

MOUNTAIN SHADOWS METROPOLITAN DISTRICT

SUPPLEMENT TO THE 2024 ANNUAL REPORT

Pursuant to §32-1-207(3)(c) and the Service Plan for Mountain Shadows Metropolitan District (the “District”), the District is required to provide an annual report to the with regard to the following matters:

For the year ending December 31, 2024, the District makes the following supplemental report:

§32-1-207(3) Statutory Requirements

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

The 2024 Audit is attached hereto as **Exhibit A**.

Exhibit A
2024 Audit

MOUNTAIN SHADOWS METROPOLITAN DISTRICT
Jefferson County, Colorado

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2024

**MOUNTAIN SHADOWS METROPOLITAN DISTRICT
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Mountain Shadows Metropolitan District
Jefferson County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Mountain Shadows Metropolitan District (the District) as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2024, and the respective changes in financial position thereof, 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, 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.

Auditor's Responsibility 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 judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk 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 judgement, 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 to 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

Management has omitted 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 and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary and other information (together, the information) as identified in the table of contents is presented for the purposes of additional analysis and legal compliance 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Fiscal Focus Partners, LLC

Arvada, Colorado
September 30, 2025

BASIC FINANCIAL STATEMENTS

**MOUNTAIN SHADOWS METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2024**

| | Governmental Activities |
|---|----------------------------|
| ASSETS | |
| Cash and Investments | \$ 208,557 |
| Cash and Investments - Restricted | 181,681 |
| Receivable from County Treasurer | 13,081 |
| Prepaid Expense | 250 |
| Property Taxes Receivable | 928,428 |
| Capital Assets, Net of Accumulated Depreciation | 806,265 |
| Total Assets | 2,138,262 |
| DEFERRED OUTFLOW OF RESOURCES | |
| Cost of Bond Refunding, Net | 72,178 |
| Total Deferred Outflow of Resources | 72,178 |
| LIABILITIES | |
| Accounts Payable | 49,618 |
| Accrued Bond Interest Payable | 83,697 |
| Noncurrent Liabilities: | |
| Due Within One Year | 350,000 |
| Due in More Than One Year | 25,214,037 |
| Total Liabilities | 25,697,352 |
| DEFERRED INFLOWS OF RESOURCES | |
| Property Tax Revenue | 928,428 |
| Total Deferred Inflows of Resources | 928,428 |
| NET POSITION | |
| Restricted for: | |
| Emergency Reserves | 12,100 |
| Unrestricted | (24,427,440) |
| Total Net Position | \$ (24,415,340) |

See accompanying Notes to Basic Financial Statements.

**MOUNTAIN SHADOWS METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2024**

| | | Program Revenues | | | Net Revenues (Expenses) and Change in Net Position |
|---|----------------------------|--|--|----------------------------|---|
| Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | |
| FUNCTIONS/PROGRAMS | | | | | |
| Governmental Activities: | | | | | |
| General Government | \$ 422,706 | \$ 13,625 | \$ 88,736 | \$ - | \$ (320,345) |
| Interest and Related Costs on Long-Term Debt | 2,157,649 | - | - | 1,043,430 | (1,114,219) |
| Total Governmental Activities | \$ 2,580,355 | \$ 13,625 | \$ 88,736 | \$ 1,043,430 | (1,434,564) |
| GENERAL REVENUES | | | | | |
| Property Taxes | | | | | 1,751,520 |
| Specific Ownership Taxes | | | | | 152,382 |
| Interest Income | | | | | 68,899 |
| Total General Revenues | | | | | 1,972,801 |
| CHANGE IN NET POSITION | | | | | |
| Net Position - Beginning of Year | | | | | (24,953,577) |
| NET POSITION - END OF YEAR | | | | | |
| | | | | | \$ (24,415,340) |

See accompanying Notes to Basic Financial Statements.

**MOUNTAIN SHADOWS METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2024**

| | General | Debt Service | Debt Service 2018 C-2 TIF Pledge | Total Governmental Funds |
|--|-------------------|-------------------|--|--------------------------------|
| ASSETS | | | | |
| Cash and Investments | \$ 208,557 | \$ - | \$ - | \$ 208,557 |
| Cash and Investments - Restricted | 12,100 | 166,670 | 2,911 | 181,681 |
| Receivable from County Treasurer | 1,955 | 11,126 | - | 13,081 |
| Prepaid Expense | 250 | - | - | 250 |
| Property Taxes Receivable | 130,416 | 798,012 | - | 928,428 |
| Total Assets | <u>\$ 353,278</u> | <u>\$ 975,808</u> | <u>\$ 2,911</u> | <u>\$ 1,331,997</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts Payable | \$ 49,618 | \$ - | \$ - | \$ 49,618 |
| Total Liabilities | 49,618 | - | - | 49,618 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred Property Tax Revenue | 130,416 | 798,012 | - | 928,428 |
| Total Deferred Inflows of Resources | 130,416 | 798,012 | - | 928,428 |
| FUND BALANCES | | | | |
| Nonspendable: | | | | |
| Prepaid Expense | 250 | - | - | 250 |
| Restricted: | | | | |
| Emergency Reserves | 12,100 | - | - | 12,100 |
| Debt Service | - | 177,796 | 2,911 | 180,707 |
| Assigned : | | | | |
| Subsequent Year's Expenditures | 60,500 | - | - | 60,500 |
| Unassigned: | | | | |
| General Government | 100,394 | - | - | 100,394 |
| Total Fund Balances | 173,244 | 177,796 | 2,911 | 353,951 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u>\$ 353,278</u> | <u>\$ 975,808</u> | <u>\$ 2,911</u> | |

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

Capital assets are reported as assets on the statement of net position but are recorded as expenditures in the funds.

Capital Assets, Net of Accumulated Depreciation 806,265

Other long-term assets are not available to pay for current expenditures, and, therefore, are expensed in the funds.

Cost of Bond Refunding, Net 72,178

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds/Loans Payable (23,747,000)

Accrued Current Interest on Series 2024A Loan (62,924)

Accrued Current Interest on Series 2024B Loan (20,773)

Accrued and Unpaid Interest on Series 2018C-2 Bonds (1,817,037)

Net Position of Governmental Activities \$ (24,415,340)

See accompanying Notes to Basic Financial Statements.

