Mountain Sky Metropolitan District

Financial Statements and Report of Independent Certified Public Accountants

December 31, 2020

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

February 18, 2021

To the Board of Directors
Mountain Sky Metropolitan District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Mountain Sky 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 the District as of December 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule – general fund as listed in the table of contents be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted 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 budgetary comparison schedules for the capital improvement fund and the debt service fund are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedules for the capital improvement fund and the debt service fund are the responsibility of management and were derived from and relates 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, these schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Beckstead & Co., LLC

Mountain Sky Metropolitan District
Statement of Net Position
December 31, 2020

		Governmental Activities
Assets		
Current Assets		
Equity in pooled cash and investments		$ 837,328
Due from County Treasurer		7,170
Property taxes receivable		688,642
Due from developer		529,813
Prepaid expenses		2,407
	Total Current Assets	2,065,360
Construction in progress		49,094
	Total Assets	$ 2,114,454
Liabilities		
Current Liabilities		
Accounts payable		$ 655,781
Accrued interest payable		79,266
Current portion of bond payable		-
	Total Current Liabilities	735,047
Noncurrent Liabilities		
Bond payable, less current portion		4,988,389
Developer payable		529,813
	Total Noncurrent Liabilities	5,518,202
	Total Liabilities	6,253,249
Deferred Inflows Of Resources		
Deferred property tax revenue		688,642
Net Position		
Net investment in capital assets		(5,469,108)
Restricted for emergencies		6,490
Restricted for debt service		671,363
Unrestricted		(36,182)
	Total Net Position	(4,827,437)
	Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 2,114,454

The accompanying notes are an integral part of these financial statements.

Mountain Sky Metropolitan District
Statement of Activities
For the year ended December 31, 2020

	Expenses	Capital Grants and Contributions	Net (Expense) Revenue
Governmental Activities			
General government	$ 6,627,744	$ 175,000	$ (6,452,744)
Interest on long-term debt	238,016	-	(238,016)
Other costs of long-term debt	151	-	(151)
Totals	$ 6,865,911	$ 175,000	$ (6,690,911)
General Revenues			
Property taxes			1,968,744
Specific ownership taxes			93,448
Interest income			20,695
Other income			325
Total General Revenues			2,083,212
Change in Net Position			(4,607,699)
Net Position, beginning of year			(219,738)
Net Position, end of year			$ (4,827,437)

The accompanying notes are an integral part of these financial statements.

Mountain Sky Metropolitan District
Balance Sheets
Governmental Funds
December 31, 2020

	General	Capital Improvement	Debt Service	Total
Assets				
Equity in pooled cash and investments	$ 61,971	$ 109,969	$ 665,388	$ 837,328
Due from County Treasurer	1,195	-	5,975	7,170
Property taxes receivable	114,774	-	573,868	688,642
Due from developer	-	529,813	-	529,813
Prepaid expenses	2,407			2,407
Total Assets	$ 180,347	$ 639,782	$ 1,245,231	$ 2,065,360
Liabilities				
Accounts payable	$ 15,999	$ 639,782	$ -	$ 655,781
Total Liabilities	15,999	639,782	-	655,781
Deferred Inflows of Resources				
Deferred property tax revenue	114,774	-	573,868	688,642
Fund Balance				
Nonspendable	2,407	-	-	2,407
Restricted for emergencies	6,490	-	-	6,490
Restricted for debt service	-	-	671,363	671,363
Assigned for capital replacement	10,000			10,000
Assigned for 2021 budget deficits	20,648			20,648
Unassigned	10,029	-	-	10,029
Total Fund Balance	49,574	-	671,363	720,937
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	$ 180,347	$ 639,782	$ 1,245,231	$ 2,065,360

The accompanying notes are an integral part of these financial statements.

