

MOUNTAIN SHADOWS METROPOLITAN DISTRICT
Weld County, Colorado
Town of Firestone, Colorado

FINANCIAL STATEMENTS
December 31, 2020

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INDEPENDENT AUDITORS' REPORT



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To the Board of Directors of
Mountain Shadows Metropolitan District

We have audited the accompanying financial statements of the governmental activities and each major fund, of Mountain Shadows Metropolitan District, as of and for the year ended December 31, 2020, 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 Mountain Shadows Metropolitan District, as of December 31, 2020, 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. 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 Mountain Shadows Metropolitan District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Mountain Shadows Metropolitan District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Mountain Shadows Metropolitan District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mountain Shadows Metropolitan District's ability to continue as a going concern for a reasonable period of time.

Other Matters

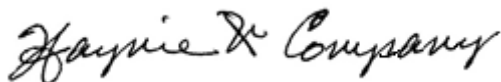
Required Supplementary Information

Management has omitted the management 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 opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise Mountain Shadows Metropolitan District's basic financial statements. The Schedule of Revenue, Expenditures and Change in Fund Balance – Budget and Actual – Debt Service Fund and Schedule of Debt Service Requirement to Maturity are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Revenue, Expenditures and Change in Fund Balance – Budget and Actual – Debt Service Fund and Schedule of Debt Service Requirement to Maturity are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 Schedule of Revenue, Expenditures and Change in Fund Balance – Budget and Actual – Debt Service Fund and Schedule of Debt Service Requirement to Maturity are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Littleton, CO
September 23, 2020

BASIC FINANCIAL STATEMENTS

MOUNTAIN SHADOWS METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
December 31, 2020

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| ASSETS | |
| Cash and investments | \$ 99,590 |
| Cash and investments-restricted | 112,031 |
| Property taxes receivable | 237,621 |
| Receivable from county treasurer | 865 |
| Prepaid expenditures | 2,022 |
| Total assets | <u>\$ 452,129</u> |
| LIABILITIES | |
| Accounts payable | \$ 631 |
| Accrued interest payable on bonds and notes | 12,545 |
| Non-current liabilities: | |
| Due within one year | 25,000 |
| Due in more than one year | 4,265,242 |
| Total liabilities | <u>4,303,418</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred property tax revenue | 237,621 |
| Total deferred inflows of resources | <u>237,621</u> |
| NET POSITION | |
| Restricted for: | |
| Emergency reserves | 665 |
| Unrestricted | (4,089,575) |
| Total net position | <u>\$ (4,088,910)</u> |

These financial statements should be read only in connection with
the accompanying notes to financial statements.

MOUNTAIN SHADOWS METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2020

| <u>Functions/Programs</u> | <u>Program Revenue</u> | | | <u>Net (Expense) Revenue and Changes in Net Position</u> |
|---|------------------------|-----------------------------|--|--|
| | <u>Expenses</u> | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> <u>Capital Grants and Contributions</u> | |
| Primary government: | | | | |
| Governmental activities: | | | | |
| General government | \$ 27,474 | \$ - | \$ - | \$ (27,474) |
| Interest and expenses on long-term debt | 229,590 | - | - | (229,590) |
| | <u>\$ 257,064</u> | <u>\$ -</u> | <u>\$ -</u> | <u>(257,064)</u> |
| General revenue: | | | | |
| Property taxes | | | | 237,617 |
| Specific ownership taxes | | | | 11,279 |
| Interest | | | | 931 |
| Total general revenue | | | | <u>249,827</u> |
| Change in net position | | | | (7,237) |
| Net position - beginning | | | | <u>(4,081,673)</u> |
| Net position - ending | | | | <u>\$ (4,088,910)</u> |

These financial statements should be read only in connection with the accompanying notes to financial statements.