**MOUNTAIN SHADOWS METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2024**

| | General | Debt Service | Debt Service 2018 C-2 TIF Pledge | Total Governmental Funds |
|---|-------------------|---------------------|--|--------------------------------|
| REVENUES | | | | |
| Property Taxes | \$ 261,756 | \$ 1,489,764 | \$ - | \$ 1,751,520 |
| Specific Ownership Taxes | 22,773 | 129,609 | - | 152,382 |
| Increment Taxes - District Mill Levy | 88,736 | 505,034 | - | 593,770 |
| Increment Taxes - Other | - | 180,000 | - | 180,000 |
| 2018 C-2 TIF Pledge | - | - | 358,396 | 358,396 |
| Interest Income | 15,588 | 53,172 | 139 | 68,899 |
| Maintenance Reimbursement - Patio Homes | 13,625 | - | - | 13,625 |
| Total Revenues | <u>402,478</u> | <u>2,357,579</u> | <u>358,535</u> | <u>3,118,592</u> |
| EXPENDITURES | | | | |
| General and Administration: | | | | |
| Accounting | 37,495 | - | - | 37,495 |
| Auditing | 6,650 | - | - | 6,650 |
| County Treasurer's Fee | 3,928 | 22,354 | - | 26,282 |
| Election | 15,111 | - | - | 15,111 |
| Insurance | 12,375 | - | - | 12,375 |
| Legal | 47,325 | - | - | 47,325 |
| Miscellaneous | 498 | - | - | 498 |
| Transfers to Jefferson Center District No. 2 | 15,551 | - | - | 15,551 |
| Operations and Maintenance: | | | | |
| Landscape Maintenance | 87,814 | - | - | 87,814 |
| Landscape Improvements and Repairs | 7,482 | - | - | 7,482 |
| Water | 45,233 | - | - | 45,233 |
| Electricity | 2,545 | - | - | 2,545 |
| Facilities Management | 13,794 | - | - | 13,794 |
| Irrigation Repairs | 20,969 | - | - | 20,969 |
| Retention Pond Maintenance | 9,195 | - | - | 9,195 |
| Site Clean Up and Dog Waste | 12,470 | - | - | 12,470 |
| Snow Removal | 19,770 | - | - | 19,770 |
| Debt Service: | | | | |
| Paying Agent Fees | - | 9,500 | - | 9,500 |
| Bond/Loan Interest | - | 2,771,759 | 360,641 | 3,132,400 |
| Bond Principal | - | 4,479,220 | - | 4,479,220 |
| Cost of Issuance | - | 281,125 | - | 281,125 |
| Refunding Escrow | - | 15,049,021 | - | 15,049,021 |
| Total Expenditures | <u>358,205</u> | <u>22,612,979</u> | <u>360,641</u> | <u>23,331,825</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>44,273</u> | <u>(20,255,400)</u> | <u>(2,106)</u> | <u>(20,213,233)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Loan Issuance | - | 20,115,000 | - | 20,115,000 |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>20,115,000</u> | <u>-</u> | <u>20,115,000</u> |
| NET CHANGE IN FUND BALANCES | <u>44,273</u> | <u>(140,400)</u> | <u>(2,106)</u> | <u>(98,233)</u> |
| Fund Balances - Beginning of Year | <u>128,971</u> | <u>318,196</u> | <u>5,017</u> | <u>452,184</u> |
| FUND BALANCES - END OF YEAR | <u>\$ 173,244</u> | <u>\$ 177,796</u> | <u>\$ 2,911</u> | <u>\$ 353,951</u> |

See accompanying Notes to Basic Financial Statements.

**MOUNTAIN SHADOWS METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2024**

Net Changes in Fund Balances - Governmental Funds \$ (98,233)

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 depreciation.

Depreciation Expense (64,501)

Long-term debt (e.g., Bonds) 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. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term debt and related items is as follows:

| | |
|--|--------------|
| Principal - Series 2016A (Refunding) | 15,260,000 |
| Cancel 2016 Bond Premium (Refunding) | 61,348 |
| Principal - Series 2016B (Refunding) | 2,140,220 |
| Principal - Series 2018C-1 (Refunding) | 1,994,000 |
| Loan Issuance | (20,115,000) |
| Cost of Bond Refunding | 72,673 |

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 governmental funds.

| | |
|---|-----------|
| Accrued Interest on Bonds - Change in Liability | 1,481,008 |
| Current Year Amortization of Cost of Refunding | (495) |
| Cancel 2016 Bond Cost of Refunding | (192,783) |
| | (192,783) |

Change in Net Position of Governmental Activities \$ 538,237

**MOUNTAIN SHADOWS METROPOLITAN DISTRICT
GENERAL FUND – STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2024**

| | Original and Final Budget | Actual | Variance- Positive (Negative) |
|--|---------------------------------|------------|-------------------------------------|
| REVENUES | | | |
| Property Taxes | \$ 264,124 | \$ 261,756 | \$ (2,368) |
| Specific Ownership Taxes | 24,586 | 22,773 | (1,813) |
| Increment Taxes - District Mill Levy | 85,794 | 88,736 | 2,942 |
| Interest Income | 7,848 | 15,588 | 7,740 |
| Maintenance Reimbursement - Patio Homes | 13,500 | 13,625 | 125 |
| Total Revenues | 395,852 | 402,478 | 6,626 |
| EXPENDITURES | | | |
| General and Administration: | | | |
| Accounting | 31,220 | 37,495 | (6,275) |
| Auditing | 7,000 | 6,650 | 350 |
| County Treasurer's Fee | 3,962 | 3,928 | 34 |
| Election | 40,000 | 15,111 | 24,889 |
| Insurance | 15,000 | 12,375 | 2,625 |
| Legal | 27,446 | 47,325 | (19,879) |
| Miscellaneous | 500 | 498 | 2 |
| Transfers to Jefferson Center District No. 2 | 30,000 | 15,551 | 14,449 |
| Operations and Maintenance: | | | |
| Landscape Maintenance | 78,060 | 87,814 | (9,754) |
| Landscape Improvements and Repair | 15,000 | 7,482 | 7,518 |
| Water | 45,000 | 45,233 | (233) |
| Electricity | 2,000 | 2,545 | (545) |
| Facilities Management | 14,500 | 13,794 | 706 |
| Irrigation Repairs | 10,000 | 20,969 | (10,969) |
| Retention Pond Maintenance | 12,000 | 9,195 | 2,805 |
| Site Clean Up and Dog Waste | 11,318 | 12,470 | (1,152) |
| Snow Removal | 20,000 | 19,770 | 230 |
| Contingency | 6,994 | - | 6,994 |
| Total Expenditures | 370,000 | 358,205 | 11,795 |
| NET CHANGE IN FUND BALANCE | 25,852 | 44,273 | 18,421 |
| Fund Balance - Beginning of Year | 116,256 | 128,971 | 12,715 |
| FUND BALANCE - END OF YEAR | \$ 142,108 | \$ 173,244 | \$ 31,136 |

See accompanying Notes to Basic Financial Statements.