Mountain Sky Metropolitan District
Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
December 31, 2020

Total Fund Balance	$ 720,937
Amounts reported for the governmental activities in the Statement of Net Position are different because:	
Capital assets are not financial resources and therefore are not reported in the funds	49,094
Bonds payable and other long-term debt are not due and payable in the current period, and therefore are not reported in the governmental funds.	(5,518,202)
Accrued interest payable on outstanding bonds and other long-term debt do not require current financial resources, and therefore are not reported in the governmental funds.	(79,266)
Total Net Position	$ (4,827,437)

The accompanying notes are an integral part of these financial statements.

Mountain Sky Metropolitan District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the year ended December 31, 2020

	General	Capital Improvement	Debt Service	Total
Revenues				
Property taxes	$ 328,124	$ -	$ 1,640,620	$ 1,968,744
Specific ownership taxes	15,575	-	77,873	93,448
System development fees	-	-	175,000	175,000
Interest income	577	14,831	5,287	20,695
Other income	325	-	-	325
Total Revenues	344,601	14,831	1,898,780	2,258,212
Expenditures				
Current Operating				
Accounting	50,245	-	-	50,245
Insurance - health	1,076	-	-	1,076
Insurance - other	2,134	-	-	2,134
Legal	64,707	-	-	64,707
Office	1,665	-	-	1,665
Treasurers fees	4,930	-	24,653	29,583
Capital Outlay	-	5,981,684	-	5,981,684
Debt Service				
Principal	89,104	-	1,678,663	1,767,767
Interest	2,488	-	174,340	176,828
Issuance costs	-	-	325,744	325,744
Other fees	-	-	151	151
Total Expenditures	216,349	5,981,684	2,203,551	8,401,584
Excess of Revenues Over (Under) Expenditures	128,252	(5,966,853)	(304,771)	(6,143,372)
Other Financing Sources (Uses)				
Transfers in (out)	(120,000)	4,137,040	(4,017,040)	-
Bond proceeds and premium	-	-	4,993,174	4,993,174
Developer advances	26,542	1,829,813	-	1,856,355
Total Other Financing Sources (Uses)	(93,458)	5,966,853	976,134	6,849,529
Net change in fund balances	34,794	-	671,363	706,157
Fund balances, beginning of year	14,780	-	-	14,780
Fund balances, end of year	$ 49,574	$ -	$ 671,363	$ 720,937

The accompanying notes are an integral part of these financial statements.

Mountain Sky Metropolitan District
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the year ended December 31, 2020

Total net change in fund balances - governmental funds	$ 706,157
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures in the year the costs are incurred; however, the government-wide financial statements report capital outlays as an addition to capital assets. The cost of capital assets is allocated to expense over the estimated useful lives of the underlying assets.	
Amounts capitalized	5,980,713
Capital assets contributed to other governments	(6,151,619)
Governmental funds report debt principal payments as other financing uses; however, the government-wide financial statements report debt principal payments as reductions of long-term debt.	1,767,767
Governmental funds report debt proceeds as other financing sources; however, the government-wide financial statements report debt proceeds as increases in long-term debt.	(6,849,529)
Amortization of bond premium is reported in the Statement of Activities, but does not provide current financial resources; therefore, the change in bond premium is not reported as other financing sources in the governmental funds.	4,785
Accrued interest expense on long-term debt is reported in the Statement of Activities, but does not require the use of current financial resources; therefore, the change in accrued interest expense is not reported as an expenditure in the governmental funds.	(65,973)
	$ (4,607,699)

The accompanying notes are an integral part of these financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Mountain Sky Metropolitan District, herein referred to as the District, conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Significant accounting policies of the District are described below.

A. Financial Reporting Entity

The District was organized pursuant to provisions set forth in the Colorado Special District Act. The governing body of the District consists of a five-member Board of Directors which is elected by the registered voters within the District. The purpose of the District is to construct, operate, and maintain public improvements for the use and benefit of the inhabitants of the District.

The Governmental Accounting Standards Board (GASB) has specified the criteria to be used in defining a governmental entity for financial reporting purposes. The reporting entity consists of (a) the primary government; i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. Consideration is also given to other organizations that are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria discussed above, the District's financial statements do not include any component units, nor do they exclude any potential component units requiring inclusion in the District's reporting entity, nor is the District a component unit of any other government. The District's financial statements include the accounts of all District operations.

