

SKY DANCE METROPOLITAN DISTRICT NO. 1

Financial Statements

Year Ended December 31, 2024

with

Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sky Dance Metropolitan District No. 1
Adams County, CO

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Sky Dance Metropolitan District No. 1 (the "District") as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Sky Dance Metropolitan District No. 1 as of December 31, 2024, and the respective changes in financial position and budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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.

Other Matters

Required Supplemental Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Supplemental 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 supplemental information as noted in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in blue ink that reads "Flynn CPA, LLC". The signature is written in a cursive style and is underlined with a single horizontal line.

Flynn CPA, LLC

Castle Pines, CO
September 25, 2025

SKY DANCE METROPOLITAN DISTRICT NO. 1

BALANCE SHEET/STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2024

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS						
Cash and investments	\$ 2,539	\$ -	\$ -	\$ 2,539	\$ -	\$ 2,539
Cash and investments - restricted	2,046	-	-	2,046	-	2,046
Taxes due from County	-	2	-	2	-	2
Receivable District 2	1,735	1,433	153,217	156,385	-	156,385
Accounts receivable - developer	82,588	-	-	82,588	(82,588)	-
Prepaid expenses	900	-	-	900	-	900
Property taxes receivable	70	372	-	442	-	442
Capital assets not being depreciated	-	-	-	-	1,973,948	1,973,948
Total Assets	<u>\$ 89,878</u>	<u>\$ 1,807</u>	<u>\$ 153,217</u>	<u>\$ 244,902</u>	<u>1,891,360</u>	<u>2,136,262</u>
LIABILITIES						
Accounts Payable	\$ 89,808	\$ -	\$ 153,217	\$ 243,025	-	243,025
Due to District 2	-	1,418	-	1,418	-	1,418
Regional mill levy payable	-	17	-	17	-	17
Long-term liabilities:						
Due in more than one year	-	-	-	-	36,156	36,156
Total Liabilities	<u>89,808</u>	<u>1,435</u>	<u>153,217</u>	<u>244,460</u>	<u>36,156</u>	<u>280,616</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred property taxes	70	372	-	442	-	442
Total Deferred Inflows of Resources	<u>70</u>	<u>372</u>	<u>-</u>	<u>442</u>	<u>-</u>	<u>442</u>
FUND BALANCES/NET POSITION						
Fund balances:						
Nonspendable:						
Prepays	900	-	-	900	(900)	-
Restricted:						
Emergencies	2,046	-	-	2,046	(2,046)	-
Debt service	-	-	-	-	-	-
Unassigned	(2,946)	-	-	(2,946)	2,946	-
Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 89,878</u>	<u>\$ 1,807</u>	<u>\$ 153,217</u>	<u>\$ 244,902</u>		
Net Position:						
Net investment in capital assets					1,973,948	1,973,948
Restricted for:						
Emergencies					2,046	2,046
Debt service					-	-
Unrestricted					(120,790)	(120,790)
Total Net Position (Deficit)					<u>\$ 1,855,204</u>	<u>\$ 1,855,204</u>

The notes to the financial statements are an integral part of these statements.

SKY DANCE METROPOLITAN DISTRICT NO. 1

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2024

	<u>General</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES						
Accounting /Audit	\$ 12,224	\$ -	\$ -	\$ 12,224	\$ -	\$ 12,224
Insurance	3,391	-	-	3,391	-	3,391
Legal	65,100	-	-	65,100	-	65,100
Elections	-	-	-	-	-	-
District management	7,038	-	-	7,038	-	7,038
Miscellaneous	301	-	-	301	-	301
Regional mill levy	-	9	-	9	-	9
Transfer to District No. 2	-	1,418	-	1,418	-	1,418
Treasurer's Fees	1	7	-	8	-	8
Capital expenditures	-	-	1,873,796	1,873,796	(1,873,796)	-
Repayment of developer advances	-	-	1,169,897	1,169,897	(1,169,897)	-
Interest on developer advances - operations	-	-	-	-	2,419	2,419
Total Expenditures	<u>88,055</u>	<u>1,434</u>	<u>3,043,693</u>	<u>3,133,182</u>	<u>(3,041,274)</u>	<u>91,908</u>
GENERAL REVENUES						
Property taxes	87	465	-	552	-	552
Specific ownership taxes	4	23	-	27	-	27
Transfer from District 2	87,021	-	2,032,768	2,119,789	-	2,119,789
Interest income	29	-	-	29	-	29
Total General Revenues	<u>87,141</u>	<u>488</u>	<u>2,032,768</u>	<u>2,120,397</u>	<u>-</u>	<u>2,120,397</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(914)	(946)	(1,010,925)	(1,012,785)	3,041,274	2,028,489
OTHER FINANCING SOURCES (USES)						
Developer advances	914	-	1,010,925	1,011,839	(1,011,839)	-
Total Other Financing Sources (Uses)	<u>914</u>	<u>-</u>	<u>1,010,925</u>	<u>1,011,839</u>	<u>(1,011,839)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	-	(946)	-	(946)	946	
CHANGES IN NET POSITION					2,028,489	2,028,489
FUND BALANCES/NET POSITION						
BEGINNING OF YEAR	-	946	-	946	(174,231)	(173,285)
END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,855,204</u>	<u>\$ 1,855,204</u>