**MOUNTAIN SHADOWS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 DEFINITION OF REPORTING ENTITY

Mountain Shadows Metropolitan District (District), a quasi-municipal corporation and political subdivision of the state of Colorado, was organized by order and decree of the District Court for the County of Jefferson, Colorado in June 2004 and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes).

The District was organized along with Jefferson Center Metropolitan District No. 1, Jefferson Center Metropolitan District No. 2, Vauxmont Metropolitan District, Cimarron Metropolitan District, and Canyon Pines Metropolitan District (collectively, the Districts) and serves a service area located in the City of Arvada. The Districts were established to finance and construct water, sanitary and storm sewer, streets, limited fire protection services, park and recreation, safety protection, mosquito control, television relay and transmission and transportation facilities and services. Jefferson Center Metropolitan District No. 2 (the Service District) is responsible for managing construction, operation, and maintenance of certain regional improvements to benefit the service area as well as providing certain administrative services for the Districts. The District is responsible for providing certain funding needed to support the Service District's provision of services as well as providing for its own operations and maintenance and debt service.

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.

The District is not financially accountable for any other organization, 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

The more significant accounting policies of the District are described as follows:

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the 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.

**MOUNTAIN SHADOWS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

The statement of net position reports all financial and capital resources of the District. The difference between the sum of assets and deferred outflows and the sum of liabilities and deferred inflows is reported as net position.

The statement of activities demonstrates the degree to which the direct 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 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. Redemption of bonds is 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 specific ownership taxes. 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 is due.

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 accounted for in another fund.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

The Debt Service - C-2 TIF Pledge Fund specifically accounts for the resources accumulated and payments made for principal and interest on the 2018C-2 Bonds.

**MOUNTAIN SHADOWS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

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 and other financing uses 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 total 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.

The District has amended the Debt Service Fund annual budget for the year ended December 31, 2024. The District also incurred in the Debt Service Fund – C-2 TIF Pledge Fund expenditures in excess of the appropriations for the year ended December 31, 2024 and it is in the process of amending its budget as required by state law.

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 single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Property Taxes

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

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflow of resources in the year they are levied and measurable. The unearned property tax revenues are recorded as revenue in the year they are available or collected.

**MOUNTAIN SHADOWS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type 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. 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.

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.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

| | |
|-------------|----------|
| Landscaping | 20 Years |
|-------------|----------|

Amortization

Original Issue Discount/Premium

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the new bonds using the effective interest method.

Cost of Bond Refunding

In the government-wide financial statements, the deferred cost of bond refunding is being amortized using the interest method over the life of the defeased bonds. The amortization amount is a component of interest expense, and the unamortized deferred cost is reflected as a deferred outflow of resources.

Deferred Inflow/Outflow 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 assets that applies to a future period and so will not be recognized as an outflow of resources (expense) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *cost of bond refunding*, is deferred and recognized as an outflow of resources in the period that the amount is incurred.

**MOUNTAIN SHADOWS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflow/Outflow of Resources (Continued)

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 assets 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.

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 resources 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: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

Nonspendable 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 legally or contractually required to be maintained intact.

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

Committed Fund Balance – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. 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.

**MOUNTAIN SHADOWS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

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

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

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2024, are classified in the accompanying financial statements as follows:

Statement of Net Position:

| | |
|-----------------------------------|------------|
| Cash and Investments | \$ 208,557 |
| Cash and Investments – Restricted | 181,681 |
| Total Cash and Investments | \$ 390,238 |

Cash and investments as of December 31, 2024, consist of the following:

| | |
|--------------------------------------|------------|
| Deposits with Financial Institutions | \$ 204,377 |
| Investments | 185,861 |
| Total Cash and Investments | \$ 390,238 |

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

At December 31, 2024, the District's cash deposits had a bank balance and carrying balance of \$204,377.

**MOUNTAIN SHADOWS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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 or investment custodial risk disclosure requirements 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 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. 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 reverse repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- * Local government investment pools

As of December 31, 2024, the District had the following investments:

| <u>Investment</u> | <u>Maturity</u> | <u>Amount</u> |
|--------------------------------|------------------|-------------------|
| Colorado Surplus Asset Fund | Weighted-Average | |
| Trust (CSAFE) | Under 60 Days | \$ 170 |
| Colorado Local Government | Weighted-Average | |
| Liquid Asset Trust (COLOTRUST) | Under 60 Days | 185,691 |
| Total | | <u>\$ 185,861</u> |

**MOUNTAIN SHADOWS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust currently offers two portfolios – CSAFE CASH FUND and CSAFE CORE.

CSAFE CASH FUND operates similar to a money market fund, with each share valued at \$1.00. CSAFE CASH FUND may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds, highest rated commercial paper, and any security allowed under Section 24-75-601.1, C.R.S.

CSAFE CORE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$2.00 transactional share price. CSAFE CORE may invest in securities authorized by Section 24-75-601.1, C.R.S., 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 CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE CASH FUND is rated AAmmf and CSAFE CORE is rated AAAf/S1 by Fitch Ratings. CSAFE records its investments at amortized cost and the District records its investments in CSAFE at net asset value as determined by amortized cost. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

COLOTRUST

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

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 CRS 24-75-601, including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

**MOUNTAIN SHADOWS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

COLOTRUST (Continued)

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, however COLOTRUST EDGE is rated AAaf/S1 by Fitch Ratings. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily or weekly, and there is no redemption notice period.

The District holds all its investments in the COLOTRUST PLUS+ portfolio.

