

**Red Sky Ranch Metropolitan District
Financial Statements**

December 31, 2024

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Financial Statements
December 31, 2024**

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McMAHAN AND ASSOCIATES, L.L.C.

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Red Sky Ranch Metropolitan District**

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Red Sky Ranch Metropolitan District (the "District"), as of and for the year ended December 31, 2024, which collectively comprise the District's basic financial statements as listed in the Table of Contents, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Red Sky Ranch Metropolitan District, as of December 31, 2024 and the respective changes in financial position thereof and the respective budgetary comparison for the general fund and sales tax fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The District's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for one year after the date that the financial statements are issued.

Member: American Institute of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT
To the Board of Directors
Red Sky Ranch Metropolitan District

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis in Section B be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

**INDEPENDENT AUDITOR'S REPORT
To the Board of Directors
Red Sky Ranch Metropolitan District**

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The individual fund budgetary comparisons found in Section E presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund budgetary comparisons found in Section E are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements or to the 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 financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual financial report. The other information comprises the Schedule of the History of Assessed Valuation, Mill Levy and Property Taxes Collected and Schedule of Bonds Payable to Maturity but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

McMahan and Associates, L.L.C.

**McMahan and Associates, L.L.C.
Avon, Colorado
June 10, 2025**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Red Sky Ranch Metropolitan District

Management's Discussion and Analysis December 31, 2024

As management of Red Sky Ranch Metropolitan District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2024.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also includes additional supplementary information which can be found after the notes to the financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all the District's assets, deferred outflows, liabilities, and deferred inflows with the difference between the amounts reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The governmental activity of the District is primarily financing construction, operation, and maintenance of the basic public infrastructure that is performed by Holland Creek Metropolitan District. There are no business-type activities within the District.

The government-wide financial statements can be found on pages C1 and C2 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District currently has three funds, the General Fund, the Debt Service Fund, and the Sales Tax Special Revenue Fund, all of which are governmental funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Overview of the Financial Statements (continued)

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages D1 through D16 of this report.

Government-wide Financial Analysis. A condensed comparative summary of the District's government-wide assets, liabilities, net position, revenues and expenditures follows:

Red Sky Ranch Metropolitan District's Net Position

	<u>Governmental Activities</u>	
	<u>2024</u>	<u>2023</u>
Assets and Deferred Outflows:		
Current assets	\$ 2,741,527	\$ 2,610,160
Non-current assets	-	-
Total Assets and Deferred Outflows	<u>2,741,527</u>	<u>2,610,160</u>
Liabilities and Deferred Inflows:		
Current liabilities and deferred inflows	1,565,659	1,415,870
Long-term liabilities outstanding	20,057,261	20,103,320
Total Liabilities and Deferred Inflows	<u>21,622,920</u>	<u>21,519,190</u>
Net Position:		
Restricted	1,520,442	1,360,285
Unrestricted	(20,401,835)	(20,269,315)
Total Net Position	<u>\$ (18,881,393)</u>	<u>\$ (18,909,030)</u>

Red Sky Ranch Metropolitan District's Change in Net Position

Revenues:		
Program revenues:		
Capital improvement fees	\$ 319,912	\$ 325,989
General revenues:		
Property and Other Taxes	1,508,726	1,134,960
Interest and other revenue	91,885	264,197
Total Revenues	<u>1,920,523</u>	<u>1,725,146</u>
Expenses:		
General Government	394,361	289,200
Intergovernmental Agreement	1,105,681	903,424
Interest on Long Term Debt	392,844	396,567
Total Expenses	<u>1,892,886</u>	<u>1,589,191</u>
Change in Net Position	27,637	135,955
Net Position - Beginning	(18,909,030)	(19,044,985)
Net Position - Ending	<u>\$ (18,881,393)</u>	<u>\$ (18,909,030)</u>

Overview of the Financial Statements (continued)

Government-wide Financial Analysis (continued)

The District is the “finance district” in a dual district structure whereby the District has and will continue to finance the construction and operation of the infrastructure for the Red Sky Ranch subdivision. The District has entered into a District Facilities Construction and Service Agreement with Holland Creek Metropolitan District and pursuant to this agreement, the District is obligated pay for the construction and initial financing for the primary infrastructure for the Red Sky Ranch area. Holland Creek Metropolitan District is the “service district” and as such, Red Sky Ranch Metropolitan District will ultimately pay a “capital obligation” as may be limited by the Service Plan and its electoral authority, to Holland Creek Metropolitan District to pay for the infrastructure as well as a “service obligation” to pay for annual infrastructure operation, maintenance, and service costs. Holland Creek Metropolitan District is obligated to use the funds received from Red Sky Ranch Metropolitan District to construct infrastructure; pay for infrastructure operation, maintenance, and service costs; and pay down principal and interest on Holland Creek Metropolitan District debt issued to initially fund the infrastructure.

The District’s overall financial position, as measured by net position, increased by \$27,637. The District’s revenues consisted of property tax, sales tax and developer improvement fee revenues. The Capital Improvement Fees provided under agreement with Vail Resorts Development Company (VRDC) were transferred to Holland Creek and used to pay the interest expense and fees on that District’s debt.

Financial Analysis of the District’s Funds

As mentioned earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District’s governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the District’s financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District’s governmental funds reported a combined ending fund balance of \$1,357,786, which reflects a decrease of \$13,848.

Capital assets. The District has a right to own, operate, and maintain the infrastructure. However, as stated above, the infrastructure is currently owned, operated, and maintained by Holland Creek Metropolitan District, thus the District currently has no capital assets.

Long-term debts. As of December 31, 2024, the outstanding balance of the District’s Series 2015 and 2017 General Obligation Senior bonds was \$8,340,000. The District’s remaining obligation to Holland Creek for the balance of the cost of the infrastructure incurred through December 31, 2024 but reduced by prepaid service costs is \$11,922,844. Additional information can be found in the Notes to the Financial Statement on pages D11 and D15 of this report.

