

**MOUNTAIN SHADOWS  
METROPOLITAN DISTRICT  
Jefferson County, Colorado**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2020**

**MOUNTAIN SHADOWS METROPOLITAN DISTRICT  
TABLE OF CONTENTS  
YEAR ENDED DECEMBER 31, 2020**

<b>INDEPENDENT AUDITOR’S REPORT</b>	<b>1</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>GOVERNMENT-WIDE FINANCIAL STATEMENTS</b>	
STATEMENT OF NET POSITION	1
STATEMENT OF ACTIVITIES	2
<b>FUND FINANCIAL STATEMENTS</b>	
BALANCE SHEET – GOVERNMENTAL FUNDS	3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	4
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	5
GENERAL FUND – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	6
NOTES TO BASIC FINANCIAL STATEMENTS	7
<b>SUPPLEMENTARY INFORMATION</b>	
DEBT SERVICE FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	29
DEBT SERVICE FUND – C-2 TIF PLEDGE – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	30
CAPITAL PROJECTS FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	31
<b>OTHER INFORMATION</b>	
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY	33
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED	34

## INDEPENDENT AUDITOR'S REPORT

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

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, 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.

### **Management's Responsibility 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.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

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 thereof, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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**Fiscal Focus Partners, LLC**

## **Other Matters**

### *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 opinion on the basic financial statements is not affected by this missing information.

### *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 listed in the table of contents is presented for purposes of legal compliance and additional analysis and is not a required part of the basic financial statements. The 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*

Greenwood Village, Colorado  
September 29, 2021

## **BASIC FINANCIAL STATEMENTS**

**MOUNTAIN SHADOWS METROPOLITAN DISTRICT  
STATEMENT OF NET POSITION  
DECEMBER 31, 2020**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and Investments	\$ 179,740
Cash and Investments - Restricted	315,877
Receivable from County Treasurer	11,125
Accounts Receivable	1,140
Prepaid Expense	10,033
Property Taxes Receivable	1,284,715
Capital Assets, Net of Accumulated Depreciation	<u>1,064,269</u>
Total Assets	<u>2,866,899</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>	
Cost of Bond Refunding, Net	<u>253,825</u>
Total Deferred Outflows of Resources	<u>253,825</u>
<b>LIABILITIES</b>	
Accounts Payable	45,851
Accrued Bond Interest Payable	65,583
Noncurrent Liabilities	
Due Within One Year	269,482
Due in More Than One Year	<u>26,290,737</u>
Total Liabilities	<u>26,671,653</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property Tax Revenue	<u>1,284,715</u>
Total Deferred Inflows of Resources	<u>1,284,715</u>
<b>NET POSITION</b>	
Restricted for:	
Emergency Reserves	10,500
Unrestricted	<u>(24,846,143)</u>
Total Net Position	<u><u>\$ (24,835,643)</u></u>

See accompanying Notes to Basic Financial Statements

**MOUNTAIN SHADOWS METROPOLITAN DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2020**

		Program Revenues			Net Revenues (Expenses) and Change in Net Position
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
General Government	\$ 382,194	\$ 8,257	\$ 74,753	\$ -	\$ (299,184)
Interest and Related Costs on Long-Term Debt	1,635,797	-	-	543,478	(1,092,319)
Total Governmental Activities	\$ 2,017,991	\$ 8,257	\$ 74,753	\$ 543,478	(1,391,503)
<b>GENERAL REVENUES</b>					
Property Taxes					1,293,564
Specific Ownership Taxes					125,099
Interest Income					5,752
<b>SPECIAL ITEMS:</b>					
Forgiveness and cancellation of debt					232,059
Total General Revenues					1,656,474
<b>CHANGE IN NET POSITION</b>					
					264,970
Net Position - Beginning of Year					(25,100,613)
<b>NET POSITION - END OF YEAR</b>					
					\$ (24,835,643)