B. Basis of Presentation

GOVERNMENT-WIDE STATEMENTS

The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government. The statement of net position presents the financial condition of the governmental activities of the District at year-end. The statement of changes in net position presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities.

In the statement of activities, direct expenses are those that are specifically associated with a service, program or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions.

The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

FUND FINANCIAL STATEMENTS

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance by segregating transactions related to certain governmental functions or activities. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column.

Governmental accounting systems are organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. The District's funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations based upon the purposes for which they are to be spent and by the means by which spending activities are controlled. The various funds of the District are outlined in the following paragraphs:

Governmental Funds

Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures, other financing uses, and special items) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

General Fund - used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to general statutory laws.

Capital Improvement Fund - used to account for proceeds from the General Obligation Bond and developer advances that are used for major capital and equipment additions.

Debt Service Fund - used to account for accumulation of resources for, and payment of, long-term bond obligation and developer advances principal, interest and related costs.

C. Measurement Focus and Basis of Accounting

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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 at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District receives value without directly giving equal value in return, consist of property taxes, other taxes and fines and penalties. All assets and all liabilities associated with the operation of the District are included on the statement of net position.

FUND FINANCIAL STATEMENTS

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues available if they are collected within 60 days after year-end. The following revenue sources are considered susceptible to accrual because they are both measurable and available to finance expenditures of the current period:

• Property Taxes
• Specific Ownership Taxes

Taxpayer-assessed local property and specific ownership taxes are considered ''measurable'' when in the hands of intermediary collecting governments and are recognized as revenue at that time. Expenditures are recorded when the related fund liability is incurred, except for un-matured principal and interest on general long-term debt, which is recognized when due. Proceeds of general long-term liabilities are reported as other financing sources.

D. Budgets and Budgetary Accounting

The District uses the following procedures in establishing the budgetary data reflected in the financial statements:

I. Prior to October 15, the District Board receives a proposed operating budget for the fiscal year commencing the following January I. The operating budget includes proposed expenditures and the means of financing them. A ''Notice of Budget" is published when the budget is received.

2. Public hearings are held to obtain taxpayer comments.

3. Prior to December 15, the Board shall adopt, by resolution, the budget for the ensuing fiscal year and shall certify the tax levy to the Board of County Commissioners.

4. On or before December 31, the Board shall pass an annual appropriating resolution in which such sums of money shall be appropriated as the Board deems necessary to defray all expenses and liabilities of the District during the ensuing year.

5. The District's budgets are adopted on a basis consistent with generally accepted accounting principles for governmental entities. Annual appropriated budgets are adopted for all funds. The level of control in the budget at which expenditures exceed appropriations is at the fund level.

6. After adoption of the budget ordinance, the District may make by ordinance the following changes: a) supplemental appropriations to the extent of revenues in excess of the estimated budget; b) emergency appropriations; c) reduction of appropriations for which originally estimated revenues are insufficient.

7. Expenditures may not legally exceed appropriations at the fund level. Board approval is required for changes in the total budget of any fund. Budget amounts included in the financial statements are based on final legally amended budgets.

8. Budget appropriations lapse at the end of each year.

The District legally adopted annual budgets for all of the District's funds for 2020. A supplemental appropriation was adopted for the general fund for the current year, increasing the original appropriation of $331,622 to $376,794.

E. Restricted Assets and Classification of Fund Balance

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. It is the District's policy to use restricted assets first when an expense is incurred for which both restricted and unrestricted assets are available.

In the governmental fund financial statements fund balance is reported in five classifications.

Nonspendable: Nonspendable is that portion of fund balance that are not in spendable form, for example prepaid expenses or inventories. The District had nonspendable fund balance due to prepaid expenses at the end of the year.

Restricted: The Colorado Constitution as amended by TABOR (see separate statutory compliance note) requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. Additionally, the District’s fund balance in the debt service fund is restricted for debt service as required by its bond indenture. It is the District’s policy to use restricted fund balance first when an expense is incurred for which both restricted and unrestricted fund balance are available.