MOUNTAIN SHADOWS METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2020

| | General | Debt Service | Total Governmental Funds |
|---|-----------|-----------------|--------------------------------|
| ASSETS | | | |
| Cash and investments | \$ 43,265 | \$ 168,356 | \$ 211,621 |
| Property taxes receivable | 47,525 | 190,096 | 237,621 |
| Receivable from county treasurer | 173 | 692 | 865 |
| Prepaid expenditures | 2,022 | - | 2,022 |
| Due from other funds | - | 35,476 | 35,476 |
| Total assets | \$ 92,985 | \$ 394,620 | \$ 487,605 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts payable | \$ 631 | \$ - | \$ 631 |
| Due to other funds | 35,476 | - | 35,476 |
| Total liabilities | 36,107 | - | 36,107 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred property tax revenue | 47,525 | 190,096 | 237,621 |
| Total deferred inflows of resources | 47,525 | 190,096 | 237,621 |
| FUND BALANCES | | | |
| Nonspendable: | | | |
| Prepaid expenditures | 2,022 | - | 2,022 |
| Restricted for: | | | |
| Emergencies | 665 | - | 665 |
| Debt service | - | 204,524 | 204,524 |
| Unassigned | 6,666 | - | 6,666 |
| Total fund balances | 9,353 | 204,524 | 213,877 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | |
| | \$ 92,985 | \$ 394,620 | |

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

Long-term liabilities are not due and payable in the current period and, therefore, are not in the funds:

| | |
|---|----------------|
| Long-term obligations | (4,290,242) |
| Accrued interest on long-term obligations | (12,545) |
| Net position of governmental activities | \$ (4,088,910) |

These financial statements should be read only in connection with
the accompanying notes to financial statements

MOUNTAIN SHADOWS METROPOLITAN DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUNDS
Year Ended December 31, 2020

| | <u>General</u> | <u>Debt Service</u> | <u>Total Governmental Funds</u> |
|---|-----------------|-------------------------|---|
| REVENUE | | | |
| Property taxes | \$ 47,524 | \$ 190,093 | \$ 237,617 |
| Specific Ownership Taxes | 2,256 | 9,023 | 11,279 |
| Interest | 15 | 916 | 931 |
| Total Revenue | <u>49,795</u> | <u>200,032</u> | <u>249,827</u> |
| EXPENDITURES | | | |
| General | | | |
| District Management and Accounting | \$ 9,980 | \$ - | \$ 9,980 |
| Audit | 4,700 | - | 4,700 |
| County Treasurer Fees | 713 | 2,852 | 3,565 |
| Dues and subscriptions | 301 | - | 301 |
| Elections | 36 | - | 36 |
| Insurance and Bonds | 2,265 | - | 2,265 |
| Legal | 4,041 | - | 4,041 |
| Developer Advance Reimbursement | 20,000 | - | 20,000 |
| Miscellaneous | 59 | - | 59 |
| Debt Service | | | |
| Paying Agent Fees | - | 2,586 | 2,586 |
| Bond - Principal | - | 153,725 | 153,725 |
| Bond - Interest | - | 20,000 | 20,000 |
| Total Expenditures | <u>42,095</u> | <u>179,163</u> | <u>221,258</u> |
| NET CHANGE IN FUND BALANCE | 7,700 | 20,869 | 28,569 |
| FUND BALANCE - BEGINNING OF YEAR | <u>1,653</u> | <u>183,655</u> | <u>185,308</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 9,353</u> | <u>\$ 204,524</u> | <u>\$ 213,877</u> |

These financial statements should be read only in connection with
the accompanying notes to financial statements

**MOUNTAIN SHADOWS METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE (DEFICIT) OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2020**

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

| | | |
|---|----|--------|
| Net change in fund balance - Total governmental funds | \$ | 28,569 |
|---|----|--------|

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The net effect of these differences in the treatment of long-term debt is as follows:

| | | |
|----------------------------|--|--------|
| Principal payment on bonds | | 20,000 |
| Principal payment on note | | 20,000 |

Some expenses reported in the Statement of Activities do not require the use of financial resources and, therefore, are not reported as expenditures in governmental funds:

| | | |
|---|--|-----------------|
| Net change in accrued interest on long-term liabilities | | <u>(75,806)</u> |
|---|--|-----------------|

| | | |
|---|----|-----------------------|
| Change in net position of governmental activities | \$ | <u><u>(7,237)</u></u> |
|---|----|-----------------------|

These financial statements should be read only in connection with
the accompanying notes to financial statements.