See accompanying Notes to Basic Financial Statements

**MOUNTAIN SHADOWS METROPOLITAN DISTRICT  
BALANCE SHEET –  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2020**

	General	Debt Service	Debt Service 2018 C-2 TIF Pledge	Capital Projects	Total Governmental Funds
<b>ASSETS</b>					
Cash and Investments	\$ 179,740	\$ -	\$ -	\$ -	\$ 179,740
Cash and Investments - Restricted	10,500	302,150	2	3,225	315,877
Receivable from County Treasurer	2,153	8,972	-	-	11,125
Due from Other Funds	1,357	-	-	-	1,357
Accounts Receivable	-	1,140	-	-	1,140
Prepaid Expense	10,033	-	-	-	10,033
Property Taxes Receivable	248,638	1,036,077	-	-	1,284,715
Total Assets	\$ 452,421	\$ 1,348,339	\$ 2	\$ 3,225	\$ 1,803,987
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts Payable	\$ 45,851	\$ -	\$ -	\$ -	\$ 45,851
Due to Other Funds	-	1,357	-	-	1,357
Total Liabilities	45,851	1,357	-	-	47,208
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Property Tax Revenue	248,638	1,036,077	-	-	1,284,715
Total Deferred Inflows of Resources	248,638	1,036,077	-	-	1,284,715
<b>FUND BALANCES</b>					
Nonspendable					
Prepaid Expense	10,033	-	-	-	10,033
Restricted					
Emergency Reserves	10,500	-	-	-	10,500
Debt Service		310,905	2	-	310,907
Capital Projects				3,225	3,225
Unassigned	137,400	-	-	-	137,400
Total Fund Balances	157,933	310,905	2	3,225	472,065
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
	\$ 452,421	\$ 1,348,339	\$ 2	\$ 3,225	
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					1,064,269
Other long-term assets are not available to pay for current period expenditures and, therefore, are expensed in the funds.					
Cost of Refunding, Net					253,825
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.					
Bonds Payable					(25,090,000)
Bond Premium					(74,605)
Accrued Current Interest on Series 2016A Bonds					(65,583)
Accrued and Unpaid Interest on Series 2016B Bonds					(11,097)
Accrued and Unpaid Interest on Series 2018C-1 Bonds					(566,103)
Accrued and Unpaid Interest on Series 2018C-2 Bonds					(818,414)
Total					\$ (24,835,643)

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, 2020**

	General	Debt Service	Debt Service 2018 C-2 TIF Pledge	Capital Projects	Total Governmental Funds
<b>REVENUES</b>					
Property Taxes	\$ 250,360	\$ 1,043,204	\$ -	\$ -	\$ 1,293,564
Specific Ownership Taxes	24,212	100,887	-	-	125,099
Urban Renewal Tax - District Mill Levy	74,753	311,497	-	-	386,250
Urban Renewal Tax - TIF	-	180,000	-	-	180,000
2018 C-2 TIF pledge	-	-	51,981	-	51,981
Interest Income	1,690	4,051	2	9	5,752
Maintenance Reimbursement - Patio Homes	8,257	-	-	-	8,257
Total Revenues	<u>359,272</u>	<u>1,639,639</u>	<u>51,983</u>	<u>9</u>	<u>2,050,903</u>
<b>EXPENDITURES</b>					
General and Administration					
Accounting	29,433	-	-	-	29,433
Audit	5,400	-	-	-	5,400
County Treasurer's Fee	3,756	15,651	-	-	19,407
Insurance and Dues	10,179	-	-	-	10,179
Legal	35,406	-	-	-	35,406
Miscellaneous	522	-	3	-	525
Election Expense	2,507	-	-	-	2,507
Transfers to Jefferson Center District No. 2	28,221	-	-	-	28,221
Operations and Maintenance					
Landscape Maintenance	42,507	-	-	-	42,507
Landscape Improvements and Repair	63,827	-	-	-	63,827
Water	41,059	-	-	-	41,059
Electric	1,782	-	-	-	1,782
Facilities Management	13,433	-	-	-	13,433
Irrigation Repairs	19,274	-	-	-	19,274
Miscellaneous Repairs	1,310	-	-	-	1,310
Native Weed Control	3,928	-	-	-	3,928
Retention Pond Maintenance	1,813	-	-	-	1,813
Site Clean Up & Dog Waste	8,061	-	-	-	8,061
Snow Removal	5,275	-	-	-	5,275
Debt Service					
Paying Agent Fees	-	9,500	-	-	9,500
Bond Interest	-	1,100,298	52,006	-	1,152,304
Bond Principal	-	536,000	-	-	536,000
Total Expenditures	<u>317,693</u>	<u>1,661,449</u>	<u>52,009</u>	<u>-</u>	<u>2,031,151</u>
<b>NET CHANGE IN FUND BALANCES</b>	41,579	(21,810)	(26)	9	19,752
Fund Balances - Beginning of Year	<u>116,354</u>	<u>332,715</u>	<u>28</u>	<u>3,216</u>	<u>452,313</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 157,933</u>	<u>\$ 310,905</u>	<u>\$ 2</u>	<u>\$ 3,225</u>	<u>\$ 472,065</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, 2020**