The notes to the financial statements are an integral part of these statements.

SKY DANCE METROPOLITAN DISTRICT NO. 1

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND

For the Year Ended December 31, 2024

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES				
Property taxes	\$ 87	\$ 87	\$ 87	\$ -
Specific ownership taxes	5	5	4	(1)
Transfer from District 2	-	88,000	87,021	(979)
Interest income	<u>-</u>	<u>-</u>	<u>29</u>	<u>29</u>
Total Revenues	<u>92</u>	<u>88,092</u>	<u>87,141</u>	<u>(951)</u>
EXPENDITURES				
Accounting /Audit	2,000	12,300	12,224	76
Directors fees	2,000	-	-	-
Insurance	3,400	3,400	3,391	9
Legal	15,000	65,100	65,100	-
Elections	1,500	-	-	-
District management	5,000	7,100	7,038	62
Miscellaneous	500	400	301	99
Treasurer's Fees	1	1	1	-
Contingency	1,817	1,699	-	1,699
Emergency Reserve	<u>882</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>32,100</u>	<u>90,000</u>	<u>88,055</u>	<u>1,945</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(32,008)	(1,908)	(914)	994
OTHER FINANCING SOURCES				
Developer advances	<u>32,008</u>	<u>1,908</u>	<u>914</u>	<u>(994)</u>
Total Other Financing Sources	<u>32,008</u>	<u>1,908</u>	<u>914</u>	<u>(994)</u>
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE:				
BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The notes to the financial statements are an integral part of these statements.

SKY DANCE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2024

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Sky Dance Metropolitan District No. 1 (the “District”), located in Adams County, Colorado, conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District, a quasi-municipal corporation and political subdivision of the State of Colorado, was organized on November 19, 2020 as BOWIP Metropolitan District No. 1, and is governed pursuant to provisions of the State of Colorado Special District Act in accordance with a Service Plan approved by the City of Aurora (“City”) on November 18, 2019, as amended by a First Amendment to Service Plan approved by the City on February 14, 2022 (the “Service Plan”). On March 8, 2022, an Order Granting Petition for Name Change was recorded in the Adams County Real Property Records, whereby the name of BOWIP Metropolitan District No. 1 was changed to Sky Dance Metropolitan District No. 1. The District, together with Sky Dance Metropolitan District No. 2 (“District No. 2”, and together with the District, collectively the “Districts”), were established to provide for the planning, design, financing, acquisition, construction, installation, operation, maintenance, repair and replacement of public improvements within the boundaries of the Districts to serve the future taxpayers and inhabitants of the Districts, subject to the limitations set forth in the District’s Service Plan. The District serves as the “Operating District”, and manages operations and construction of improvements for the Districts.

The District's primary source of revenues will be transfers from District No. 2 of bond proceeds and property taxes. The District is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets forth the financial accountability of a governmental organization’s elected governing body as the basic criterion for including a possible component governmental organization in a primary government’s legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization’s governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. The pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

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

SKY DANCE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2024

Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 - Special Purpose Governments.

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the governmental funds statement of revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year in which they are collected.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

SKY DANCE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2024

Debt Service Fund – The Debt Service Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs.

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other assets.

Budgetary Accounting

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated. The appropriation is at the total fund expenditures level and lapses at year end.

On September 16, 2025, the District amended its total appropriations in the General Fund from \$32,100 to \$90,000 due to an increase in expenses over the amount budgeted.