MOUNTAIN SHADOWS METROPOLITAN DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2020

| | <u>Budgeted Amount Original & Final</u> | <u>YTD Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|---|---|-----------------------|---|
| REVENUE | | | |
| Property Taxes | \$ 47,524 | \$ 47,524 | \$ - |
| Specific Ownership Taxes | 3,070 | 2,256 | (814) |
| Interest | - | 15 | 15 |
| Total revenue | <u>50,594</u> | <u>49,795</u> | <u>(799)</u> |
| EXPENDITURES | | | |
| District Management and Accounting | 9,500 | 9,980 | (480) |
| Audit | 4,700 | 4,700 | - |
| County Treasurer Fees | 713 | 713 | - |
| Dues and subscriptions | 300 | 301 | (1) |
| Elections | 500 | 36 | 464 |
| Insurance and Bonds | 2,500 | 2,265 | 235 |
| Legal | 7,000 | 4,041 | 2,959 |
| Developer Advance Reimbursement | 25,000 | 20,000 | 5,000 |
| Contingency/Miscellaneous | 500 | 59 | 441 |
| Total expenditures | <u>50,713</u> | <u>42,095</u> | <u>8,618</u> |
| NET CHANGE IN FUND BALANCE | <u>(119)</u> | <u>7,700</u> | <u>7,819</u> |
| FUND BALANCE - BEGINNING OF YEAR | <u>1,208</u> | <u>1,653</u> | <u>(445)</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 1,090</u> | <u>\$ 9,353</u> | <u>\$ 7,374</u> |

These financial statements should be read only in connection with
the accompanying notes to financial statements.

NOTES TO THE FINANCIAL STATEMENTS

MOUNTAIN SHADOWS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

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 on May 7, 2014 and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located within the Town of Firestone, Colorado.

The District was established principally to provide streets, traffic and safety controls, street lighting, water, sanitary sewer, storm drainage, landscaping and parks and recreation to areas within and without the boundaries of the District.

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

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

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

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. For the most part, 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 and capital resources of the District. The difference between the assets plus deferred outflows of resources and liabilities plus deferred inflows of resources of the District is reported as net position.

MOUNTAIN SHADOWS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 revenues.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government 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. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred or the long-term obligation paid. All other revenue items are considered to be measurable and available only when cash is received by the District.

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 other funds.

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

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted first, then unrestricted resources as they are needed.

MOUNTAIN SHADOWS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with the Local Government Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting 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 single 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. Investments are carried at fair value.

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 30 or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The county treasurer remits the taxes collected monthly to the District.

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

**MOUNTAIN SHADOWS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances – Governmental Funds

The District’s governmental fund balances may consist of five classifications based on the relative strength of the spending constraints:

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

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

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

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

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

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

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2020 are classified in the accompanying financial statements as follows:

Statement of net position:

| | |
|---------------------------------|-------------------|
| Cash and investments | \$ 99,590 |
| Cash and investments-restricted | <u>112,031</u> |
| Total cash and investments | <u>\$ 211,621</u> |

Cash and investments as of December 31, 2020 consist of the following:

| | |
|--------------------------------------|-------------------|
| Deposits with financial institutions | \$ 99,590 |
| Investments | <u>112,031</u> |
| Total cash and investments | <u>\$ 211,621</u> |

MOUNTAIN SHADOWS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Cash Deposits

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

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

At December 31, 2020, the District's cash deposits had a bank balance of \$104,103 and a carrying balance of \$99,590.

Investments

Credit Risk

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

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

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

**MOUNTAIN SHADOWS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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

As of December 31, 2020, the District had the following investments:

| Investment | Maturity | Fair Value |
|--|--------------------------------|-------------------|
| Colorado Local Government Liquid Asset Trust (ColoTrust) | Weighted average under 60 days | \$ 112,031 |
| | | <u>\$ 112,031</u> |

COLOTRUST

During 2020, the District invested in the Colorado Local Government Liquid Asset Trust (Colotrust) 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 Colotrust. Colotrust operates similarly to a money market fund and each share is equal in value to \$1.00. Colotrust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. 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 repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for Colotrust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for Colotrust'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 Colotrust. As of December 31, 2020, the District had \$112,031 invested in COLOTRUST PLUS+ in the name of the District. Colotrust is rated AAAM by S&P Global Ratings. Colotrust records its investments at fair value and the District records its investments in Colotrust using the net asset value method.

Cash and investments of \$204,524 are restricted in the Debt Service Fund for servicing the District's bond debt (Note 4).