Net Changes in Fund Balances - Governmental Funds	\$	19,752
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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)
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Long-term debt (e.g., bonds, Developer advances) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. 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 Payment - Series 2016A and Series 2016B		536,000
Forgiveness of Debt (Developer Advances)		232,059

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		(441,523)
Current Year Amortization of Cost of Refunding		(21,346)
Current Year Bond Issue Premium		4,530
		4,530

Change in Net Position of Governmental Activities	\$	264,970
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**MOUNTAIN SHADOWS METROPOLITAN DISTRICT  
GENERAL FUND –  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2020**

	Original and Final Budget	Actual	Variance- Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 248,376	\$ 250,360	\$ 1,984
Specific Ownership Taxes	25,825	24,212	(1,613)
Urban Renewal Tax - District Mill Levy	74,431	74,753	322
Interest Income	1,005	1,690	685
Maintenance Reimbursement - Patio Homes	8,373	8,257	(116)
Total Revenues	<u>358,010</u>	<u>359,272</u>	<u>1,262</u>
<b>EXPENDITURES</b>			
General and Administration			
Accounting	30,000	29,433	567
Audit	5,400	5,400	-
County Treasurer's Fee	3,726	3,756	(30)
Insurance and Dues	12,000	10,179	1,821
Legal	45,000	35,406	9,594
Miscellaneous	1,000	522	478
Election Expense	2,000	2,507	(507)
Office Supplies	200	-	200
Transfers to Jefferson Center District No. 2	30,000	28,221	1,779
Operations and Maintenance			
Landscape Maintenance	55,000	42,507	12,493
Landscape Improvements and Repair	45,000	63,827	(18,827)
Water	50,000	41,059	8,941
Electric	1,300	1,782	(482)
Facilities Management	12,000	13,433	(1,433)
Irrigation Repairs	10,000	19,274	(9,274)
Miscellaneous Repairs	5,000	1,310	3,690
Native Weed Control	13,000	3,928	9,072
Retention Pond Maintenance	4,500	1,813	2,687
Site Clean Up & Dog Waste	8,000	8,061	(61)
Snow Removal	12,000	5,275	6,725
Contingency	7,874	-	7,874
Total Expenditures	<u>353,000</u>	<u>317,693</u>	<u>35,307</u>
<b>NET CHANGE IN FUND BALANCE</b>	5,010	41,579	36,569
Fund Balance - Beginning of Year	<u>65,006</u>	<u>116,354</u>	<u>51,348</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 70,016</u>	<u>\$ 157,933</u>	<u>\$ 87,917</u>

See accompanying Notes to Basic Financial Statements

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

**NOTE 1 DEFINITION OF REPORTING ENTITY**

Mountain Shadows Metropolitan District (the 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 which is 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, 2020**

**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 and repayment of Developer advances are recorded as a reduction in liabilities.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and specific ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. 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.

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

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

**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.

This District has amended its annual budget for the year ended December 31, 2020.

**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, 2020**

**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 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
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**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 position 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, 2020**

**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 position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

**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, 2020**

**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, 2020, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 179,740
Cash and Investments – Restricted	315,877
Total Cash and Investments	\$ 495,617

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

Cash	\$ 19,052
Investments	476,565
Total Cash and Investments	\$ 495,617

**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, 2020, the District had a bank balance and carrying balance of \$19,052.

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

**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

**Fair Value Measurement and Application**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series), money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee), CSAFE (which are recorded at amortized cost), and COLOTRUST (which are recorded at net asset value).

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

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

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

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted-Average Under 60 Days	\$ 302,155
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted-Average Under 60 Days	171,188
Morgan Stanley Institutional Liquidity Funds (MSILF) Treasury	Weighted-Average Under 60 Days	3,222
Total		<u>\$ 476,565</u>

**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 is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds, 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 is rated AAAM by Standard & Poor's. 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 operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust 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 any security allowed under CRS 24-75-601. 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 is rated AAAM by Standard & Poor's. 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, and there is no redemption notice period.