Committed: Committed is that portion of fund balance that has been committed by the highest level of formal action of the District’s Board of Directors and does not lapse at year-end. The District does not have any committed fund balance at year end. It is the District’s policy to use committed fund balance first when an expense is incurred for which both restricted and unrestricted fund balance are available.

Assigned: Assignments of fund balance are designated by District management. Fund balance in the Capital Improvements Fund is assigned for future capital improvements.

Unassigned: Fund balance that has not been reported in any other classification is reported as unassigned.

F. Property Taxes Receivable and Deferred Revenue

Property taxes are levied on December 15, and attach as an enforceable lien on property on January 1st of the following year, payable in either one installment (no later than April 30th) or two equal installments (not later than February 28th and June 15th) without interest or penalty. Taxes not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 16th. Property taxes are levied and collected on behalf of the District by Weld County and are reported as revenue when received by the County Treasurers. Property taxes levied in the current year and payable in the following year are reported as a receivable at December 31; however, since the taxes are not available to pay current liabilities, the receivable is recorded as deferred revenue.

G. Capital Assets

All capital assets purchased or acquired with an original cost in excess of the capitalization thresholds set by the District are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their estimated fair value on the date of the donation. Repairs and maintenance are recorded as expenditures as incurred; while additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. All capital assets acquired have been or will be dedicated to other local governments in accordance with the District's service plan.

I. Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenues and expenses. Actual results could vary from the estimates that were used.

CASH AND INVESTMENTS

The District's policy in determining which items are treated as cash equivalents include cash, demand deposits, treasury bills, and other short-term, highly liquid investments that are readily convertible to cash and have original maturities of three months or less.

Investments are reported at fair value which is determined using selected bases. Short term investments are reported at cost which approximates fair value. Securities traded on a national or international exchange are valued at the last quoted market price. Cash deposits are reported at carrying amounts which reasonably estimates fair value.

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. The eligible depository is required to pledge to the Colorado Division of Banking a pool of collateral having a market value that at all times exceeds 102 percent of uninsured aggregate public deposits. The eligible collateral is determined by the PDPA, which includes obligations of the United States, the State of Colorado, Local Colorado governments, and obligations secured by first lien mortgages on real property located in the state. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for

all the uninsured public deposits as a group. The State Regulatory Commission for banks and financial services is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

There is no custodial credit risk for public deposits collateralized under PDPA.

In order to facilitate the recording of cash transactions and maximize interest earnings, the District has pooled cash deposits for all funds. The District maintains accountability for each fund's equity in pooled cash. Interest earnings for combined funds are generally distributed based on monthly cash balances.

At December 31, 2020, all of the District's deposits were held in eligible depositories as required by PDPA in accordance with state statute, and had total balances (as reflected on the bank's records, before outstanding items) on deposit of $512,147 of which $250,000 was covered by FDIC insurance and the remainder was collateralized.

The District has not adopted a formal investment policy; however, the District invests public funds in a manner which will provide the highest investment return with the maximum security, meet daily cash flow demands, and conform to all federal, state and local statutes governing the investment of public funds. This applies to the investment of all financial assets of all funds of the District over which it exercises financial control.

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. governmental agency securities, including securities issued by FNMA (federal national mortgage association), GNMA (governmental national mortgage association), FHLMC (federal home loan mortgage corporation), the federal farm credit bank, the federal land bank, the export-import bank, and by the Tennessee Valley Authority, and certain international agency securities, including the World Bank

General obligation and revenue bonds of U.S. local government entities, the District of Columbia, and territorial possessions of the U.S. rated in the highest two rating categories by two or more nationally recognized rating agencies

Bankers' acceptances of certain banks

Certain securities lending agreements

Commercial paper

Written repurchase agreements collateralized by certain authorized securities

Certain money market funds

Guaranteed investment contracts

Local government investment pools

The investing local government's own securities including certificates of participation and lease obligations.

Local Government Investment Pool (COLOTRUST)

Included in cash and cash equivalents is $325,180 held in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. 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. 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. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by COLOTRUST. These pools are not required to be, and are not, registered with the SEC.