Request for Information

This financial report is designed to provide a general overview of the District’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Marchetti & Weaver LLC., 28 Second Street, Suite 213, Edwards, CO 81632 or you may call (970) 926-6060.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Red Sky Ranch Metropolitan District
Statement of Net Position
December 31, 2024

Assets:	
Cash and cash equivalents	1,491,790
Accounts receivable - VRDC	39,582
Accounts receivable - Sales Tax	48,052
Due from County Treasurer	4,725
Prepaid expenses	3,810
Property taxes receivable	<u>1,153,568</u>
Total Assets	<u><u>2,741,527</u></u>
Liabilities:	
Accounts payable	187,945
Accounts payable - HCMD	42,228
Accrued interest payable	31,918
Net capital and service obligation payable to HCMD	11,922,844
Bonds payable:	
Due within one year	150,000
Due in more than one year	<u>8,134,417</u>
Total Liabilities	<u><u>20,469,352</u></u>
Deferred Inflow of Resources:	
Unavailable property tax revenue	<u>1,153,568</u>
Total Deferred Inflow of Resources	<u><u>1,153,568</u></u>
Net Position (Deficit):	
Restricted for debt service	683,112
Restricted for emergencies	11,005
Restricted for safety and transportation	826,325
Unrestricted	<u>(20,401,835)</u>
Total Net Position (Deficit)	<u><u>(18,881,393)</u></u>

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

Red Sky Ranch Metropolitan District
Statement of Activities
For the Year Ended December 31, 2024

Program Expenses:	
General government	394,361
Intergovernmental agreement	1,105,681
Interest on long-term debt	392,844
Total Program Expenses	<u>1,892,886</u>
Program Revenues:	
Vail Resorts Development Company capital improvement fees	319,912
Reimbursement from Red Sky Ranch Association	922
Total Program Revenues	<u>320,834</u>
Net Program (Expense)	<u>(1,572,052)</u>
General Revenues and Transfers:	
Property and specific ownership taxes	1,086,937
Interest income	90,963
Sales tax	421,789
Total General Revenues and Transfers	<u>1,599,689</u>
Change in Net Position	27,637
Net Position (Deficit) - Beginning	<u>(18,909,030)</u>
Net Position (Deficit) - Ending	<u><u>(18,881,393)</u></u>

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

FUND FINANCIAL STATEMENTS

**Red Sky Ranch Metropolitan District
Balance Sheet
Governmental Funds
December 31, 2024**

	General	Special Revenue	Debt Service	Total Governmental Funds
Assets:				
Cash and cash equivalents	35,130	778,273	678,387	1,491,790
Accounts receivable - VRDC	-	-	39,582	39,582
Accounts receivable - Sales Tax	-	48,052	-	48,052
Due from County Treasurer	-	-	4,725	4,725
Prepaid expenses	3,810	-	-	3,810
Property taxes receivable	274,209	-	879,359	1,153,568
Total Assets	<u>313,149</u>	<u>826,325</u>	<u>1,602,053</u>	<u>2,741,527</u>
Liabilities, Deferred Inflow of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	187,945	-	-	187,945
Accounts payable - HCMD	2,646	-	39,582	42,228
Total Liabilities	<u>190,591</u>	<u>-</u>	<u>39,582</u>	<u>230,173</u>
Deferred Inflow of Resources:				
Unavailable property tax revenue	274,209	-	879,359	1,153,568
Total Deferred Inflow of Resources	<u>274,209</u>	<u>-</u>	<u>879,359</u>	<u>1,153,568</u>
Fund Balances:				
Nonspendable	3,810	-	-	3,810
Restricted for emergencies	11,005	-	-	11,005
Restricted for safety and transportation	-	826,325	-	826,325
Restricted for debt service	-	-	683,112	683,112
Unassigned	(166,466)	-	-	(166,466)
Total Fund Balances	<u>(151,651)</u>	<u>826,325</u>	<u>683,112</u>	<u>1,357,786</u>
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	<u>313,149</u>	<u>826,325</u>	<u>1,602,053</u>	

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

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. (8,316,335)

Amounts due to Holland Creek Metropolitan District for capital and service obligations are not due and payable in the current period and, therefore, are not reported in the funds. (11,922,844)

Net Position (Deficit) of Governmental Activities (18,881,393)

**Red Sky Ranch Metropolitan District
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2024**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Revenues:				
Property and specific ownership taxes	143,992	-	942,945	1,086,937
VRDC capital improvement fees	-	-	319,912	319,912
Reimbursement from Red Sky Ranch Association	922	-	-	922
Sales tax	-	421,789	-	421,789
Interest	4,527	46,113	40,323	90,963
Total Revenues	<u>149,441</u>	<u>467,902</u>	<u>1,303,180</u>	<u>1,920,523</u>
Expenditures:				
General government	366,821	-	27,540	394,361
Intergovernmental agreement	-	-	1,006,098	1,006,098
Debt service	-	-	533,912	533,912
Total Expenditures	<u>366,821</u>	<u>-</u>	<u>1,567,550</u>	<u>1,934,371</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(217,380)</u>	<u>467,902</u>	<u>(264,370)</u>	<u>(13,848)</u>
Other Financial Sources (Uses):				
Transfers in	46,358	-	373,402	419,760
Transfers (out)	-	<u>(373,402)</u>	<u>(46,358)</u>	<u>(419,760)</u>
Total Other Financing Sources (Uses)	<u>46,358</u>	<u>(373,402)</u>	<u>327,044</u>	<u>-</u>
Net Change in Fund Balances	(171,022)	94,500	62,674	(13,848)
Fund Balances - Beginning	19,371	731,825	620,438	1,371,634
Fund Balances - Ending	<u>(151,651)</u>	<u>826,325</u>	<u>683,112</u>	1,357,786

Amounts reported in the Statement of Activities are different because:

Net change in fund balances for total governmental funds (13,848)

The repayment of the principal of long-term debt consumes current financial resources of governmental funds. This transaction, however, has no 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. This amount is the net effect of these differences in the treatment of long-term debt and related items. 140,642

Some changes in long term obligations reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as revenues or expenditures in governmental funds. (99,157)

Change in Net Position of Governmental Activities 27,637

Red Sky Ranch Metropolitan District
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Governmental Funds - General Fund
For the Year Ended December 31, 2024
(With Comparative Actual Amounts For the Year Ended 2023)