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

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

**Morgan Stanley Treasury Portfolio**

Debt service monies included in the trust accounts at UMB were invested in the Morgan Stanley Institutional Liquidity Funds. This portfolio is a money market mutual fund which invests in a combination of repurchase agreements and in U.S. Treasury debt. The Fund is rated AAA-mf by Moody's and AAAM by Standard & Poor's. The average maturity is 24 days.

**NOTE 4 CAPITAL ASSETS**

An analysis of the changes in capital assets for the year ended December 31, 2020, follows:

	Balance at December 31, 2019	Increases	Decreases	Balance at December 31, 2020
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	(161,253)	(64,501)	-	(225,754)
Total Accumulated Depreciation	(161,253)	(64,501)	-	(225,754)
Total Capital Assets, Being Depreciated, Net	<u>\$ 1,128,770</u>	<u>\$ (64,501)</u>	<u>\$ -</u>	<u>\$ 1,064,269</u>

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

General Government	<u>\$ 64,501</u>
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**MOUNTAIN SHADOWS METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**NOTE 5 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	Retirement	Balance at December 31, 2020	Due Within One Year
G.O. Bonds - Series 2016A	\$ 16,395,000	\$ -	\$ 260,000	\$ 16,135,000	\$ 265,000
G.O. Bonds - Series 2016B	3,605,000	-	276,000	3,329,000	-
Bond Premium	79,135	-	4,530	74,605	4,482
Accrued and Unpaid Interest -					
Series 2016 B Bonds	45,128	270,817	304,848	11,097	-
G.O. Bonds - Series 2018C-1	1,994,000	-	-	1,994,000	-
Accrued and Unpaid Interest -					
Series 2018C-1 Bonds	365,817	200,286	-	566,103	-
S.R. Bonds - Series 2018C-2	3,632,000	-	-	3,632,000	-
Accrued and Unpaid Interest -					
Series 2018C-2 Bonds	542,441	327,979	52,006	818,414	-
Developer Advances	154,670	-	154,670	-	-
Accrued Interest -					
Developer Advances	77,389	-	77,389	-	-
Total	<u>\$ 26,890,580</u>	<u>\$ 799,082</u>	<u>\$ 1,129,443</u>	<u>\$ 26,560,219</u>	<u>\$ 269,482</u>

The details of the District's general obligation bonds outstanding during 2020 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 are due on December 1, beginning on December 1, 2016.

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

**NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)**

**Bond Details (Continued)**

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 are structured as cash flow bonds meaning that there are 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 shall be extinguished and no longer be due and outstanding. Unpaid interest on the 2016B Subordinate Bonds compounds annually on each December 15.

**Optional Redemption**

The 2016A Senior Bonds are subject to redemption prior to maturity, at the option of the District, on December 1, 2025, and on any date thereafter, upon payment of par, accrued interest, without redemption premium.

The 2016B Subordinate Bonds are subject to redemption prior to maturity, at the option of the District, on December 15, 2021, and on any date thereafter, upon payment of par and accrued interest, with the following redemption premiums:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
December 15, 2021, to December 14, 2022	3.00%
December 15, 2022, to December 14, 2023	2.00
December 15, 2023, to December 14, 2024	1.00
December 15, 2024, and thereafter	0.00

**Pledged Revenue**

The 2016A Senior Bonds are secured by and payable solely from and to the extent of the Senior Pledged Revenue, which includes monies derived from the following, net of costs of collection: (i) the Senior Required Mill Levy; (ii) the portion of the Specific Ownership Tax which is collected as a result of the imposition of the Senior Required Mill Levy; (iii) the Capital Pledge Agreement Revenue not to exceed \$180,000 in any fiscal year; and (iv) any other legally available amounts that the District may designate, in its sole discretion, held under the Senior Indenture. The 2016A Senior Bonds are also secured by amounts accumulated in the 2016A Senior Surplus Fund, if any.