**MOUNTAIN SHADOWS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

NOTE 4 - LONG-TERM OBLIGATIONS

The following is an analysis of changes in long-term obligations for the year ended December 31, 2020:

| | Balance at December 31, 2019 | Additions | Reductions | Balance at December 31, 2020 | Due Within One Year |
|---|------------------------------------|------------------|------------------|------------------------------------|------------------------|
| Limited tax general obligation bonds - | | | | | |
| Series 2015 | \$ 2,795,000 | \$ - | \$ 20,000 | \$ 2,775,000 | \$ 25,000 |
| Subordinate promissory note - capital costs | 693,826 | - | - | 693,826 | - |
| Subordinate promissory note - operations | 445,000 | - | 20,000 | 425,000 | - |
| Subordinate promissory notes - interest | 320,520 | 75,896 | - | 396,416 | - |
| | <u>\$ 4,254,346</u> | <u>\$ 75,896</u> | <u>\$ 40,000</u> | <u>\$ 4,290,242</u> | <u>\$ 25,000</u> |

Advance and Reimbursement Agreement/Revenue and Limited Tax Obligation Subordinate Promissory Notes Series 2015

On November 19, 2014, the District entered into a Funding and Reimbursement Agreement, as amended and restated, with MS Firestone Investments, LLC (Developer). The agreement stipulated that the District would reimburse the developer for advances with interest at the rate of 8% per annum. The District agreed to make payment for the advances, subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required for operations, capital improvements or debt service costs and expenses of the District.

On November 16, 2015, the Advance and Reimbursement Agreement was converted into two Revenue and Limited Tax Obligation Subordinate Promissory Notes (Notes). The District is obligated to repay both the principal amount of the Notes, and any and all interest accrued thereon, from the levy of ad valorem taxes subject to the restrictions in the District's service plan, electoral authority of the District, provisions of any bond resolution, indenture or other document related to the District's issuance of bonds to fund capital improvements now or hereafter and applicable to any laws. In no event shall a mill levy of the District exceed 50 mills for repayment of these Notes. The original maturity date for both of the Notes was November 16, 2016. Subsequent to December 31, 2020, the maturity dates on the Notes were extended to November 16, 2021.

One of the notes was entered into for the purpose of providing reimbursement to the Developer for costs of public improvements authorized by the District's service plan (Capital Note). The Capital Note bears interest at the rate of 8% per year with a maximum borrowing of \$3,190,000. In the event the Capital Note is not paid when due, it shall thereafter accrue interest at the rate of 18% per annum on all outstanding amounts. On December 17, 2015, this Capital Note was partially redeemed using the proceeds of the Series 2015 Limited Tax General Obligation Bonds (as discussed below).

MOUNTAIN SHADOWS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)

The other note was entered into for the purpose of funding administrative, operations and maintenance costs of the District (Operations Note). The Operations Note bears interest at the rate of 2% plus prime per year with a maximum borrowing of \$500,000.

Limited Tax General Obligation Bonds - Series 2015

On December 17, 2015, the District issued \$2,845,000 in Limited Tax General Obligation Bonds, Series 2015 (Bonds). The Bonds are term bonds maturing on December 1, 2044, bearing interest at the rate of 5.50%. Interest is payable semi-annually on June 1 and December 1 each year, commencing on June 1, 2016. The Bonds are subject to mandatory sinking fund redemption beginning December 1, 2017 and on each December 1 thereafter in increasing amounts until maturity date. The Bonds are also subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$5,000, on December 1, 2025 and on any date thereafter, upon payment of the principal amount of the Bonds or portion thereof redeemed plus accrued interest to the redemption date, without redemption premium. The Bonds are secured by and payable from pledged revenue derived from an ad valorem property tax imposed by the District upon all taxable property in the District each year in an amount sufficient to pay the amounts due on the Bonds as they become due and payable. The ad valorem property tax mill levy however, may not exceed 50 mills for both debt service and operations and general purposes.

A reserve account of \$132,868 was established in accordance with the Bond requirements. At December 31, 2016, the balance in the bond reserve account was \$106,620, as a result of the use of \$27,747 on December 1, 2016 to make the required debt service payment. The District filed a material event notice regarding the funding shortfall, in accordance with continuing disclosure requirements. As of December 31, 2020, the balance in the bond reserve account was \$111,669.

The following are considered to be events of default under the bond agreement:

- (a) If the District fails or refuses to impose the Required Mill Levy or to apply the Pledged Revenue as required by this Indenture. It is acknowledged that, due to the limited nature of the Pledged Revenue, so long as the District imposes the Required Mill Levy and applies the Pledged Revenue as required by this Indenture, the inability to pay the principal of or interest on the Bonds when due shall not, in and of itself, constitute an Event of Default hereunder.
- (b) The District defaults in the performance or observance of any other of the covenants, agreements or conditions on the part of the District in this Indenture or the Authorizing Resolution and fails to remedy the same after notice thereof.
- (c) The District files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the Bonds.