NOTE 4 CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2024, follows:

| | Balance at December 31, 2023 | Increases | Decreases | Balance at December 31, 2024 |
|---|------------------------------------|-----------------------------|-----------------------------|------------------------------------|
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Capital Assets, Being Depreciated: | | | | |
| Landscaping | \$ 1,290,023 | \$ - | \$ - | \$ 1,290,023 |
| Total Capital Assets, Being Depreciated | 1,290,023 | - | - | 1,290,023 |
| Less Accumulated Depreciation for: | | | | |
| Landscaping | (419,257) | (64,501) | - | (483,758) |
| Total Accumulated Depreciation | <u>(419,257)</u> | <u>(64,501)</u> | <u>-</u> | <u>(483,758)</u> |
| Total Capital Assets, Being Depreciated, Net | <u>\$ 870,766</u> | <u>\$ (64,501)</u> | <u>\$ -</u> | <u>\$ 806,265</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 870,766</u> | <u>\$ (64,501)</u> | <u>\$ -</u> | <u>\$ 806,265</u> |

Depreciation expense was charged to functions/programs of the primary government as follows:

| | |
|--------------------|------------------|
| General Government | <u>\$ 64,501</u> |
|--------------------|------------------|

**MOUNTAIN SHADOWS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 5 LONG-TERM OBLIGATIONS

The following is an analysis of changes in long-term obligations for the year ended December 31, 2024:

| | Balance at December 31, 2023 | Additions | Retirement | Balance at December 31, 2024 | Due Within One Year |
|---|------------------------------------|----------------------|----------------------|------------------------------------|---------------------------|
| G.O. Bonds - Series 2016A | \$ 15,260,000 | \$ - | \$ 15,260,000 | \$ - | \$ - |
| Bond Premium | 61,348 | - | 61,348 | - | - |
| G.O. Bonds - Series 2016B | 2,140,220 | - | 2,140,220 | - | - |
| Accrued and Unpaid Interest - Series 2016 B Bonds | 7,134 | 154,116 | 161,250 | - | - |
| G.O. Bonds - Series 2018C-1 | 1,994,000 | - | 1,994,000 | - | - |
| Accrued and Unpaid Interest - Series 2018C-1 Bonds | 1,461,008 | 311,014 | 1,772,022 | - | - |
| S.R. Bonds - Series 2018C-2 | 3,632,000 | - | - | 3,632,000 | - |
| Accrued and Unpaid Interest - Series 2018C-2 Bonds | 1,850,933 | 326,745 | 360,641 | 1,817,037 | - |
| G.O. Refunding Loan Series 2024A | - | 14,035,000 | - | 14,035,000 | 195,000 |
| G.O. Refunding Loan Series 2024B | - | 6,080,000 | - | 6,080,000 | 155,000 |
| Total | <u>\$ 26,406,643</u> | <u>\$ 20,906,875</u> | <u>\$ 21,749,481</u> | <u>\$ 25,564,037</u> | <u>\$ 350,000</u> |

The details of the District's general obligation bonds outstanding are as follows:

Limited Tax (Convertible to Unlimited Tax) General Obligation Refunding and Improvement Bonds, Series 2016A (the 2016A Senior Bonds) and Limited Tax Subordinate General Obligation Bonds, 2016B Bonds (the 2016B Subordinate Bonds)

Bond Details

On March 31, 2016, the District issued 2016A Senior Bonds in the par amount of \$17,455,000 and 2016B Subordinate Bonds in the par amount of \$3,605,000. The proceeds from the sale of the 2016A Senior Bonds were used to: (i) pay the costs of refunding the General Obligation Bonds (Limited Tax Convertible to Unlimited Tax), Series 2007; (ii) finance public improvements related to the Development; and (iii) pay the costs of issuing the 2016A Senior Bonds. The proceeds from the sale of the 2016B Subordinate Bonds were used to: (i) finance public improvements related to the Development; and (ii) pay the costs of issuing the 2016B Subordinate Bonds.

The 2016A Senior Bonds bear interest at 3.25% to 5.00%, payable semi-annually on June 1 and December 1, beginning on June 1, 2016. Annual mandatory sinking fund principal payments were due on December 1, beginning on December 1, 2016.

The 2016B Subordinate Bonds bear interest at 7.5% per annum and payable annually on December 15, but only to the extent of available Subordinate Pledged Revenue. The 2016B Subordinate Bonds were structured as cash flow bonds meaning that there were no scheduled payments of principal or interest. In the event any amounts due and owing on the 2016B Subordinate Bonds remain outstanding on December 15, 2055, such amounts would be extinguished and no longer be due and outstanding. Unpaid interest on the 2016B Subordinate Bonds compounded annually on each December 15.

**MOUNTAIN SHADOWS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Bond Details (Continued)

The 2016 A Series Bonds and 2016B Subordinate Bonds were refunded on October 31, 2024 with the issuance of 2024A Refunding Loan and 2024B Refunding Loan (discussed below).

Limited Tax Junior Lien Subordinate General Obligation Bonds, Series 2018C-1 (the 2018C-1 Junior Lien Bonds) dated March 29, 2018

Bond Details

On March 29, 2018, the District issued 2018C-1 Junior Lien Bonds in the par amount of \$1,994,000. Proceeds from the sale of the 2018C-1 Junior Lien Bonds were applied to reimburse the Developer or related affiliates for the construction of certain accepted improvements and to pay the costs of issuing the 2018C-1 Junior Lien Bonds and the Subordinate Special Revenue Bonds, Series 2018C-2.

The 2018C-1 Junior Lien Bonds bear interest at the rate of 10.0% per annum and were payable annually on December 15, beginning December 15, 2018, but only to the extent of available Junior Lien Pledged Revenue. The 2018C-1 Junior Lien Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal or interest and mature on December 15, 2040. To the extent principal is not paid when due, such principal shall remain outstanding until paid. To the extent interest is not paid when due, such interest shall compound annually on each December 15 at the rate borne by the 2018 C-1 Junior Lien Bonds. The District shall not be obligated to pay more than the amount permitted by law and the electoral authorization in repayment of the 2018C-1 Junior Lien Bonds.