The 2016B Subordinate Bonds are payable solely from and to the extent of the Subordinate Pledged Revenue, which includes monies derived from the following, net of costs of collection: (i) the Required Subordinate Mill Levy; (ii) the portion of the Specific Ownership Tax which is collected as a result of the imposition of the Required Subordinate Mill Levy; (iii) the Excess Senior Pledged Revenue; and (iv) any other legally available amounts that the District may designate held under the Subordinate Indenture.

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

**NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)**

**Pledged Revenue (Continued)**

Excess Senior Pledged Revenue is defined as, generally, revenue available for payment of the 2016B Subordinate Bonds that is first pledged to the 2016A Senior Bonds, including Subordinate Capital Pledge Agreement Revenue and amounts released from any surplus funds securing the 2016A Senior Bonds. "Subordinate Capital Pledge Agreement Revenue" is defined as, generally, a portion of the tax increment revenues attributable to certain property within the District's boundaries received by the District pursuant to the Capital Pledge Agreement, not to exceed \$180,000 in any fiscal year.

**Required Mill Levy**

The Senior Indenture provides that, prior to the time when the Senior Debt to Assessed Ratio is 50% or less, a Required Mill Levy (the Senior 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 1st, to pay the principal of, premium if any, and interest on the 2016A Senior Bonds, 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), and for so long as the 2016A Senior Surplus Fund is less than the Maximum Surplus Amount of \$300,000, not less than 40 mills (as adjusted). In the event the minimum mill levy would produce revenue in excess of that required to repay all principal and interest on the 2016A Senior Bonds, then such minimum mill levy shall be reduced to a mill levy which will produce revenue sufficient to repay all principal and interest on the 2016A Senior Bonds.

Once the Senior Debt to Assessed Ratio is equal to or less than 50%, the Senior Required Mill Levy is defined as a mill levy imposed upon all taxable property of the District each year in an amount, that when combined with Capital Pledge Agreement Revenue available or expected to be received before the following December 1st, will be sufficient to pay the principal of, premium if any, and interest on the 2016A Senior Bonds as the same become due and payable, without limitation of rate and in amounts sufficient to make such payments when due.

The Subordinate Indenture defines the Required Subordinate Mill Levy as an ad valorem mill levy imposed upon all taxable property of the District in an amount equal to 50 mills (subject to adjustment) less the Senior Required Mill Levy. As a result, the Required Subordinate Mill Levy will be zero for any year in which the Senior Required Mill Levy equals 50 mills (as adjusted).

A statutory change in the method of calculating assessed value on residential property has occurred two times since January 1, 2004, and the mill levy has been adjusted to 55.663 mills for collection in 2020.

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

**NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)**

**2016A Senior Surplus Fund**

Prior to the date the Senior Debt to Assessed Ratio is equal to 50% or less, Senior Pledged Revenue that is not needed to pay debt service on the 2016A Senior Bonds in any year will be deposited to and held in the 2016A Senior Surplus Fund, up to the Maximum Surplus Amount of \$300,000. The 2016A Surplus Fund is to be maintained until the date upon which the earlier of the following events occur: (i) the Senior Debt to Assessed Ratio is 50% or less or (ii) the amount on deposit in the Surplus Fund, when combined with moneys in the Senior Bond Fund, is sufficient to pay all principal of the 2016A Senior Bonds.

As of December 31, 2020, the balance in the 2016A Senior Surplus Fund was \$300,021.

**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 are 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 bond. 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 are permitted to be made on the 2018C-1 Junior Lien Bonds until the 2016B Subordinate Bonds and any obligations issued on parity therewith are paid in full and, thereafter, payments on the 2018C-1 Junior Lien Bonds are 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.

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

**NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)**

**Optional Redemption**

The 2018C-1 Junior Lien Bonds are subject to redemption prior to maturity, at the option of the District, on December 15, 2021, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed, as follows:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
December 15, 2021, to December 14, 2022	3.00%
December 15, 2022, to December 14, 2023	2.00
December 15, 2023, to December 14, 2024	1.00
December 15, 2024, and thereafter	0.00

**Pledged Revenue**

The 2018C-1 Junior Lien Bonds are secured by and payable solely from and to the extent of the 2018C-1 Junior Lien Pledged Revenue, which includes monies derived from the following, net of costs of collection: (i) all Junior Lien Property Tax Revenues; (ii) all Junior Lien Specific Ownership Tax Revenues; (iii) all Junior Lien Capital Pledge Agreement Revenue; and, (iv) any other legally available amounts which the District determines, in its absolute direction, to credit to the 2018C-1 Junior Lien Bond Fund.