Assets, Liabilities and Net Position

Fair Value of Financial Instruments

The District's financial instruments include cash and investments, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2024, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

The District's cash and investments are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value.

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a minimum number of bank accounts. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

SKY DANCE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2024

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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 has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial 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 no items that qualify for reporting in this category.

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 30 or if in equal installments, at the taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated.

SKY DANCE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2024

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Fund Equity

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact. The balance in the General Fund represents prepaid insurance.

Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$2,046 of the General Fund balance has been reserved in compliance with this requirement.

Committed Fund Balance

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by a formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

Assigned Fund Balance

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

Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund, all funds can report negative amounts.

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District can report three categories of net position, as follows:

SKY DANCE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements
December 31, 2024

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District will use the most restrictive net position first.

Note 2: Cash and Investments

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

Statement of Net Position:	
Cash and investments	\$ 2,539
Cash and investments - restricted	<u>2,046</u>
Total	\$ <u>4,585</u>

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

Financial institutions	\$ 3,342
Investments – Colotrust	<u>1,243</u>
	\$ <u>4,585</u>

Deposits

Custodial Credit Risk

The Colorado Public Deposit Protection Act, (“PDPA”) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

SKY DANCE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2024

The District follows state statutes for deposits. None of the District's deposits were exposed to custodial credit risk.

Investments

Credit Risk

The District has elected to follow state statutes for investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

Custodial and Concentration of Credit Risk

None of the District's investments are subject to custodial or concentration of credit risk.

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

Investment Valuation

Certain investments are measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's investment is not required to be categorized within the fair value hierarchy. This investment's value is calculated using the net asset value method ("NAV") per share.

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

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust ("COLOTRUST"), is rated AAAM by Standard & Poor's with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. COLOTRUST operates similarly to a money market fund with each share maintaining a value of \$1.00. COLOTRUST offers shares in three portfolios, one of which is COLOTRUST PLUS+. COLOTRUST PLUS+ may invest in U.S. Treasuries, government agencies, the highest-rated commercial paper, certain corporate securities, certain money market funds, and certain repurchase agreements, and limits its investments to those allowed by State statutes. Purchases and redemptions are available daily at a net asset value (NAV) of \$1.00. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal function of COLOTRUST. The custodian's internal records identify the investments owned by participating governments. There are no unfunded commitments and there is no redemption notice period. On December 31, 2024, the District had \$1,243 invested in COLOTRUST Plus+.

SKY DANCE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements
December 31, 2024

Note 3: Capital Assets

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

<u>Governmental Type Activities:</u>	<u>Balance 1/1/2024</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2024</u>
<u>Capital assets not being depreciated:</u>				
Construction in progress	\$ 100,152	\$ 1,873,796	\$ -	\$ 1,973,948

To the extent public infrastructure constructed by the District is not conveyed and/or dedicated to other local government entities, the District will retain such infrastructure for operation and maintenance in accordance with its Service Plan.

Note 4: Long-Term Debt

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

<u>Other:</u>	<u>Balance 1/1/2024</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2024</u>	<u>Current Portion</u>
Developer obligation	\$ 33,737	\$ 1,172,316	\$ 1,169,897	\$ 36,156	\$ -
	<u>\$ 33,737</u>	<u>\$ 1,172,316</u>	<u>\$ 1,169,897</u>	<u>\$ 36,156</u>	<u>\$ -</u>

A description of the long-term obligations as of December 31, 2024, are as follows:

Operation Funding Agreement

On March 29, 2022, the District and ACM Moffitt VII CRE, LLC (the “Developer”) entered into a 2022 Operation Funding Agreement, effective January 1, 2022, whereby the Developer agreed to advance up to \$50,000 to the District for operations, maintenance and administrative expenses incurred in fiscal year 2022 (the “OFA”). Such advances will accrue simple interest from the date of deposit into the District’s account or from the date of direct payment by the Developer, until paid, at the rate of 8% per annum. The District agreed to reimburse the Developer amounts advanced, or directly paid, subject to annual budget and appropriation. Payments to reimburse the Developer shall be made on December 2 of each year and shall be applied as follows: first to the accrued and unpaid interest and then to principal amount due. The OFA subsequently was amended by a First Amendment to OFA dated December 13, 2022, to extend the term of the OFA through 2023, a Second Amendment to the OFA dated November 21, 2023, to extend the term of the OFA through 2024 and increase the shortfall amount to \$250,000 and a Third Amendment to OFA dated October 16, 2024, to extend the term of the OFA through 2025. The obligation of the District to reimburse the Developer expires on December 31, 2062. Any amounts of principal and interest owed on December 31, 2062, shall be deemed to be forever discharged and satisfied in full. As of December 31, 2024, the Developer has advanced the District a total of \$36,156 under the OFA, \$30,160 in principal and \$5,996 in accrued interest.