No payments were permitted to be made on the 2018C-1 Junior Lien Bonds until the 2016B Subordinate Bonds and any obligations issued on parity therewith were paid in full and, thereafter, payments on the 2018C-1 Junior Lien Bonds were only permitted to be made annually from any Junior Lien Pledged Revenue that remains after all amounts required to be paid with respect to the 2016A Senior Bonds and any obligations issued on a parity therewith have been made. The District shall not impose the 2018C-1 Junior Lien Required Mill Levy for payment of the 2018C-1 Junior Lien Bonds after December 2049 (for collection in calendar year 2050). In the event any amounts due and owing on the 2018C-1 Junior Lien Bonds remain outstanding on December 15, 2050, such amounts shall be extinguished and no longer be due and outstanding.

The 2018C-1 Junior Lien Bonds were refunded on October 31, 2024 with the issuance of 2024A Refunding Loan and 2024B Refunding Loan.

Subordinate Special Revenue Bonds, Series 2018C-2 Bonds (the 2018C-2 Subordinate Bonds) dated March 29, 2018

Bond Details

On March 29, 2018, the District issued 2018C-2 Subordinate Bonds in the par amount of \$3,632,000. Proceeds from the sale of the 2018C-2 Subordinate Bonds were applied to reimburse the Developer or related affiliates for the construction of certain accepted improvements.

**MOUNTAIN SHADOWS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Bond Details (Continued)

The 2018C-2 Subordinate Bonds bear interest at the rate of 9.0% per annum and are payable annually on December 15, beginning December 15, 2018, but only to the extent of available 2018C-2 Subordinate Pledged Revenue. The 2018C-2 Subordinate Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal or interest and mature on December 15, 2034. To the extent principal is not paid when due, such principal shall remain outstanding until paid. To the extent interest is not paid when due, such interest shall compound annually on each December 15 at the rate borne by the 2018C-2 Subordinate Bonds. The District shall not be obligated to pay more than the amount permitted by law and the electoral authorization in repayment of the 2018C-2 Subordinate Bonds.

Optional Redemption

The 2018C-2 Subordinate Bonds are subject to redemption prior to maturity, at the option of the District, on any date, upon payment of par and accrued interest.

Pledged Revenue

The 2018C-2 Subordinate Bonds are secured by and payable solely from and to the extent of the 2018C-2 Subordinate Bonds Pledged Revenue, which includes monies derived from the following, net of costs of collection: (i) all Surplus Capital Pledge Agreement Revenue; and, (ii) any other legally available amounts which the District determines, in its absolute direction, to credit to the 2018C-2 Subordinate Bond Fund.

Pursuant to the 2018C-2 Indenture, Surplus Capital Pledge Agreement Revenue means, after amounts received up to \$180,000 in any fiscal year that are pledged to the District General Obligation Bonds are deducted, all remaining available revenue received by the District pursuant to the Capital Pledge Agreement; provided that all amounts attributable to the JCMD1 TIF Portion are pledged to the 2018C-2 Subordinate Bonds and are not pledged to the District General Obligation Bonds.

General Obligation Refunding Loan Series 2024A, (the 2024A Refunding Loan) dated October 31, 2024

Loan Details

On October 31, 2024, the District issued 2024A Refunding Loan in the amount of \$14,035,000. The proceeds from 2024A Refunding Loan were used to: (i) pay the costs of refunding the General Obligation Refunding and Refunding Improvement Bonds (Limited Tax Convertible to Unlimited Tax), Series 2016A; (ii) pay the costs of refunding the General Obligation Bonds (Limited Tax), Series 2016B; (iii) pay the costs of refunding the Junior Lien Subordinate General Obligation Bonds (Limited Tax), Series 2018C-1; and (iv) pay the costs of issuing the 2024A Refunding Loan.

The 2024A Refunding Loan bears interest at 4.10% to 5.38%, payable semi-annually on June 1 and December 1, beginning on December 1, 2024. Annual mandatory sinking fund principal payments are due on December 1, beginning on December 1, 2025.

**MOUNTAIN SHADOWS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Optional Redemption

The 2024A Refunding Loan is subject to redemption prior to maturity, at the option of the District, on November 1, 2035, and on any date thereafter, upon payment of par, accrued interest, without redemption premium.

| <u>Date of Redemption</u> | <u>Redemption Premium</u> |
|--------------------------------------|---------------------------|
| October 1, 2024, to October 31, 2035 | 1.00% |
| November 1, 2035, and thereafter | 0.00 |

Pledge Revenue

The 2024A Refunding Loan is secured by and payable solely from and to the extent of the 2024A Refunding Loan pledged revenue, which includes monies derived from the following, net of costs of collection: (i) the 2024A Refunding Loan Required Mill Levy; (ii) the portion of the Specific Ownership Tax which is collected as a result of the imposition of the 2024A Refunding Loan Required Mill Levy; (iii) the Capital Pledge Agreement Revenue not to exceed \$180,000 in any fiscal year, and (iv) any other legally available moneys of the District which the District determines, in its absolute discretion, to apply as pledge revenue.

Required Mill Levy

The 2024A Refunding Loan provides that a Required Mill Levy (the 2024A Required Mill Levy) be imposed in an amount sufficient, when combined with Capital Pledge Agreement Revenue available or expected to be received before the following December 1, to pay the principal of, premium if any, and interest on the 2024A Refunding Loan, as they become due and payable, but not in excess of 50 mills (subject to adjustment for changes occurring after January 1, 2004, in the method of calculating assessed valuation).

The District's long-term obligations relating to the 2024A Refunding Loan will mature as follows:

| <u>Year Ending December 31,</u> | <u>Governmental Activities</u> | | |
|---------------------------------|--------------------------------|---------------------|----------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2025 | \$ 195,000 | \$ 755,083 | \$ 950,083 |
| 2026 | 400,000 | 744,592 | 1,144,592 |
| 2027 | 415,000 | 723,072 | 1,138,072 |
| 2028 | 450,000 | 700,745 | 1,150,745 |
| 2029 | 470,000 | 676,535 | 1,146,535 |
| 2030-2034 | 2,815,000 | 2,970,298 | 5,785,298 |
| 2035-2039 | 3,135,000 | 1,659,270 | 4,794,270 |
| 2040-2044 | 4,150,000 | 940,540 | 5,090,540 |
| 2045-2046 | 2,005,000 | 124,640 | 2,129,640 |
| Total | <u>\$ 14,035,000</u> | <u>\$ 9,294,775</u> | <u>\$ 23,329,775</u> |

**MOUNTAIN SHADOWS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

General Obligation Refunding Loan Series 2024B, (the 2024B Refunding Loan) **dated October 31, 2024**

Loan Details

On October 31, 2024, the District issued 2024B Refunding Loan in the par amount of \$6,080,000. The proceeds from the 2024B Refunding Loan were used to: (i) pay the costs of refunding the General Obligation Refunding and Improvement Bonds (Limited Tax Convertible to Unlimited Tax), Series 2016A; (ii) pay the costs of refunding the General Obligation Bonds (Limited Tax), Series 2016B; (iii) pay the costs of refunding the Junior Lien Subordinate General Obligation Bonds (Limited Tax), Series 2018C-1; and (iv) pay the costs of issuing the 2024B Refunding Loan.