“Junior Lien Property Tax Revenues” means all moneys derived from imposition by the District of the Junior Lien Required Mill Levy. Junior Lien Property Tax Revenues are net of the costs of collection and any tax refunds or abatements authorized by or on behalf of the County. Junior Lien Property Taxes do not include specific ownership tax revenues but do include: (i) taxes received by the District from the imposition of the Junior Lien Required Mill levy generated from taxable District property not located in the Northwest URA, which taxes are paid by the County Treasurer directly to the District as part of the normal property tax collection process; (ii) taxes received by the District from the imposition of the Junior Lien Required Mill levy on the “base” value of taxable District property located within the Northwest URA; and (ii) taxes received by the District from the imposition of the Junior Lien Required Mill Levy on the “incremental” value of taxable District property located within the Northwest URA pursuant to the Master IGA.

“Junior Lien Specific Ownership Tax Revenues” means the specific ownership taxes remitted to the District as a result of its imposition of the Junior Lien Required Mill Levy.

“Junior Lien Capital Pledge Agreement Revenue” means revenue received by the District pursuant to the Capital Pledge Agreement in an amount not to exceed \$180,000 in any fiscal year. No amounts (i) attributable to the Jefferson Center Metropolitan District No. 1 (“JCMD1”) TIF Portion (which means all Junior Lien Capital Pledge Agreement Revenue attributable to property taxes collected from properties not within the boundaries of the District) or (ii) amounts received in excess of \$180,000 in any fiscal year are included in this definition. Amounts received are first applied (i) to make scheduled debt service payments on the 2016A Senior Bonds and any bonds issued on parity therewith and (ii) to make debt service payments on the 2016B Subordinate Bonds and any bonds issued on a parity therewith; and then, if available, are applied to make debt service payments on the 2018C-1 Junior Lien Bonds.

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

**NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)**

**Pledged Revenue (Continued)**

The District and Jefferson Center Metropolitan District No. 2 (JCMD2) have executed an Amended and Restated Capital Pledge Agreement dated March 10, 2017 (see Note 8). Under the Capital Pledge Agreement, JCMD2 pledges certain revenue (the "District TIF Revenue") to the District. District TIF Revenue is defined as 42% of the tax increment revenues generated on the TIF Properties to be received by JCMD2 and pledged to the District for payment of the Reimbursement Obligation. TIF Properties is defined as a portion of the property which is located within the Northwest URA, some of which is within the boundaries of the District and some of which is outside the boundaries of the District. Only tax increment revenue attributable to the portion of the TIF Properties which is located within the District constitutes Capital Pledge Agreement Revenue for the District General Obligation Bonds (2016A Senior Bonds, 2016B Subordinate Bonds, and 2018C-1 Junior Lien Bonds). The pledge of such tax increment revenue to the District General Obligation Bonds is limited to \$180,000 in any fiscal year.

**Required Mill Levy**

The 2018C-1 Junior Lien Indenture provides that a Junior Lien Required Mill Levy be imposed in an amount equal to (i) 50 mills (subject to adjustment for changes occurring after January 1, 2004, in the method of calculating assessed valuation) less the Senior/Subordinate Required Mill Levy, or (ii) such lesser amount that will generate Junior Lien Property Tax Revenues which, when combined with moneys then on deposit in the Junior Lien Bond Fund, will pay the 2018C-1 Junior Lien Bonds in full.

**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 also 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.

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 bond. 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.

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

**NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)**

**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.

The District's long-term obligations relating to the 2016A Senior General Obligation Bonds will mature as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 265,000	\$ 787,000	\$ 1,052,000
2022	300,000	776,400	1,076,400
2023	310,000	764,400	1,074,400
2024	345,000	752,000	1,097,000
2025	360,000	738,200	1,098,200
2026-2030	2,250,000	3,425,550	5,675,550
2031-2035	3,005,000	2,781,500	5,786,500
2036-2040	3,460,000	2,001,000	5,461,000
2041-2045	4,710,000	1,017,750	5,727,750
2046	1,130,000	56,500	1,186,500
Total	<u>\$ 16,135,000</u>	<u>\$ 13,100,300</u>	<u>\$ 29,235,300</u>

**Operating Funding Agreement - Alkire Investments, Inc.**

On February 14, 2007, the District and Alkire Investments, Inc. (the Developer) entered into an Operation Funding Agreement whereby the Developer will make advances, as necessary and up to an aggregate limit of \$100,000 to fund any anticipated shortfall in revenues available for operations and maintenance expenses from 2007 through 2010. 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, 2027.