	2024			Final Budget Variance Positive (Negative)	2023
	Original Budget	Final Budget	Actual		Actual
Revenues:					
Property and specific ownership taxes	143,085	143,085	143,992	907	-
Reimbursement from Red Sky Ranch Association	60,000	125,000	922	(124,078)	186,915
Interest	238	4,700	4,527	(173)	1,029
Total Revenues	203,323	272,785	149,441	(123,344)	187,944
Expenditures:					
General government:					
Insurance	4,463	4,000	3,091	909	4,220
Legal	190,000	352,000	333,788	18,212	255,731
Audit fees	8,190	7,800	7,800	-	7,400
Elections	-	25,000	17,557	7,443	19
Office overhead	75	1,160	464	696	18
Contingency allowance	25,000	25,000	-	25,000	-
Treasurer fees	4,127	4,127	4,121	6	-
Total General Government Expenditures	231,855	419,087	366,821	52,266	267,388
Excess (Deficiency) of Revenues over Expenditures	(28,532)	(146,302)	(217,380)	(175,610)	(79,444)
Other Financing Sources (Uses):					
Transfers in	28,186	27,857	46,358	18,501	52,371
Total Other Financing Sources (Uses)	28,186	27,857	46,358	18,501	52,371
Net Change in Fund Balance	(346)	(118,445)	(171,022)	(52,577)	(27,073)
Fund Balance - Beginning	5,295	19,371	19,371	-	46,444
Fund Balance - Ending	4,949	(99,074)	(151,651)	(52,577)	19,371

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

Red Sky Ranch Metropolitan District
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Governmental Funds - Special Revenue Fund - Sales Tax
For the Year Ended December 31, 2024
(With Comparative Actual Amounts For the Year Ended 2023)

	<u>2024</u>			Final Budget Variance Positive (Negative)	<u>2023</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>		<u>Actual</u>
Revenues:					
Sales tax	375,000	400,000	421,789	21,789	386,490
Interest	33,507	38,399	46,113	7,714	40,972
Total Revenues	<u>408,507</u>	<u>438,399</u>	<u>467,902</u>	<u>29,503</u>	<u>427,462</u>
Expenditures:					
General government:					
Contingency	25,000	-	-	-	-
Total General Government Expenditures	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	383,507	438,399	467,902	29,503	427,462
Other Financing Sources:					
Transfers (out)	(373,402)	(373,402)	(373,402)	-	(317,288)
Total Other Financing Sources	<u>(373,402)</u>	<u>(373,402)</u>	<u>(373,402)</u>	<u>-</u>	<u>(317,288)</u>
Net Change in Fund Balance	10,105	64,997	94,500	29,503	110,174
Fund Balance - Beginning	<u>744,600</u>	<u>744,600</u>	<u>731,825</u>	<u>(12,775)</u>	<u>621,651</u>
Fund Balance - Ending	<u>754,705</u>	<u>809,597</u>	<u>826,325</u>	<u>16,728</u>	<u>731,825</u>

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

NOTES TO THE FINANCIAL STATEMENTS

Red Sky Ranch Metropolitan District
Notes to the Financial Statements
December 31, 2024

I. Summary of Significant Accounting Policies

Red Sky Ranch Metropolitan District (the "District") was organized on December 29, 2000, contemporaneously with the Holland Creek Metropolitan District ("HCMD"), as a quasi-municipal corporation and political subdivision of the State of Colorado. The District was formed primarily to finance construction, operation, and maintenance of the basic public infrastructure and public services to be initially furnished by HCMD in an area of approximately 780 acres of land near Wolcott, Colorado, and eventually furnished by the District.

The District's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is responsible for establishing accounting principles generally accepted in the United States of America for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established by accounting principles generally accepted in the United States of America used by the District are discussed below.

A. Reporting Entity

The District is governed by an elected Board which is responsible for setting policy, appointing administrative personnel and adopting an annual budget in accordance with the provisions of the Colorado Special District Act.

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 which 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 is not financially accountable for any other entity, nor is the District a component unit of any other government.

B. Government-wide and Fund Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as governmental type.

1. Government-wide Financial Statements

In the government-wide Statement of Net Position, all balances are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The government-wide focus is on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Red Sky Ranch Metropolitan District
Notes to the Financial Statements
December 31, 2024
(continued)

I. Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements (continued)

2. Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The fund focus is on current available resources and budget compliance.

The District reports the following governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *Special Revenue Fund* accounts for the resources accumulated for the financing, construction, operations and maintenance of streets, transportation, landscaping, and safety protection.

The *Debt Service Fund* accounts for the resources accumulated and payments made for multiple fiscal year obligations and principal and interest on long-term general obligation debt of the governmental funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements. Financial statement presentation refers to classification of revenues by source and expenses by function.

1. Long-term Economic Focus and Accrual Basis

Governmental activities in the government-wide financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

2. Current Financial Focus and Modified Accrual Basis

The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter (60 days) to be used to pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

Red Sky Ranch Metropolitan District
Notes to the Financial Statements
December 31, 2024
(continued)

I. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

3. Financial Statement Presentation

Amounts reported as program revenues include capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and interest income.

D. Financial Statement Accounts

1. Cash, Cash Equivalents and Investments

Cash and cash equivalents are defined as deposits that can be withdrawn at any time without notice or penalty and investments with maturities of three months or less.

Investments are stated at fair value or net asset value. The change in fair value or net asset value of investments is recognized as an increase or decrease to investment assets and investment income.

The District follows Colorado statutes specifying specific investment instruments meeting defined rating criteria in which local governments may invest, which include:

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Banker's acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market mutual funds
- Guaranteed investment contract
- Local government investment pools

2. Receivable from Vail Resorts Development District

The balance represents cumulative costs incurred by the District which are to be reimbursed through contributions and capital improvement fees from VRDC.

3. Receivables

Receivables are reported net of an allowance for uncollectible accounts. No allowance is recorded at December 31, 2024, as all accounts are considered to be collectible.