MOUNTAIN SHADOWS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)

The following are considered remedies for events of default under the bond agreement:

- (a) Receivership. Upon the filing of a bill in equity or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Owners, the Trustee shall be entitled as a matter of right to the appointment of one or more receivers of the Trust Estate and of the revenues, income, product and profits thereof pending such proceedings, subject, however, to constitutional limitations inherent in the sovereignty of the District. Notwithstanding the appointment of any receiver or other custodian, the Trustee shall be entitled to the possession and control of any cash, securities or other instruments at the time held by, or payable or deliverable under the provisions of this Indenture to, the Trustee.
- (b) Suit for Judgment. The Trustee may proceed to protect and enforce its rights and the rights of the Owners under the Special District Act, the Supplemental Act, the Bonds, the Authorizing Resolution, this Indenture and any provision of law by such suit, action or special proceedings as the Trustee, being advised by Counsel, shall deem appropriate.
- (c) Mandamus or Other Suit. The Trustee may proceed by mandamus or any other suit, action or proceeding at law or in equity, to enforce all rights of the Owners.

If any Event of Default shall have occurred and if requested by the Consent Parties with respect to not less than a majority in aggregate principal amount of the Bonds the outstanding, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred as the Trustee, being advised by Counsel, shall deem most expedient in the interests of the Owners.

**MOUNTAIN SHADOWS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)

The following table sets forth the debt service payment schedule for the principal and interest on the Bonds:

| | Li mited Tax General Obligation Bonds | | |
|-----------|--|---------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2021 | 25,000 | 152,625 | 177,625 |
| 2022 | 35,000 | 151,250 | 186,250 |
| 2023 | 35,000 | 149,325 | 184,325 |
| 2024 | 45,000 | 147,400 | 192,400 |
| 2025 | 45,000 | 144,925 | 189,925 |
| 2026-2030 | 335,000 | 678,700 | 1,013,700 |
| 2031-2035 | 525,000 | 567,050 | 1,092,050 |
| 2036-2040 | 755,000 | 398,750 | 1,153,750 |
| 2041-2044 | 975,000 | 150,150 | 1,125,150 |
| | <u>\$ 2,775,000</u> | <u>\$ 2,540,175</u> | <u>\$ 5,315,175</u> |

Authorized Bond Debt

On May 6, 2014, a majority of qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$3,190,000 for public improvements. At December 31, 2020, the District had authorized and issued indebtedness from the election in the following amount allocated for the following purposes:

| | <u>Total Authorized</u> | <u>Remaining at December 31, 2020</u> |
|---|-----------------------------|---|
| Street improvements, traffic and safety, water, sanitation, parks and recreation, public transportation, television relay and translation facilities, mosquito control and security | <u>\$3,190,000</u> | <u>\$ 345,000</u> |

NOTE 5 – FUND EQUITY

Restricted Fund Balance

The restricted fund balance in the General Fund in the amount of \$665 is comprised of the emergency reserves that have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 10).

The restricted fund balance in the Debt Service Fund in the amount of \$204,524 is to be used exclusively for debt service requirements (see Note 4).

**MOUNTAIN SHADOWS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

NOTE 6 - NET POSITION

The District's net position consists of two components - restricted and unrestricted. The restricted portion of the net position include amounts that are restricted for use either externally by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District's restricted net position at December 31, 2020 is as follows:

| | Governmental Activities |
|-----------------------------------|------------------------------------|
| Restricted net position: | |
| TABOR emergency reserve (Note 10) | \$ 665 |
| | \$ 665 |

In the government-wide financial statements, the District's unrestricted net deficit totaled \$4,089,575 primarily due to capital improvements that were funded with long-term debt that have been dedicated to other entities, while the long-term debt remains an obligation of the District.

NOTE 7 – RELATED PARTIES

The members of the Board of Directors of the District are owners of vacant land contracts to purchase property within the District and may have conflicts of interest in dealing with the District.