The 2024B Refunding Loan bears interest at 4.10%, payable semi-annually on June 1 and December 1, beginning on December 1, 2024. Annual mandatory sinking fund principal payments are due on December 1, beginning on December 1, 2025.

Optional Redemption

The 2024B Refunding Loan is subject to redemption prior to maturity, at the option of the District, on November 1, 2035, and on any date thereafter, upon payment of par, accrued interest, without redemption premium.

| <u>Date of Redemption</u> | <u>Redemption Premium</u> |
|--------------------------------------|---------------------------|
| October 1, 2024, to October 31, 2035 | 1.00% |
| November 1, 2035, and thereafter | 0.00 |

Pledge Revenue

The 2024B Refunding Loan is secured by and payable solely from and to the extent of the 2024B Refunding Loan pledged revenue, which includes monies derived from the following, net of costs of collection: (i) the 2024B Refunding Loan Required Mill Levy; (ii) the portion of the Specific Ownership Tax which is collected as a result of the imposition of the 2024B Refunding Loan Required Mill Levy; (iii) the Capital Pledge Agreement Revenue not to exceed \$180,000 in any fiscal year, and (iv) any other legally available moneys of the District which the District determines, in its absolute discretion, to apply as pledge revenue.

Required Mill Levy

The 2024B Refunding Loan provides that a Required Mill Levy (the 2024B Required Mill Levy) be imposed in an amount sufficient, when combined with Capital Pledge Agreement Revenue available or expected to be received before the following December 1, to pay the principal of, premium if any, and interest on the 2024B Refunding Loan, as they become due and payable, but not in excess of 50 mills (subject to adjustment for changes occurring after January 1, 2004, in the method of calculating assessed valuation).

**MOUNTAIN SHADOWS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

The District's long-term obligations relating to the 2024B Refunding Loan will mature as follows:

| Year Ending December 31, | Governmental Activities | | |
|--------------------------|-------------------------|---------------------|---------------------|
| | Principal | Interest | Total |
| 2025 | \$ 155,000 | \$ 249,280 | \$ 404,280 |
| 2026 | 170,000 | 242,925 | 412,925 |
| 2027 | 180,000 | 235,955 | 415,955 |
| 2028 | 195,000 | 228,575 | 423,575 |
| 2029 | 200,000 | 220,580 | 420,580 |
| 2030-2034 | 1,205,000 | 968,625 | 2,173,625 |
| 2035-2039 | 1,350,000 | 709,710 | 2,059,710 |
| 2040-2044 | 1,770,000 | 400,980 | 2,170,980 |
| 2045-2046 | 855,000 | 53,095 | 908,095 |
| Total | <u>\$ 6,080,000</u> | <u>\$ 3,309,725</u> | <u>\$ 9,389,725</u> |

Developer Advances – Landscape Maintenance and Operation Funding Agreement

On January 25, 2011, the District and WCH Investments, LLC entered into a Landscape Maintenance and Operation Funding Agreement effective January 1, 2011. Per the Agreement, WCH Investments, LLC shall make contributions to fund the Annual Landscape Maintenance Shortfall, through the year of stabilization, both as defined in the agreement, and will not be reimbursed in the future for these contributions. Per the agreement, the District agrees to collect the Maintenance Fee and beginning in tax year 2011, the District will assess 12 mills on all taxable property in the District for purposes of offsetting WCH Investments, LLC's funding obligation thereunder. In addition, WCH Investments, LLC will make advances, as necessary and up to an aggregate limit of \$75,000, to fund any anticipated shortfall in revenues available for operations and maintenance expense from 2011 through 2016. The advances shall be repaid by the District at an interest rate of 7.5% per annum. The term for repayment expires on December 31, 2040. There is no outstanding balance payable under this agreement as of December 31, 2024.

Debt Authorization

As of December 31, 2024, the District had remaining voted debt authorization of approximately \$13,936,128. Pursuant to the July 26, 2005, Facilities Funding, Construction and Operations Agreement, amended November 28, 2006, December 15, 2009, November 1, 2010, and June 11, 2015 (see Note 7), the District is limited to issuing \$40,000,000 in debt.

In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to the District.

**MOUNTAIN SHADOWS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 6 NET POSITION

The District has net position consisting of two components: restricted and unrestricted.

The restricted component of net position consists of assets that are 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. The District had a restricted net position as of December 31, 2024, as follows:

| | Governmental Activities |
|--------------------------|----------------------------|
| Restricted Net Position: | |
| Emergencies | \$ 12,100 |
| Total | \$ 12,100 |

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 improvements, which public improvements were conveyed to other governmental entities.

NOTE 7 AGREEMENTS

Intergovernmental Agreement

The Districts entered into a Facilities Funding, Construction and Operations Agreement (FFCOA) on July 26, 2005, as amended on November 28, 2006, December 15, 2009, November 1, 2010, and June 11, 2015, to coordinate the financing, construction, operation and maintenance of the public improvements within the service area of the Districts and to establish the relationship between the respective responsibilities of the Service District and the Financing Districts. The FFCOA provides a framework for the equitable allocation over time among the Districts of the costs of administration of the Districts and the costs of financing, constructing, operating, and maintaining the public improvements contemplated therein. The Service District is generally responsible for providing the financing, construction, operations, and maintenance of certain primary public infrastructure to serve the entire service area. To the extent none of the financing Districts have elected otherwise, the Service District is also responsible for providing administrative services for the Financing Districts based upon each Financing District's agreement to pay its proportionate share of costs thereof. Effective January 1, 2008, the District elected to perform its own administrative services but shall nonetheless remain obligated to pay their proportionate share of the Service District's direct administrative expenses. Funding for this obligation is provided by the imposition of a maximum general operations mill levy of 3 mills.