Red Sky Ranch Metropolitan District
Notes to the Financial Statements
December 31, 2024
(continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

4. Property Taxes

Property taxes are assessed in one year as a lien on the property, but not collected by governmental units until the subsequent year. In accordance with accounting principles generally accepted in the United States of America, the assessed but uncollected property taxes have been recorded as a receivable and as deferred inflow of resources.

5. Long-term Capital and Service Obligations to HCMD

The District Facilities Construction and Service Agreement (Note VI.) states the District may reimburse HCMD over time for the cost of the infrastructure constructed (capital obligation) as well as the operations and maintenance of such infrastructure (service obligation) by HCMD. These items represent the portions of the obligations that have not yet been paid by the District as of December 31, 2024.

6. Long-term Debt

In the government-wide financial statements, long-term debt is reported as a liability. Bond discounts are deferred and amortized over the life of the bonds using the bonds outstanding method. Bonds payable are reported net of the applicable bond discount.

7. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it that are properly applicable to another fund, are recorded as expenditures or expenses in the reimbursing fund and as reductions of expenditures or expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

8. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report 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(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The District doesn't have any items that qualify for reporting in this category at December 31, 2024.

In addition to liabilities, the statement of net position will sometimes report 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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item that qualifies for reporting in this category. Accordingly, the item, unavailable property tax revenue, is deferred and recognized as an inflow of resources in the period that the amounts become available and earned.

Red Sky Ranch Metropolitan District
Notes to the Financial Statements
December 31, 2024
(continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

9. Fund Balance

The District classifies governmental fund balances as follows:

Non-spendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority which is the Board of Directors.

Assigned – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund balance may be assigned by the Board of Directors or its management designee.

Unassigned - includes residual positive fund balance within the General Fund which has not been classified within the other above-mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The District uses restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the District first uses committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The District does not have a formal minimum fund balance policy. However, the District's budget includes a calculation of targeted reserve positions and management reports the targeted amounts annually to Board of Directors.

E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

Red Sky Ranch Metropolitan District
Notes to the Financial Statements
December 31, 2024
(continued)

II. Reconciliation of Government-wide and Fund Financial Statements

A. Explanation of certain differences between the governmental fund Balance Sheet and the government-wide Statement of Net Position

The governmental fund Balance Sheet includes a reconciliation between *fund balance – governmental funds* and *net position of governmental activities* as reported in the government-wide Statement of Net Position.

One element of that reconciliation explains, “Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this negative \$8,316,335 difference are as follows:

Bonds payable	8,340,000
Less: Issuance discount	(55,583)
Accrued interest payable	31,918
Net adjustment to reduce governmental activities net position	8,316,335

B. Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances and the government-wide Statement of Activities

The governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances includes reconciliation between *net changes in fund balance – governmental funds* and *changes in net position of governmental activities* as reported in the government-wide Statement of Activities.

One element of that reconciliation explains, “The repayment of the principal of long-term debt consumes current financial resources of governmental funds. This transaction, however, has no effect on the net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.” The details of this \$140,642 difference are as follows:

Principal repayments - Bonds payable	145,000
Less: Amortization of discount on bonds payable	(4,358)
Net adjustment to increase change in net position	140,642

Another element of that reconciliation states, “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.” The adjustment of \$99,157 is the change in accrued interest of \$426 and changes in long-term capital and service obligations payable to HCMD of (\$99,583).

Red Sky Ranch Metropolitan District
Notes to the Financial Statements
December 31, 2024
(continued)

III. Stewardship, Compliance and Accountability

A. Budgetary Information

In the fall of each year, the District's Board of Directors formally adopts a budget with appropriations by fund for the ensuing year pursuant to the Local Government Budget Law of Colorado. The budgets for the funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

As required by Colorado statutes, the District followed the following timetable in approving and enacting a budget for 2024:

- (1) For the 2024 budget year, prior to August 25, 2023, the County Assessor sent to the District the certified assessed valuation of all taxable property within the District's boundaries and prior to December 10, 2023, the County Assessor sent the final recertified assessed valuation to the District.
- (2) On or before October 15, 2023, the District's accountant submitted to the District's Board of Directors a recommended budget which detailed the necessary property taxes needed along with other available revenues to meet the District's operating requirements.
- (3) A public hearing on the proposed budget and capital program was held by the Board no later than 45 days prior to the close of the fiscal year.
- (4) For the 2024 budget, prior to December 15, 2023, the District computed and certified to the County Commissioners a rate of levy that derived the necessary property taxes as computed in the proposed budget.
- (5) For the 2024 budget, the final budget and appropriating resolution was adopted prior to December 31, 2023.

Changes enacted by the Colorado Legislature delayed the Certification of County tax rolls. In November 2023, a short term property tax solution was passed during a special session, allowing Counties an extension to December 29, 2023 to provide final assessed valuations. The deadlines for the mill levy certifications was extended from December 15, 2023 to January 5, 2024.

After adoption of the budget resolution, the District may make the following changes: a) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; b) it may approve supplemental appropriations to the extent of revenues in excess of the estimated in the budget; c) it may approve emergency appropriations; and d) it may reduce appropriations for which originally estimated revenues are insufficient.

Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2023 were collected in 2024 and taxes certified in 2024 will be collected in 2025. Taxes are due on January 1st in the year of collection; however, they may be paid 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 which are 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 15th.

The level of control in the budget at which expenditures exceed appropriations is at the fund level. All appropriations lapse at year end.

Red Sky Ranch Metropolitan District
Notes to the Financial Statements
December 31, 2024
(continued)

III. Stewardship, Compliance and Accountability (continued)

B. TABOR 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 that 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, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government. Any revenues earned in excess of the fiscal year spending limit must be refunded in the next fiscal year, unless voters approve retention of such excess revenue.

Except for refinancing 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 an emergency reserve to be used for declared emergencies only. The reserve is calculated at 3% of fiscal year spending. Fiscal year spending excludes bonded debt service and enterprise spending. The District has reserved \$11,005, which is the approximate required reserve, at December 31, 2024.