COLOTRUST's funds are rated AAAm by Standard & Poor's rating service. The custodian's internal records segregate investments owned by the Trust. As of December 31, 2020, the District had $0 invested in COLOTRUST PRIME, and $325,180 invested in COLOTRUST PLUS+. COLOTRUST records its investments at fair value and the District records its investments in COLOTRUST at fair value. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

Investments in local government investment pools are not categorized in terms of custodial credit risk since they are not evidenced by securities that exist in physical or book entry form.

The following is a summary of cash and cash equivalents:

	Fair Value
Bank deposits	512,148
COLOTRUST	325,180
	$ 837,328

Risk Disclosures

Additional investment and deposit disclosures for credit risk, interest rate risk, and foreign currency risk, as required by GASB Statement No. 40, Deposit and Investment Risk Disclosures, are included below.

To minimize custodial credit risk, or the risk that an insurer or other counterparty to an investment will not fulfill its obligations, state law limits District investments to those where the issuer is rated in one of the three highest rating categories by one or more nationally recognized organizations that rate such issuers. The District has deposits in COLOTRUST Plus+. COLOTRUST is rated AAAm by Standard & Poors.

The concentration of credit risk, or the risk of loss attributed to the magnitude of a government's investment in a single issuer, occurs when deposits are not diversified. District policy places no limit on the amount the District may invest in any one issuer; however, the District maintains general guidelines for investments to ensure proper diversification by security type and institution. All District investments are issued or explicitly guaranteed by securities of the U.S. government, or insured by PDPA, or are investments in mutual fund or external investment pools, and therefore are not subject to concentration of credit risk disclosure requirements.

Interest rate risk is the extent to which changes in interest rates will adversely affect the fair value of an investment. The District maintains an investment policy that limits investment maturities to three years as means of managing its exposure to fair value losses arising from increasing interest rates and to avoid undue concentration in any sector of the yield curve. Exceptions to this structure may be allowed where maturities can be structured to accommodate readily identifiable cash flows as approved by the Board.

The District was not subject to foreign currency risk as of December 31, 2020.

FAIR VALUES OF FINANCIAL INSTRUMENTS

The District has a number of financial instruments, including cash and equivalents, receivables, and accounts payable, none of which are held for trading purposes. The District estimates that the fair values of its financial instruments at December 31, 2020 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet.

CAPITAL ASSETS

A summary of changes in capital assets follows:

	12/31/2019	Additions	Deletions	12/31/2020
Non-depreciated:				
Construction in Progress	$ 220,000	$ 5,980,713	$(6,151,619)	$ 49,094
	$ 220,000	$ 5,980,713	$(6,151,619)	$ 49,094

Depreciation is calculated using the straight-line method. There was no depreciation expense reported for 2020.

LONG-TERM OBLIGATIONS

	12/31/2019	Additions	Deletions	12/31/2020	Due Within One Year
2020A G.O. Bonds	$ -	$ 3,925,000	$ -	$ 3,925,000	$ -
2020A G.O. Bonds unamortized premium	-	131,174	(4,785)	126,389	-
2020B G.O. Bonds	-	937,000	-	937,000	-
Developer advances - capital	378,663	1,829,813	(1,678,663)	529,813	-
Developer advances - operating	62,562	26,542	(89,104)	-	-
	$ 441,225	$ 6,849,529	$(1,772,552)	$ 5,518,202	$ -

General Obligation Limited Tax Bonds Series 2020A and 2020B

General Obligation Limited Tax Bonds in the face amount of $3,925,000 (Series 2020A) and $937,000 (Series 2020B) were issued with a date of February 13, 2020. The interest rate is 5.000% for the Series 2020A bonds, payable semiannually on June 1, and December 1. Principal payments begin on December 1, 2024 and continue each December 1 until redeemed. The interest rate is 7.625% for the Series 2020B bonds, payable annually on December 15, to the extent subordinate pledged revenue is available. No interest and principal maturities are reflected in this section for the Series 2020B bonds since these payments are subject to available revenues. Final maturity date is December 2049 for the Series 2020A Bonds and December 2049 for the Series 2020 B Bonds.