SKY DANCE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2024

Facilities Funding and Acquisition Agreement

On March 29, 2022, the District and the Developer entered into the Facilities Funding and Acquisition Agreement (“Funding Agreement”) with an effective date of January 1, 2022. The FFAA pertains to the funding of costs related to the design, testing, engineering, and construction together with the related consultant and management fees associated with certain public improvements (defined therein as “Construction Related Expenses”). The FFAA also establishes that the Developer has incurred expenses for the organization of the District (defined therein as “Organization Expenses”). As set forth in the FFAA, the District acknowledges that the Developer has incurred Organization Expenses and the District is authorized to reimburse the Developer for such costs. The Developer is required to provide the District's accountant written documentation of the Organization Expenses and such other information as may be reasonable required in order to verify the amount of the Organization Expenses reimbursable to the Developer. In accordance with the FFAA, the Developer acknowledges that the District will incur Construction Related Expenses in reliance on the Developer's commitment to provide funding, and that the total cost to complete construction of certain public improvements, including contingencies, is \$55,000,000 (defined therein as the “Shortfall Amount”). The Developer agreed to advance funds necessary to fund Construction Related Expenses incurred by the District on a periodic basis as needed up to the Shortfall Amount.

The FFAA also establishes the procedures under which the District may acquire Public Improvements constructed by or on behalf of the Developer. Prior to the acquisition of any Public Improvements, the District shall obtain a certification of an independent engineer retained by the District that the Construction Related Expenses are reasonable and comparable for similar projects constructed around the Denver Metropolitan Area, and verification from the District's accountant that the Construction Related Expenses are reimbursable (“Verified Costs”).

The District agreed to reimburse the Developer for all Developer Advances and Verified Costs. Simple interest is to accrue on Organization Expenses at the rate of 8% per annum until paid and shall accrue from the Organization Date. Simple interest is to accrue on Construction Related Expenses at the rate of 8% per annum and shall accrue as follows: 1) on each Developer Advance, from the date of deposit into the District's account, 2) on Verified Costs for amounts expended by the Developer for Construction Related Expenses incurred prior to the Organization Date, from the Organization Date, and 3) on Verified Costs for amounts expended by the Developer for Improvements constructed after the Organization Date, from the date Verified Costs were incurred by the Developer.

The District and the Developer agree that no payment is required of the District under the FFAA unless and until one of the Districts issues bonds in an amount sufficient to reimburse the Developer for all or a portion of the Organization Expenses, Developer Advances and/or Verified Costs. Pursuant to the FFAA, the District agrees to exercise reasonable efforts so that District No. 2 can issue bonds and the District can reimburse the Developer subject to limitation therein.

SKY DANCE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2024

The obligation of the District to reimburse the Developer expires on December 31, 2062. Any amounts of principal and interest owed on December 31, 2062, shall be deemed to be forever discharged and satisfied in full.

As of December 31, 2024, the District received advances from the Developer of \$1,010,925 under the FFAA, which was repaid in 2024.

Note 5: Other Agreements

Master Intergovernmental Agreement

On March 29, 2022, the District and District No. 2 entered into a Master Intergovernmental Agreement (the "Master IGA"), regarding the construction, installation, and operation and maintenance of the Public Improvements and setting forth the functions and services each District will provide and the mechanisms to be used for the sharing of costs of the Public Improvements, as defined therein. Specifically, the Master IGA establishes the District's responsibility for coordinating the construction, design, financing and operation and maintenance of the Public Improvements that benefit the Districts and establishes District No. 2's obligation to pay for the benefit of the Public Improvements, Administration Services and Project Management provided by the District.

The Master IGA reiterates the obligations between the Districts under the Operations Pledge Agreements, described below, and other financial obligations entered into by the Districts. Pursuant to the Master IGA the District shall be responsible for the accounting activities of the Districts and shall prepare the necessary accounting documents to be provided to District No. 2. The Master IGA also provides for the obligations related to pledged amounts and bonds issued by the Districts.