On November 7, 2000, the voters of the District authorized the issuance of up to \$34,456,582 in general obligation debt, \$19,154,087 in debt related to operations and maintenance and \$36,382,378 in debt related to contractual obligations, and approved an increase in the property tax revenue to pay such debt and obligations. Colorado statutes limit the issuance of general obligation debt to twenty years following the date of the election unless the issuance is approved at a subsequent election, except nothing shall limit the ability to issue refunding bonds in accordance with statutory requirements. As such, without additional electoral authorization under TABOR, the District is currently unable to issue additional general obligation debt except for refunding bonds.

Related to the contractual obligation portion of authorization the District has entered into the District Facilities Construction and Services agreement with HCMD which is further described in Note VI on page D13.

As of November 7, 2000, all debt and tax increases constitute voter-approved revenue changes and are to be collected and spent by the District without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution and without limiting in any year the amount of other revenues that may be collected and spent by the District.

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**Red Sky Ranch Metropolitan District
Notes to the Financial Statements
December 31, 2024
(continued)**

III. Stewardship, Compliance and Accountability (continued)

B. TABOR Amendment (continued)

In 2000, the District authorized general obligation debt for the following purposes:

<u>Ballot Item</u>	<u>Date</u>	<u>Purpose</u>	<u>Remaining Authorization</u>
Ballot Issue C	11/7/2000	Street Improvements	\$1,564,853
Ballot Issue D	11/7/2000	Traffic and Safety Controls	200,000
Ballot Issue E	11/7/2000	Potable and Non-Potable Water Supply	4,429,292
Ballot Issue F	11/7/2000	Parks and Recreational Facilities	400,000
Ballot Issue G	11/7/2000	Fire Protection, Emergency Medical & Ambulance	500,000
Ballot Issue H	11/7/2000	Sanitary Sewage System	204,145
Ballot Issue I	11/7/2000	Operations & Maintenance Facilities & Improvements	19,154,087
Ballot Issue J	11/7/2000	Refunding, Paying, or Defeasing Bonds	10,968,291
Total			<u>\$37,420,669</u>

Under C.R.S. 32-1-1101(2) voter authorization of debt expires twenty years after the date of the election when voters authorized the debt. The District's debt authorization expired November 2020, per statute.

On November 7, 2017, the District's voters approved the following ballot question: "Shall Red Sky Ranch Metropolitan District sales tax be increased \$100,000 in the first full fiscal year and by whatever additional amounts are raised annually thereafter by the imposition pursuant to Section 31-2-1106, C.R.S. of a sales tax beginning as soon as January 1, 2018 at a rate not to exceed 5.5% (55 cents on each \$10 taxable purchase), upon every transaction in the District upon which the State imposes a sales tax, for the purposes of financing, constructing, operating and maintaining streets, transportation, landscaping and safety protection improvements; and shall the District be authorized to collect, retain and spend the proceeds of such sales tax and investment income thereon as a voter-approved revenue change in 2018 and in each year thereafter, under Article X, Section 20 of the Colorado Constitution and any other law without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution or Section 29-1-301, C.R.S., and without limiting in any year the amount of other revenues that may be collected and spent by 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, and some of the District's contractual obligations may conflict with and violate TABOR if not construed in accordance with TABOR's limitations. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation.

Red Sky Ranch Metropolitan District
Notes to the Financial Statements
December 31, 2024
(continued)

IV. Detailed Notes on all Funds

A. Deposits and Investments

The District's deposits are entirely covered by federal depository insurance ("FDIC") or by collateral held under Colorado's Public Deposit Protection Act ("PDPA"). The FDIC insures the first \$250,000 of the District's deposits at each financial institution. Deposit balances over \$250,000 are collateralized as required by PDPA. The carrying amount of the District's demand deposits was \$1,491,790 at year end.

The Investment Pool represents investments in COLOTRUST. The fair value of the pool is determined by the pool's share price. The District has no regulatory oversight for the pool. At December 31, 2024, the District's investments in COLOTRUST were 100% of the District's investment portfolio.

Interest Rate Risk. As a means of limiting its exposure to interest rate risk, the District has invested primarily in COLOTRUST. Funds in COLOTRUST can be withdrawn without notice or penalty.

Credit Risk. The District's investment policy limits investments to those authorized by State statutes as listed in note I.D.1. The District's general investment policy is to apply the prudent-person rule: investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

Concentration of Credit Risk. The District diversifies its investments by security type and institution. Financial institutions holding District funds must provide the District a copy of the certificate from the Banking Authority that states that the institution is an eligible public depository.

At December 31, 2024, the District had no unrealized gains or losses. The District had the following cash and investments with the following maturities:

	Standard & Poor's Rating	Carrying Amounts	Term to Maturity	
			Less than one year	One to five years
<i>Deposits:</i>				
Checking	Not rated	7,475	7,475	-
<i>Investments:</i>				
Investment pool	AAAm	1,484,315	1,484,315	-
		<u>1,491,790</u>	<u>1,491,790</u>	<u>-</u>

The District had invested \$1,484,315 in the Colorado Local Government Liquid Asset Trust (the "Trust"). The Trust is 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, measured at net asset value, and each share is equal in value to \$1.00. Investments consist of U.S. Treasury bills, notes strips and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank.

Red Sky Ranch Metropolitan District
Notes to the Financial Statements
December 31, 2024
(continued)

IV. Detailed Notes on all Funds (continued)

B. Interfund Transfers

During 2024, the General fund received a transfer of \$46,358 from the Debt Service Fund. The Debt Service fund received a transfer of \$373,402 from the Special Revenue fund.

C. Long-term Debt

Series 2015 - The District issued \$7,140,000 of general obligation bonds dated April 15, 2015 to refund the District's 2003 bonds, and provide resources to be used to make a payment to HCMD for assets constructed under the Facilities Construction and Service Agreement discussed in Note VI. The bonds bear interest rates ranging from 3.875% to 5.000%, and are payable June 1 and December 1. The principal is payable on December 1 and matures in various increments beginning in 2020 through 2044. The portion of the bonds maturing on and after December 1, 2024 are subject to redemption prior to maturity at the option of the District at any time on and after December 1, 2024, at a redemption price equal to their principal amount plus interest accrued thereon to the date of redemption.