Developer Advances

The developer of the area within the District has advanced funds to the District for capital outlay and for operating needs. Reimbursement of these advances are made as funds are available and as allowed by the bond indenture. These advances bear interest at the Wall Street Journal published prime rate plus 2%. Repayment of principal and interest is subject to available revenues. Therefore, interest and principal maturities are not reflected in this section.

The annual requirements to amortize the General Obligation Limited Tax Bonds Series 2020A are as follows:

	Bonds		
Year	Principal	Interest	Total
2021	$ -	$ 196,250	$ 196,250
2022	-	196,250	196,250
2023	-	196,250	196,250
2024	10,000	196,250	206,250
2025	45,000	195,750	240,750
2026-2030	325,000	938,250	1,263,250
2031-2035	490,000	841,750	1,331,750
2036-2040	715,000	697,250	1,412,250
2041-2045	985,000	492,250	1,477,250
2046-2049	1,355,000	196,500	1,551,500
	$ 3,925,000	$ 4,146,750	$ 8,071,750

The District has an authorized voted debt limit of $88,000,000 with a Service Plan debt limitation of $11,000,000 of which $4,862,000 in debt has been issued.

CONTINGENCIES

During the normal course of business, the District may incur claims and other assertions against it from various agencies and individuals. Management of the District and their legal representatives represent that no claims have been asserted against the District and they are not aware of any un-asserted possible claims or litigation as of December 31, 2020.

RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors and omissions; injuries to employees; or acts of God.

The District has elected to participate in the Colorado Special Districts Property and Liability Pool (the Pool) which is sponsored by the Special District Association of Colorado. The Pool provides property and general liability, automobile physical damage and liability, public official's liability and machinery coverage to its members. There have been no significant reductions in coverage from the prior year and settled claims have not exceeded coverage in the last three 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. During the year ended December 31, 2020, the Pool made no distributions to the District.

A summary of audited statutory basis financial information for the Pool as of and for the year ended December 31, 2019 is as follows:

Assets	$ 55,602,023
Liabilities	$ 33,163,342
Surplus	22,438,681
	$ 55,602,023
Revenues	$ 23,610,572
Expenses	25,355,739
Net Income (Loss)	$ (1,745,167)

MOUNTAIN SKY DEVELOPMENT AND MASTER PUBLIC IMPROVEMENTS AGREEMENT

The Developer entered into the Mountain Sky Development and Master Public Improvements Agreement with the City of Fort Lupton, effective August 16, 2018 ("Development Agreement"). The Development Agreement expressly authorizes the District to construct or finance off-site and on-site public improvements for dedication to the City for ownership, operations and maintenance. The Development Agreement also anticipates the District and City entering into a cost recovery agreement allowing the District to recoup certain development and construction costs for off-site public improvements from adjacent properties. A form of the Cost Recovery Agreement is an exhibit to the Development Agreement.

STATUTORY COMPLIANCE

TABOR Amendment - Revenue and Spending Limitation Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains revenue, spending, tax, and debt limitations, which apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extensions of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

Future spending and revenue limits are determined based on the prior year's fiscal year spending adjusted for inflation in the prior calendar year plus annual local growth. Fiscal year spending is generally defined as expenditures and reserve increases with certain exceptions. Revenue, if any, in excess of the fiscal year spending limit must be refunded in the next fiscal year unless voters approve retention of such revenue.

TABOR requires, with certain exceptions, voter approval prior to imposing new taxes, increasing a tax rate, increasing a mill levy above that for the prior year, extending an expiring tax, or implementing a tax policy change directly causing a net tax revenue gain to any local government.

Except for financing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial

obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of spending (excluding bonded debt service). The required reserve at December 31, 2020 is $6,490.

During formation of the District, its voters approved the removal of the application of certain requirements of TABOR to the District.

The District's management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation.