On November 9, 2020, the District and Alkire Investments, Inc. signed a Termination of Operation Funding Agreement effective November 9, 2020, and the reimbursement obligation was waived, forgiving \$63,714 in principal and \$55,619 in interest.

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

**NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)**

**Developer Advances Payable - 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.

**Developer Advances Payable - Facilities Acquisition Agreement**

Pursuant to a Facilities Acquisition Agreement dated November 28, 2006, the District has agreed to reimburse Alkire Investments, Inc. for certain infrastructure construction costs within the Mountain Shadows development (aka Wild Grass) up to a maximum of \$18,000,000. Interest accrues until paid at the rate of 7.5% per annum. The term for repayment expires December 31, 2046, unless terminated earlier. As of December 31, 2010, the District had reimbursed \$7,905,505 of a total of \$9,063,286 of these costs, with \$1,152,306 remaining payable and accrued interest of \$127,943. On January 25, 2011, the District and Alkire Investments, Inc. signed a Termination of Facilities Acquisition Agreement effective December 31, 2010, and the remaining amount due will be repaid to WCH Investments, Inc. under the Facilities Funding and Acquisition Agreement explained below.

**Developer Advances Payable - Operations**

On January 1, 2017, the District and Whisper Creek Two, LLC, (WCT) entered into a Funding and Reimbursement Agreement (O&M) whereby WCT will make advances, as necessary and up to an aggregate limit of \$91,207 to fund budgeted shortfalls in revenues for operations and maintenance expenses from 2017 through 2018. 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, 2056.

On November 9, 2020, the District and Whisper Creek Two, LLC, (WCT) signed a Termination of (2017/2018) Funding and Reimbursement Agreement effective November 9, 2020, and the reimbursement obligation was waived, forgiving \$85,207 in principal and \$18,104 in interest.

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

**NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)**

**Debt Authorization**

As of December 31, 2020, 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.

**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, 2020, as follows:

	Governmental Activities
Restricted Net Position:	
Emergencies	\$ 10,500
Total	\$ 10,500

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 were conveyed to other governmental entities.

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

**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.

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.

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

**NOTE 7 AGREEMENTS (CONTINUED)**

**Capital Pledge Agreement (Continued)**

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, 2020, the principal amount of the reimbursement obligation under this agreement was \$7,000,000 and the accrued interest was \$6,110,248.

**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 (the 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.

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

**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, 2020**

	Budget Amounts		Actual	Variance- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property Taxes	\$ 1,034,988	\$ 1,043,204	\$ 1,043,204	\$ -
Specific Ownership Taxes	107,612	107,612	100,887	(6,725)
Urban Renewal Tax - District Mill Levy	310,156	310,156	311,497	1,341
Urban Renewal Tax - TIF	167,738	180,000	180,000	-
Interest Income	4,575	4,575	4,051	(524)
Total Revenues	<u>1,625,069</u>	<u>1,645,547</u>	<u>1,639,639</u>	<u>(5,908)</u>
<b>EXPENDITURES</b>				
Paying Agent Fees	9,500	9,500	9,500	-
County Treasurer's Fees	15,525	15,533	15,651	(118)
Bond Interest - Series 2016A	795,450	795,500	795,450	50
Bond Interest - Series 2016B	305,870	305,872	304,848	1,024
Bond Principal - Series 2016A	260,000	260,000	260,000	-
Bond Principal - Series 2016B	223,000	276,000	276,000	-
Contingency	30,282	37,595	-	37,595
Total Expenditures	<u>1,639,627</u>	<u>1,700,000</u>	<u>1,661,449</u>	<u>38,551</u>
<b>NET CHANGE IN FUND BALANCE</b>	(14,558)	(54,453)	(21,810)	32,643
Fund Balance - Beginning of Year	<u>314,558</u>	<u>332,715</u>	<u>332,715</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 300,000</u>	<u>\$ 278,262</u>	<u>\$ 310,905</u>	<u>\$ 32,643</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, 2020**