Series 2017 – The District issued a \$1,780,000 general obligation senior note dated January 31, 2017 to pay HCMD Actual Capital Costs in accordance with the Facilities Construction and Service Agreement discussed in Note VI. The bonds bear a fixed interest rate set at 3.20% and are payable June 1 and December 1. The principal is payable on December 1 and matures in various increments beginning 2017 through 2036.

Annual debt service requirements to maturity for the general obligation bonds and senior note are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	150,000	383,020	533,020
2026	190,000	377,714	567,714
2027	200,000	370,531	570,531
2028	240,000	362,924	602,924
2029	255,000	353,721	608,721
2030 - 2034	1,825,000	1,584,123	3,409,123
2035 - 2039	2,320,000	1,124,810	3,444,810
2040 - 2044	3,160,000	499,750	3,659,750
Total	<u>8,340,000</u>	<u>5,056,593</u>	<u>13,396,593</u>

The District had the following changes in debt for the year ended December 31, 2024:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable:					
Series 2015 GO Bonds	7,025,000	-	(70,000)	6,955,000	75,000
Series 2017 GO Bonds	1,460,000	-	(75,000)	1,385,000	75,000
Less: Deferred amounts for issuance discounts	(59,941)	-	4,358	(55,583)	-
	<u>8,425,059</u>	<u>-</u>	<u>(140,642)</u>	<u>8,284,417</u>	<u>150,000</u>

Red Sky Ranch Metropolitan District
Notes to the Financial Statements
December 31, 2024
(continued)

V. Other Information

A. Risk Management

1. Colorado Special Districts Property and Liability Pool

Except as provided within the Colorado Governmental Immunity Act, the District may be exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; or injuries to employees. The District is insured for such risks as a member of the Colorado Special Districts Property and Liability Pool ("Pool"). The Pool is an organization created by intergovernmental agreement to provide property and general liability, automobile physical damage and liability, public officials liability and boiler and machinery coverage to its members. The Pool provides coverage for property claims up to the values declared and liability coverage for claims up to \$1,000,000. 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 official's 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.

A summary of audited statutory basis financial information for the Pool as of and for the year ended December 31, 2023 (the latest audited information available) is as follows:

Assets	81,143,798
Liabilities	58,670,068
Capital and surplus	22,473,730
Total	81,143,798
Revenue	29,593,851
Underwriting expenses	31,416,477
Underwriting gain	(1,822,626)
Other income	1,695,393
Net Income (Loss)	(127,233)

Red Sky Ranch Metropolitan District
Notes to the Financial Statements
December 31, 2024
(continued)

V. Other Information (continued)

B. Related Party Transactions

As subsequently discussed in Note VI (Intergovernmental Agreements), the District entered into improvement fee and pledge agreements with Vail Resorts Development Company ("VRDC"). Under these agreements, the District imposes capital improvement fees on VRDC when and if requested by HCMD. When collected, the fee revenue is remitted in full to HCMD. During the year ended December 31, 2024, the District had invoiced VRDC \$319,912 for these fees. At December 31, 2024, \$39,582 remained receivable from VRDC and \$39,582 remained payable to HCMD.

In accordance with the District Facilities Construction and Service Agreement discussed in Note VI., the District levied, collected and remitted property taxes totaling \$686,186 to HCMD as payment for services provided by that district during 2024.

VI. Intergovernmental Agreements

A. District Facilities Construction and Service Agreement

On June 8, 2001 Red Sky Ranch Metropolitan District (the "District") entered into a District Facilities Construction and Service Agreement with HCMD. The Agreement generally provides that the District will pay HCMD over a period of years, subject to the District's TABOR authorizations and Service Plan, the costs of (1) the construction, acquisition, and equipping of certain public facilities and services (the "Facilities"), and (2) the operation and maintenance of the Facilities. The Agreement states that the obligation to pay the amounts required thereunder is a general obligation debt of the District subject to certain limitations, and as such the question of whether the District should enter into and perform the Agreement was submitted at an election called for such purpose and held on November 7, 2000. The question was approved by the electorate and read as follows:

Shall Red Sky Ranch Metropolitan District debt be increased \$36,382,378, with a repayment cost of not more than \$167,358,938; and shall Red Sky Ranch Metropolitan District taxes be increased \$40,748,263, annually (such tax increase to be collected in such amount not withstanding any property tax cut specified by Article X, Section 20 of the Colorado constitution, as it currently exists or as amended), or by such lesser annual amount as may be necessary to provide for the payment of such District debt; such debt to consist of a contract with one or more other political subdivisions of the State, which contract will constitute a multiple fiscal year financial obligation and which will obligate the District to pay the costs of acquiring, constructing, or otherwise providing, and the costs of operating and maintaining, certain water, street, traffic safety, television relay and translation, transportation, park and recreation, mosquito and pest control and sanitation facilities and improvements, all as may be provided in such contract; such contract to be pay able in not more than 30 years after incurrence; such taxes to consist of an ad valorem mill levy imposed without limitation of rate and in amounts sufficient to produce the annual increase set forth above or such lesser amount as may be necessary, or to be imposed with such limitations as may be determined by the District to be used solely for the purpose of paying the financial obligations incurred pursuant to the contract; and shall any proceeds of such contract and the proceeds of such taxes, and investment income thereon,

Red Sky Ranch Metropolitan District
Notes to the Financial Statements
December 31, 2024
(continued)

VI. Intergovernmental Agreements (continued)

A. District Facilities Construction and Service Agreement (continued)

constitute voter approved revenue changes and be collected and spent by the District without regard to any expenditure, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado constitution or any other statutory or constitutional expenditure or revenue raising limitation?

On May 3, 2010, the parties entered into the First Amendment to District Facilities and Service Agreement to clarify definitions and descriptions regarding improvements and responsibilities of the parties and to replace the outdated long-range plan.

Under the Agreement, the District covenants to levy the taxes necessary, together with other available funds, to meet the payment obligations set forth in the Agreement.

In return for the payment of the monies required to be paid under the Agreement, HCMD agrees to (1) acquire, construct and equip the Facilities, (2) thereafter provide for their operation and maintenance, and (3) utilizing the Facilities, provide or have others provide to the property within, and the inhabitants of both districts, all related services (the "Services"), including but not limited to water and sanitation services, street maintenance, television services, parks and recreation services and mosquito control services, as well as certain administrative services.