**MOUNTAIN SHADOWS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 7 AGREEMENTS (CONTINUED)

Intergovernmental Agreement (Continued)

The Financing Districts are each generally responsible for financing, constructing, operating, and maintaining the public improvements necessary to serve development within their respective boundaries. The FFCOA provides a limitation on the issuance of indebtedness by the Districts in the amount of \$450 million of total aggregate debt by all of the Districts. Per the FFCOA, the District is limited to issuing \$40,000,000 of debt. The FFCOA is intended to constitute a multiple fiscal year financial obligation of the Districts, and as such, it was submitted to and approved by the electorates of each of the Districts prior to being executed. Per the FFCOA, if on November 1, 2030, the District has not used the full amount of its Debt Allocation by issuing debt in the amounts authorized, the amount of the unissued debt allocation shall automatically revert back to Jefferson Center Metropolitan District No. 1.

Capital Pledge Agreement

On November 1, 2010, the District and Jefferson Center Metropolitan District No. 2 (JCMD2) entered into that certain Capital Pledge Agreement (JCMD No. 2/Mountain Shadows – 2010 Capital Pledge Agreement), and amended on May 5, 2015, whereby, in order to facilitate the provision of certain public infrastructure for the benefit of property within the service area of the District and the boundaries of JCMD2, JCMD2 determined to pledge to the District certain tax increment revenues received by JCMD2 pursuant to the Amended and Restated Master Redevelopment Agreement (Amended MRA) dated January 11, 2010, between the City of Arvada, JCMD2 and the Arvada Urban Renewal Authority. Pursuant to the Capital Pledge Agreement, the District is obligated to finance and/or acquire certain facilities described therein and, in exchange for the provision of such facilities, JCMD2 agrees to reimburse the District for the costs associated with such facilities in an amount not to exceed \$7,000,000, plus interest and bond costs.

Interest accrues under the Capital Pledge Agreement at the rate of 8% per annum, computed on the basis of a 365-day year, actual days elapsed. Interest is payable each December 1 and June 1 to the District or its designee.

The reimbursement obligation of JCMD2 under the Capital Pledge Agreement is a limited obligation of JCMD2, payable solely from and to the extent of certain pledged revenues described therein, including 42% of the tax increment revenues received by JCMD2 pursuant to the Amended MRA from certain specifically identified properties within the Northwest Arvada Urban Renewal Area. JCMD2's reimbursement obligation to the District under the Capital Pledge Agreement is further subject to other reimbursement priorities as set forth therein. The Capital Pledge Agreement terminates upon the later of 1) the date on which reimbursement has been made in full thereunder; or 2) the Northwest Financing Termination Date (as defined in the Amended MRA). As of December 31, 2024, the principal amount of the reimbursement obligation under this agreement was \$7,000,000 and the accrued interest, based on the District's calculation, was approximately \$7,183,994.

**MOUNTAIN SHADOWS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 8 RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, §24-10-101, et seq., C.R.S., 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, and public officials' liability 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 9 TAX, SPENDING, AND DEBT LIMITATIONS

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 or benefit increases.

On May 4, 2004, the District voters passed an election question allowing the District to increase property taxes up to \$100,000 annually, without limitation of rate, to pay the District's operations, maintenance, and other expenses.

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.

SUPPLEMENTARY INFORMATION

**MOUNTAIN SHADOWS METROPOLITAN DISTRICT
DEBT SERVICE FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2024**

| | Budget Amounts | | Actual | Variance- Positive (Negative) |
|---|-------------------|-------------------|-------------------|-------------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Property Taxes | \$ 1,503,244 | \$ 1,503,244 | \$ 1,489,764 | \$ (13,480) |
| Specific Ownership Taxes | 139,928 | 139,928 | 129,609 | (10,319) |
| Increment Taxes - District Mill Levy | 488,290 | 500,000 | 505,034 | 5,034 |
| Increment Taxes - Other | 180,000 | 180,000 | 180,000 | - |
| Interest Income | 12,500 | 60,000 | 53,172 | (6,828) |
| Other Revenue | - | 116,828 | - | (116,828) |
| Total Revenues | <u>2,323,962</u> | <u>2,500,000</u> | <u>2,357,579</u> | <u>(142,421)</u> |
| EXPENDITURES | | | | |
| Paying Agent Fees | 9,500 | 9,500 | 9,500 | - |
| County Treasurer's Fee | 23,000 | 23,000 | 22,354 | 646 |
| Loan Interest - Series 2024A | - | 65,021 | 65,021 | - |
| Loan Interest - Series 2024B | - | 21,466 | 21,466 | - |
| Bond Interest - Series 2016A | 752,000 | 752,000 | 752,000 | - |
| Bond Interest - Series 2016B | 160,425 | 160,425 | 161,250 | (825) |
| Bond Interest - Series 2018C-1 | - | 1,772,022 | 1,772,022 | - |
| Bond Principal - Series 2016A | 345,000 | 345,000 | 345,000 | - |
| Bond Principal - Series 2016B | 997,000 | 2,140,000 | 2,140,220 | (220) |
| Bond Principal - Series 2018C-1 | - | 1,994,000 | 1,994,000 | - |
| Cost of Issuance | - | 350,925 | 281,125 | 69,800 |
| Refunding Escrow | - | 15,331,566 | 15,049,021 | 282,545 |
| Contingency | 35,075 | 35,075 | - | 35,075 |
| Total Expenditures | <u>2,322,000</u> | <u>23,000,000</u> | <u>22,612,979</u> | <u>387,021</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 1,962 | (20,500,000) | (20,255,400) | 244,600 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Loan Issuance | - | 20,185,000 | 20,115,000 | (70,000) |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>20,185,000</u> | <u>20,115,000</u> | <u>(70,000)</u> |
| NET CHANGE IN FUND BALANCE | 1,962 | (315,000) | (140,400) | 174,600 |
| Fund Balance - Beginning of Year | <u>305,000</u> | <u>318,196</u> | <u>318,196</u> | <u>-</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 306,962</u> | <u>\$ 3,196</u> | <u>\$ 177,796</u> | <u>\$ 174,600</u> |