NOTE 8 - INTERGOVERNMENTAL AGREEMENT

The District and the Town of Firestone (Town) entered into an intergovernmental agreement on June 3, 2014 and amended effective June 25, 2014 (IGA). The IGA included a requirement that the District or the Developer pay \$435,000 in two payments to the Town capital improvement fund prior to or concurrent with the issuance of District bonds. The Developer paid the first payment of \$75,000 in 2014 and the second payment of \$360,000 was recorded by the District in 2015 and was funded with proceeds received from the Developer in January 2016.

NOTE 9 - RISK MANAGEMENT

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

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years. The District pays annual premiums to the Pool for liability, property, public officials' liability and workers compensation coverage. In the event aggregated losses incurred by the Pool exceed

MOUNTAIN SHADOWS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 9 - RISK MANAGEMENT (CONTINUED)

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 LIMITATIONS

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

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

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary or benefit increases.

The District'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.

On May 2, 2006, a majority of the District's electors authorized the District to collect and spend or retain in reserve all revenue other than ad valorem taxes annually without regard to any limitations imposed by TABOR.

SUPPLEMENTAL INFORMATION

MOUNTAIN SHADOWS METROPOLITAN DISTRICT
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
DEBT SERVICE FUND
Year Ended December 31, 2020

| | <u>Budgeted Amounts Original & Final</u> | <u>YTD Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|---|--|-----------------------|---|
| REVENUE | | | |
| Property Taxes | \$ 190,093 | \$ 190,093 | \$ - |
| Specific Ownership Taxes | 12,286 | 9,023 | (3,263) |
| Interest | 2,272 | 916 | (1,356) |
| Total Revenue | <u>204,651</u> | <u>200,032</u> | <u>(4,619)</u> |
| EXPENDITURES | | | |
| <u>General</u> | | | |
| County Treasurer Fees | 2,851 | 2,852 | (1) |
| <u>Debt Service</u> | | | |
| Paying Agent Fees | 2,800 | 2,586 | 214 |
| Note Principal | 153,725 | 153,725 | - |
| Note Interest | 20,000 | 20,000 | - |
| Total Expenditures | <u>179,376</u> | <u>179,163</u> | <u>213</u> |
| NET CHANGE IN FUND BALANCE | 25,275 | 20,869 | (4,406) |
| FUND BALANCE - BEGINNING OF YEAR | <u>183,445</u> | <u>183,655</u> | <u>210</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 208,720</u> | <u>\$ 204,524</u> | <u>\$ (4,196)</u> |

OTHER INFORMATION

**MOUNTAIN SHADOWS METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2020**

**\$2,845,000 Series 2015
Limited Tax General Obligation Bonds
Dated December 17, 2015
Interest Rate of 5.50%
Payable on June 1 and December 1
Principal Due on December 1**

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------|--------------------|---------------------|---------------------|
| 2021 | \$ 25,000 | \$ 152,625 | \$ 177,625 |
| 2022 | 35,000 | 151,250 | 186,250 |
| 2023 | 35,000 | 149,325 | 184,325 |
| 2024 | 45,000 | 147,400 | 192,400 |
| 2025 | 45,000 | 144,925 | 189,925 |
| 2026 | 55,000 | 142,450 | 197,450 |
| 2027 | 60,000 | 139,425 | 199,425 |
| 2028 | 70,000 | 136,125 | 206,125 |
| 2029 | 70,000 | 132,275 | 202,275 |
| 2030 | 80,000 | 128,425 | 208,425 |
| 2031 | 85,000 | 124,025 | 209,025 |
| 2032 | 100,000 | 119,350 | 219,350 |
| 2033 | 105,000 | 113,850 | 218,850 |
| 2034 | 115,000 | 108,075 | 223,075 |
| 2035 | 120,000 | 101,750 | 221,750 |
| 2036 | 130,000 | 95,150 | 225,150 |
| 2037 | 140,000 | 88,000 | 228,000 |
| 2038 | 150,000 | 80,300 | 230,300 |
| 2039 | 160,000 | 72,050 | 232,050 |
| 2040 | 175,000 | 63,250 | 238,250 |
| 2041 | 185,000 | 53,625 | 238,625 |
| 2042 | 200,000 | 43,450 | 243,450 |
| 2043 | 215,000 | 32,450 | 247,450 |
| 2044 | 375,000 | 20,625 | 395,625 |
| | <u>\$2,775,000</u> | <u>\$ 2,540,175</u> | <u>\$ 5,315,175</u> |