As set forth in the Agreement, though the total obligation of the District represented by the Agreement will be treated for financial disclosure purposes as a \$36,382,378 multiple fiscal year obligation, the actual obligations to provide for the construction, acquisition and equipping of the Facilities, and for the provision of the above mentioned services, are classified as two separate obligations and each is contingent and limited to the extent that the District is able to meet its obligations through certain limited means.

In the case of the Facilities except as provided below, in any given year the District is obligated to fund its construction and acquisition only to the extent it would be capable of funding it through the issuance of general obligation debt in an aggregate principal amount not to exceed the greater of \$2 million or 50% of the assessed value of the taxable property lying within the boundaries of the District as they may, from time to time, be enlarged. Such general obligation debt limitation is subject to automatic increase if applicable Colorado law increases the amount by which such debt may be issued. The District has the option in any year to pay for the construction, acquisition and equipping costs of the Facilities on an annual basis pursuant to the provisions of the Agreement. Additionally, pursuant to an amendment of the agreement adopted on May 3, 2010 the District is obligated to use its best efforts to issue bonds or other indebtedness at the earliest practicable date to pay for the construction, acquisition and equipping costs of the Facilities. The District did not certify a capital expenditure levy for collection in 2024 to fund a portion of construction costs of HCMD, and therefore did not collect or remit any property tax revenue to HCMD for the capital obligation.

Similarly, in the case of the Services, in any given year the District is obligated to fund its costs only to the extent it is capable of funding through tax revenues resulting from the certification by the District against the assessed value of the taxable property lying within its boundaries, as such boundaries may from time to time be enlarged, to 49 mills. The District certified a levy of 25 mills for collection in 2024 and remitted \$686,186 to fund operations of HCMD.

Red Sky Ranch Metropolitan District
Notes to the Financial Statements
December 31, 2024
(continued)

VI. Intergovernmental Agreements (continued)

A. District Facilities Construction and Service Agreement (continued)

The District and HCMD are currently seeking declaratory judgements regarding the interpretation and enforceability of the District Facilities Construction and Service Agreement and its Amendment in Broomfield County, Colorado District County Case No. 2022CV030131.

To the extent that in any year the District does not fund its obligations under the Agreement, the amounts not funded are carried forward as obligations in future years under the Agreement. In addition, HCMD may supplement the revenues from the District by imposing fees against the properties and inhabitants of the District for the services HCMD provides.

The Agreement may be terminated by either district upon one year's notice, provided that the District may terminate the agreement only if, prior to the time of termination, all remaining payments and financial obligations set forth in the Agreement are paid to HCMD in full and upon the retirement of all outstanding debt of HCMD. HCMD may terminate the Agreement only if, in the context of the termination, HCMD either 1) transfers to the District, free and clear and in its entirety, its interest in the Facilities and in each and every one and all of the water rights, contracts, leases, easements, properties held in fee, and any other personal, real or intangible property then held or owned by HCMD and necessary for the continued provision of the Services, 2) makes the transfer to another governmental entity or entities pursuant to such terms and conditions for the continued provision of the Facilities and Services as may be satisfactory to the Board of Directors of the District or, 3) in the event HCMD is dissolving in accordance with Colorado law, makes the transfer pursuant to such terms and conditions for the continued provision of the Facilities and Services as may be held in accordance with that law by an appropriate Colorado Court.

In the fall of each year, HCMD approves a budget and then submits to the District's Board for review and approval. If the District fails to adopt the HCMD approved budget in any given year, a budget is purportedly automatically adopted under the District Facilities Construction and Service Agreement but outside of the procedures required by the Local Government Budget Law of Colorado.

VII. Other Agreements

A. Improvement Fee Agreement and Pledge Agreement

On June 8, 2001, the District entered into an Improvement Fee and Reimbursement Agreement and a Pledge Agreement with VRDC. Pursuant to the Improvement Fee Agreement, in consideration of significant capital improvements to be provided by HCMD in the area of the District with a portion of the proceeds of the Series 2001 bonds issued by HCMD and in order to maintain in the District mill levies and other charges at levels required under the Facilities Agreement, VRDC has agreed to make certain limited payments ("Capital Improvement Fees") to the District.

Red Sky Ranch Metropolitan District
Notes to the Financial Statements
December 31, 2024
(continued)

VII. Other Agreements (continued)

A. Improvement Fee Agreement and Pledge Agreement (continued)

The amount of Capital Improvement Fees payable by VRDC under this agreement may not exceed \$10,000,000. Through December 31, 2024, the District has collected and remitted \$5,471,154 of Capital Improvement Fees. The District is required under the Improvement Fee Agreement to submit each request received from HCMD for payment of the Capital Improvement Fees directly to VRDC promptly upon receipt of such request.

In addition, pursuant to the Pledge Agreement, the District has pledged, conveyed and assigned to HCMD all Capital Improvement Fees received by it or due to be paid to it under the Improvement Fee Agreement in order to effectuate the Improvement Fee Agreement. Material failure of the District to abide by the terms and conditions of the covenants and agreements of the District Facilities Construction and Service Agreement with HCMD or failure to issue bonds as required by such agreement will cause all capital improvement fees paid to become repayable by the District to Vail Resorts Development Company without interest. The District under protest has executed a contingent note with Vail in the amount of \$5,471,154 to reflect this obligation.

B. Plath Property Inclusion Agreement

The District entered into a property inclusion agreement on August 31, 2001, with several individuals in the Plath family who owned property adjacent to the boundaries of the District. Pursuant to this agreement, the Plath family agreed to fund, design and construct public improvements on the Plath property and convey the improvements to the District. The District approved inclusion of the Plath property into the boundaries of the District and the improvements were constructed by the Plath family. However, the improvements were conveyed to Holland Creek Metropolitan District, which accepted the improvements at a cost of \$564,623. The agreement provides that the Plath family is entitled to reimbursement of the cost amount upon the assessed value of the Plath property reaching an assessed value of \$2,600,000. The assessed value of the Plath property following the County Assessor's most recent property reassessment was \$2,772,840.