**MOUNTAIN SHADOWS METROPOLITAN DISTRICT
DEBT SERVICE FUND – C-2 TIF PLEDGE – SCHEDULE OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2024**

| | Original and Final Budget | Actual | Variance- Positive (Negative) |
|-----------------------------------|---------------------------------|-----------------|-------------------------------------|
| REVENUES | | | |
| Interest Income | \$ - | \$ 139 | \$ 139 |
| 2018 C-2 TIF Pledge | 200,000 | 358,396 | 158,396 |
| Total Revenues | <u>200,000</u> | <u>358,535</u> | <u>158,535</u> |
| EXPENDITURES | | | |
| Bond Interest - Series 2018C-2 | 200,000 | 360,641 | (160,641) |
| Total Expenditures | <u>200,000</u> | <u>360,641</u> | <u>(160,641)</u> |
| NET CHANGE IN FUND BALANCE | - | (2,106) | (2,106) |
| Fund Balance - Beginning of Year | - | 5,017 | 5,017 |
| FUND BALANCE - END OF YEAR | <u>\$ -</u> | <u>\$ 2,911</u> | <u>\$ 2,911</u> |

OTHER INFORMATION

**MOUNTAIN SHADOWS METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
SERIES 2024A
DECEMBER 31, 2024**

\$14,035,000

General Obligation Refunding Loan
Series 2024A, Dated October 31, 2024

Interest Rate of 4.10%-5.38%

Payable June 1 and December 1

Principal Due December 1

Loan and Interest Maturing in the
Year Ending December 31,

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------|----------------------|---------------------|----------------------|
| 2025 | \$ 195,000 | \$ 755,083 | \$ 950,083 |
| 2026 | 400,000 | 744,592 | 1,144,592 |
| 2027 | 415,000 | 723,072 | 1,138,072 |
| 2028 | 450,000 | 700,745 | 1,150,745 |
| 2029 | 470,000 | 676,535 | 1,146,535 |
| 2030 | 505,000 | 651,249 | 1,156,249 |
| 2031 | 525,000 | 624,080 | 1,149,080 |
| 2032 | 565,000 | 595,835 | 1,160,835 |
| 2033 | 590,000 | 565,438 | 1,155,438 |
| 2034 | 630,000 | 533,696 | 1,163,696 |
| 2035 | 580,000 | 380,890 | 960,890 |
| 2036 | 590,000 | 357,110 | 947,110 |
| 2037 | 615,000 | 332,920 | 947,920 |
| 2038 | 660,000 | 307,705 | 967,705 |
| 2039 | 690,000 | 280,645 | 970,645 |
| 2040 | 745,000 | 252,355 | 997,355 |
| 2041 | 775,000 | 221,810 | 996,810 |
| 2042 | 830,000 | 190,035 | 1,020,035 |
| 2043 | 870,000 | 156,005 | 1,026,005 |
| 2044 | 930,000 | 120,335 | 1,050,335 |
| 2045 | 970,000 | 82,205 | 1,052,205 |
| 2046 | <u>1,035,000</u> | <u>42,435</u> | <u>1,077,435</u> |
| Total | <u>\$ 14,035,000</u> | <u>\$ 9,294,775</u> | <u>\$ 23,329,775</u> |

**MOUNTAIN SHADOWS METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
SERIES 2024B
DECEMBER 31, 2024**

\$6,080,000

General Obligation Refunding Loan
Series 2024B, Dated October 31, 2024

Interest Rate of 4.10%

Payable June 1 and December 1

Principal Due December 1

Loan and Interest Maturing in the
Year Ending December 31,

| | Principal | Interest | Total |
|-------|---------------------|---------------------|---------------------|
| 2025 | \$ 155,000 | \$ 249,280 | \$ 404,280 |
| 2026 | 170,000 | 242,925 | 412,925 |
| 2027 | 180,000 | 235,955 | 415,955 |
| 2028 | 195,000 | 228,575 | 423,575 |
| 2029 | 200,000 | 220,580 | 420,580 |
| 2030 | 215,000 | 212,380 | 427,380 |
| 2031 | 225,000 | 203,565 | 428,565 |
| 2032 | 245,000 | 194,340 | 439,340 |
| 2033 | 250,000 | 184,295 | 434,295 |
| 2034 | 270,000 | 174,045 | 444,045 |
| 2035 | 250,000 | 162,975 | 412,975 |
| 2036 | 250,000 | 152,725 | 402,725 |
| 2037 | 265,000 | 142,475 | 407,475 |
| 2038 | 285,000 | 131,610 | 416,610 |
| 2039 | 300,000 | 119,925 | 419,925 |
| 2040 | 315,000 | 107,625 | 422,625 |
| 2041 | 335,000 | 94,710 | 429,710 |
| 2042 | 355,000 | 80,975 | 435,975 |
| 2043 | 370,000 | 66,420 | 436,420 |
| 2044 | 395,000 | 51,250 | 446,250 |
| 2045 | 415,000 | 35,055 | 450,055 |
| 2046 | 440,000 | 18,040 | 458,040 |
| Total | <u>\$ 6,080,000</u> | <u>\$ 3,309,725</u> | <u>\$ 9,389,725</u> |

**MOUNTAIN SHADOWS METROPOLITAN DISTRICT
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2024**

| Year Ended December 31, | Prior Year Net Assessed Valuation for Current Year Property Tax Levy | Mills Levied | | Total Property Taxes | | Percentage Collected to Levied |
|--|---|--------------|--------------|----------------------|--------------|--------------------------------------|
| | | General | Debt Service | Levied | Collected | |
| 2020 | \$ 18,593,829 | 13.358 | 55.663 | \$ 1,283,364 | \$ 1,293,564 | 100.79 % |
| 2021 | 18,613,388 | 13.358 | 55.663 | 1,284,715 | 1,275,322 | 99.27 |
| 2022 | 19,625,433 | 13.358 | 55.663 | 1,354,567 | 1,352,252 | 99.83 |
| 2023 | 19,110,675 | 13.727 | 56.984 | 1,351,335 | 1,327,318 | 98.22 |
| 2024 | 23,747,927 | 11.122 | 63.300 | 1,767,368 | 1,751,520 | 99.10 |
| Estimated for the Year Ending December 31, | | | | | | |
| 2025 | \$ 23,759,549 | 5.489 | 33.587 | \$ 928,428 | | |

NOTE: Property taxes collected in any one year include collection of delinquent property taxes assessed in prior years and reductions for property tax refunds or abatements. Information received from the County Treasurer does not permit identification of specific year of assessment.