	Original and Final Budget	Actual	Variance- Positive (Negative)
<b>REVENUES</b>			
2018 C-2 TIF pledge	\$ 52,939	\$ 51,981	\$ (958)
Interest Income	-	2	2
Total Revenues	<u>52,939</u>	<u>51,983</u>	<u>(956)</u>
<b>EXPENDITURES</b>			
Miscellaneous	-	3	(3)
Bond interest - Series 2018C-2	52,939	52,006	933
Total Expenditures	<u>52,939</u>	<u>52,009</u>	<u>930</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	(26)	(26)
Fund Balance - Beginning of Year	<u>-</u>	<u>28</u>	<u>28</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 2</u>

**MOUNTAIN SHADOWS METROPOLITAN DISTRICT  
CAPITAL PROJECTS FUND –  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2020**

	Original And Final Budget	Actual	Variance- Positive (Negative)
<b>REVENUES</b>			
Interest Income	\$ -	\$ 9	\$ 9
Total Revenues	<u>-</u>	<u>9</u>	<u>9</u>
<b>EXPENDITURES</b>			
Contingency	3,240	-	3,240
Total Expenditures	<u>3,240</u>	<u>-</u>	<u>3,240</u>
<b>NET CHANGE IN FUND BALANCE</b>	(3,240)	9	3,249
Fund Balance - Beginning of Year	<u>3,240</u>	<u>3,216</u>	<u>(24)</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ 3,225</u>	<u>\$ 3,225</u>

## **OTHER INFORMATION**

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

	\$17,455,000		
	General Obligation Refunding and Improvement Bonds (Limited Tax Convertible to Unlimited Tax) Series 2016A, Dated March 31, 2016 Interest Rate of 3.25% to 5.00% Payable June 1 and December 1 Principal Due December 1		
Bonds and Interest Maturing in the <u>Year Ending December 31,</u>	Principal	Interest	Total
2021	\$ 265,000	\$ 787,000	\$ 1,052,000
2022	300,000	776,400	1,076,400
2023	310,000	764,400	1,074,400
2024	345,000	752,000	1,097,000
2025	360,000	738,200	1,098,200
2026	395,000	723,800	1,118,800
2027	410,000	708,000	1,118,000
2028	450,000	687,500	1,137,500
2029	475,000	665,000	1,140,000
2030	520,000	641,250	1,161,250
2031	545,000	615,250	1,160,250
2032	595,000	588,000	1,183,000
2033	625,000	558,250	1,183,250
2034	680,000	527,000	1,207,000
2035	560,000	493,000	1,053,000
2036	610,000	465,000	1,075,000
2037	640,000	434,500	1,074,500
2038	695,000	402,500	1,097,500
2039	730,000	367,750	1,097,750
2040	785,000	331,250	1,116,250
2041	825,000	292,000	1,117,000
2042	890,000	250,750	1,140,750
2043	935,000	206,250	1,141,250
2044	1,005,000	159,500	1,164,500
2045	1,055,000	109,250	1,164,250
2046	1,130,000	56,500	1,186,500
Total	\$ 16,135,000	\$ 13,100,300	\$ 29,235,300

**MOUNTAIN SHADOWS METROPOLITAN DISTRICT  
 SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED  
 DECEMBER 31, 2020**

Year Ended December 31,	Prior Year Assessed Net Valuation for Current Year Property Tax Levy	Mills Levied		Total Property Taxes		Percentage Collected to Levied
		General	Debt Service	Levied	Collected	
		2016	\$ 14,431,147	12.000	50.000	
2017	15,308,226	12.000	50.000	949,110	949,058	99.99
2018	16,801,826	13.266	55.277	1,151,648	1,150,659	99.91
2019	17,216,783	13.266	55.277	1,180,089	1,154,438	97.83
2020	18,593,829	13.358	55.663	1,283,364	1,293,564	100.79

Estimated for  
 the Year Ending  
 December 31,  
 2021

\$ 18,613,388	13.358	55.663	\$ 1,284,715
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NOTE: Property taxes collected in any one year include collection of delinquent property taxes assessed in prior years, as well as reductions for property tax refunds or abatements. Information received from the County Treasurer does not permit identification of specific year of assessment.