The District is not authorized to issue the debt contemplated in the Plath Property Inclusion Agreement for several reasons, and the District is investigating the validity and enforceability of the agreement. The District is also awaiting input from Holland Creek Metropolitan District. Accordingly, no obligation to the Plath family has been recognized by the District at this time.

SUPPLEMENTARY INFORMATION

Red Sky Ranch Metropolitan District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Governmental Funds - Debt Service Fund
For the Year Ended December 31, 2024
(With Comparative Actual Amounts For the Year Ended 2023)

	<u>2024</u>			Final Budget Variance Positive (Negative)	<u>2023</u>
	Original Budget	Final Budget	Actual		Actual
Revenues:					
Property taxes	900,967	900,967	898,970	(1,997)	707,838
Specific ownership taxes	36,039	36,039	43,975	7,936	40,632
VRDC capital improvement fees	173,367	442,745	319,912	(122,833)	325,989
Interest	28,247	27,919	40,323	12,404	35,281
Total Revenues	<u>1,138,620</u>	<u>1,407,670</u>	<u>1,303,180</u>	<u>(104,490)</u>	<u>1,109,740</u>
Expenditures:					
Intergovernmental agreement:					
Capital improvement fees to HCMD	173,367	399,745	319,912	79,833	325,989
Service obligation fees to HCMD	687,908	687,908	686,186	1,722	527,098
Capital obligation fees to HCMD	-	-	-	-	-
General government:					
Agent fees	550	550	550	-	550
Treasurer fees	27,029	27,029	26,990	39	21,262
Debt service:					
Bond principal	197,000	145,000	145,000	-	105,000
Bond interest	388,911	388,912	388,912	-	392,472
Cost of issuance	250,377	-	-	-	-
Contingency	20,000	-	-	-	-
Total Expenditures	<u>1,745,142</u>	<u>1,649,144</u>	<u>1,567,550</u>	<u>81,594</u>	<u>1,372,371</u>
Excess (Deficiency) of Revenues over Expenditures	(606,522)	(241,474)	(264,370)	(186,084)	(262,631)
Other Financing Sources (Uses):					
Bonds issued	5,200,000	-	-	-	-
Payment to refund	(4,949,623)	-	-	-	-
Transfers in	373,402	342,203	373,402	31,199	317,288
Transfers (out)	(28,186)	(27,857)	(46,358)	(18,501)	(52,371)
Total Other Financing (Uses)	<u>595,593</u>	<u>314,346</u>	<u>327,044</u>	<u>12,698</u>	<u>264,917</u>
Net Change in Fund Balance	(10,929)	72,872	62,674	(10,198)	2,286
Fund Balance - Beginning	627,739	620,438	620,438	-	618,152
Fund Balance - Ending	<u>616,810</u>	<u>693,310</u>	<u>683,112</u>	<u>(10,198)</u>	<u>620,438</u>

**Red Sky Ranch Metropolitan District
History of Assessed Valuation, Mill Levy
and Property Taxes Collected
December 31, 2024**

Calendar Year Ended December 31	Prior Year Assessed Valuation For Current Year Property Tax Levy	All Funds Mills Levied	Property Taxes Total All Funds		Percent Collected to Levied
			Levied	Collected	
2002	2,474,850	45.00	111,368	111,368	100%
2003	9,745,200	45.00	438,534	438,534	100%
2004	15,337,140	45.00	690,171	690,171	100%
2005	17,536,900	45.00	789,161	789,161	100%
2006	19,939,320	45.00	897,269	897,269	100%
2007	20,721,640	45.00	932,474	932,474	100%
2008	25,220,950	45.00	1,134,943	1,133,146	100%
2009	25,807,622	45.00	1,161,343	1,158,396	100%
2010	24,394,850	45.00	1,097,768	1,032,631	94%
2011	22,764,500	45.00	1,024,403	1,023,750	100%
2012	13,128,370	65.00	853,344	838,075	98%
2013	13,354,150	65.00	868,020	868,019	100%
2014	13,321,980	69.00	919,217	919,216	100%
2015	13,502,930	69.00	931,702	931,701	100%
2016	17,905,590	64.00	1,145,958	1,144,096	100%
2017	17,844,290	64.00	1,142,035	1,136,292	99%
2018	17,407,120	64.00	1,114,056	1,100,641	99%
2019	17,687,330	64.00	1,131,989	1,139,835	101%
2020	16,894,140	59.00	996,754	981,721	98%
2021	16,662,620	59.00	983,095	986,690	100%
2022	17,674,560	59.00	1,042,799	1,039,204	100%
2023	17,049,390	41.52	707,840	707,838	100%
2024	27,516,300	37.74	1,038,548	1,042,962	100%
2025	27,420,850	42.07	1,153,568		0%

NOTE:

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

**Red Sky Ranch Metropolitan District
Schedule of Bonds Payable to Maturity
December 31, 2024**

Bonds and Interest Maturing in the Calendar Year Ending December 31	\$7,140,000		\$1,780,000	
	General Obligation Refunding		General Obligation	
	Series 2015		Series 2017	
	Dated April 15, 2015		Dated January 31, 2017	
	Interest Rate 3.875% - 5%		Interest Rate 3.2%	
	Interest Due	Principal	Interest Due	Principal
	June 1 and	Due	June 1 and	Due
	December 1	December 1	December 1	December 1
2025	338,700	75,000	44,320	75,000
2026	335,794	105,000	41,920	85,000
2027	331,331	115,000	39,200	85,000
2028	326,444	145,000	36,480	95,000
2029	320,281	155,000	33,440	100,000
2030	313,500	190,000	30,240	110,000
2031	305,188	200,000	26,720	115,000
2032	295,688	245,000	23,040	125,000
2033	284,050	255,000	19,040	135,000
2034	271,938	305,000	14,720	145,000
2035	257,450	320,000	10,080	150,000
2036	242,250	370,000	5,280	165,000
2037	223,750	390,000	-	-
2038	204,250	450,000	-	-
2039	181,750	475,000	-	-
2040	158,000	540,000	-	-
2041	131,000	565,000	-	-
2042	102,750	640,000	-	-
2043	70,750	670,000	-	-
2044	37,249	745,000	-	-
Totals	4,732,113	6,955,000	324,480	1,385,000