		
	<u>\$ 374,211,050</u>			<u>\$ 1,575,429</u>	<u>\$ 1,445,473</u>	91.75%
2026						
Arapahoe	\$ 239,108,288	4.560		\$ 1,090,334		
Douglas	94,028,670	4.560		428,771		
	<u>\$ 333,136,958</u>			<u>\$ 1,519,105</u>	<u>\$ -</u>	

Note:

Property taxes collected in any one year include collection of delinquent property taxes levied and /or abatements from valuations in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.