REQUIRED SUPPLEMENTARY INFORMATION

Mountain Sky Metropolitan District
Budgetary Comparison Schedule
General Fund
For the year ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Property taxes	$ 328,124	$ 328,124	$ 328,124	$ -
Specific ownership taxes	19,600	19,600	15,575	(4,025)
Interest income	-	-	577	577
Other income	-	-	325	325
Total Revenues	347,724	347,724	344,601	(3,123)
Expenditures				
Current				
Accounting	50,000	50,000	50,245	(245)
Audit	6,000	6,000	-	6,000
Elections	2,500	2,500	1,076	1,424
Insurance - other	3,500	3,500	2,134	1,366
Legal	50,000	50,000	64,707	(14,707)
Maintenance	98,500	15,000	-	15,000
Miscellaneous	50,000	50,000	-	50,000
Office	3,280	3,280	1,665	1,615
Treasurers fees	4,922	4,922	4,930	(8)
Contingency	-	-	-	-
Debt service - repayment of developer advances				
Principal	60,562	89,104	89,104	-
Interest	2,358	2,488	2,488	-
Total Expenditures	331,622	276,794	216,349	60,445
Excess of Revenues Over (Under) Expenditures	16,102	70,930	128,252	57,322
Other Financing Sources (Uses)				
Transfers in (out)	-	(100,000)	(120,000)	(20,000)
Developer advances	-	26,542	26,542	-
Total Other Financing Sources (Uses)	-	(73,458)	(93,458)	(20,000)
Net change in fund balances	16,102	(2,528)	34,794	37,322
Fund balances, beginning of year	6,723	14,780	14,780	-
Fund balances, end of year	$ 22,825	$ 12,252	$ 49,574	$ 37,322

ADDITIONAL SUPPLEMENTAL INFORMATION

Mountain Sky Metropolitan District
Budgetary Comparison Schedule
Capital Improvement Fund
For the year ended December 31, 2020

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Interest income	$ -	$ 14,831	$ 14,831
Total Revenues	-	14,831	14,831
Expenditures			
Capital Outlay	6,683,188	5,981,684	701,504
Contingency	-	-	-
Total Expenditures	6,683,188	5,981,684	701,504
Excess of Revenues Over (Under) Expenditures	(6,683,188)	(5,966,853)	716,335
Other Financing Sources (Uses)			
Transfers in	3,552,757	4,137,040	584,283
Developer advances	3,130,431	1,829,813	(1,300,618)
Total Other Financing Sources (Uses)	6,683,188	5,966,853	(716,335)
Net Change in Fund Balances	-	-	-
Fund balances, beginning of year	-	-	-
Fund balances, end of year	$ -	$ -	$ -

Mountain Sky Metropolitan District
Budgetary Comparison Schedule
Debt Service Fund
For the year ended December 31, 2020

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	$ 1,640,619	$ 1,640,620	$ 1
Specific ownership taxes	98,437	77,873	(20,564)
System development fees	75,000	175,000	100,000
Interest income	8,300	5,287	(3,013)
Total Revenues	1,822,356	1,898,780	76,424
Expenditures			
Debt Service			
Principal - bonds	-	-	-
Principal - developer advances	2,091,461	1,678,663	412,798
Interest - bonds	188,378	157,000	31,378
Interest - developer advances	12,290	17,340	(5,050)
Issuance costs	455,910	325,744	130,166
Other charges	6,000	151	5,849
Treasurer's fees	24,610	24,653	(43)
Contingency	-	-	-
Total Expenditures	2,778,649	2,203,551	575,098
Excess of Revenues Over (Under) Expenditures	(956,293)	(304,771)	651,522
Other Financing Sources (Uses)			
Transfers in (out)	(3,552,757)	(4,017,040)	(464,283)
Bond proceeds and premium	4,901,249	4,993,174	91,925
Total Other Financing Sources (Uses)	1,348,492	976,134	(372,358)
Net change in fund balances	392,199	671,363	279,164
Fund balances, beginning of year	-	-	-
Fund balances, end of year	$ 392,199	$ 671,363	$ 279,164