The District agrees to perform Administration Services and Project Management Services, each as discussed in detail in the Master IGA, for each District. District No. 2 agrees to pay its respective share of costs for such services for any fiscal year as determined by the District pursuant to the Operations Pledge Agreement discussed below. Any of such costs incurred by the District prior to entering into the Operations Pledge Agreement shall be reimbursed to the District.

In addition, the District agrees to, on behalf of the Districts, contract for and supervise the construction and acquisition of, or otherwise acquire, Public Improvements, subject to certain input from District No. 2. The District shall (i) obtain (a) all necessary governmental approvals, and (b) certain specified documents prior to the acquisition of Public Improvements, (ii) exercise reasonable efforts to comply and cause its designated contractors to comply with State and other applicable rules, laws, regulations and orders, and (iii) perform certain other tasks with regard to the construction of Public Improvements.

SKY DANCE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2024

Operations Pledge Agreement

On March 29, 2022, the Districts entered into the Operations Pledge Agreement (the "Operations Pledge Agreement"), whereby certain costs referenced in the Master IGA are allocated among the Districts. Specifically, the Operations Pledge Agreement provides the mechanism to determine each District's Allocated Management Costs associated with the Operation and Maintenance Expenses (as defined therein) of District No. 2. The District agrees to perform the Administration Services and Project Management Services pursuant to the Master IGA. Pursuant to the Operations Pledge Agreement, District No. 2 agrees to impose an operations mill levy in amounts determined as necessary by the District in order to pay District No. 2's proportionate share of District No. 2's Allocated Management Costs.

Inclusion Agreement

The District, District No. 2, ACM Moffitt VII RESI LLC ("Residential Owner") and the Developer entered into an Inclusion Agreement, executed and effective as of November 6, 2024, the (the "Inclusion Agreement"), whereby the Residential Owner agrees to include certain Future Residential Property (as defined therein) into District No. 2 upon the occurrence of certain events.

The Residential Owner has excluded the Excluded Property from the boundaries of District No. 2 in anticipation of a sale of such Excluded Property. In conjunction with the potential Excluded Property Sale, it is a condition of the closing that the Residential Owner and/or the Current Purchaser remit a one-time payment to District No. 2 at closing in an amount sufficient to contribute to the Excluded Property's share of the expense associated with the Public Improvements necessary to serve District No. 2's service area (the "Improvement Contribution"). The Parties recognize that, as of the Effective Date, the Excluded Property Sale is not guaranteed to close and; if the Excluded Property Sale does not occur, the Improvement Contribution will not be made. As such, the Parties desire to set forth the obligation of the Residential Owner to cooperate with District No. 2 to re-include the Excluded Property back into District No. 2 if the Excluded Property Sale fails to close timely. Such failure to close timely shall constitute Trigger A and the Excluded Property shall become Trigger Parcel A at that time.

In addition, the Commercial Parcel is currently anticipated to be modified pursuant to the City's Residential Plan Approval process from a commercial use to a residential use. The Parties intend that receipt from the City of a Residential Plan Approval shall constitute Trigger B and the Future Development Parcel shall become the Triggered Parcel B at that time.

Triggered Parcel A and Triggered Parcel B shall collectively be referred to herein as the Triggered-Parcels.

SKY DANCE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2024

The Developer has agreed to execute a petition to exclude Triggered Parcel B upon receipt of the Residential Approval Plan out of the District. The Residential Owner has agreed to execute petition(s) to include all Triggered Parcels as Future Residential Property at the times specified in the Inclusion Agreement within District No. 2 to ensure that District No. 2 may impose debt service mill levies on said Triggered Parcels to be used to generate tax revenues to pay future bond payments as they come due. The Residential Owner acknowledges that upon inclusion of one or both Triggered Parcels into District No. 2, such Triggered Parcel will be subject to the taxes, fees, rates, tolls and charges of District No. 2, including but not limited to the Maximum Debt Mill Levy (as defined in the Service Plans), which revenues are intended to be applied to secure repayment of District No. 2's Series 2024A and Series 2024B Bonds pursuant to the Indentures. The Parties acknowledge that the Districts and the Trustee are each relying on the agreements established in the Inclusion Agreement in order to ensure revenues are available to secure repayment of District No. 2's Series 2024A and Series 2024B Bonds and to complete construction and financing of the Improvements.

Intergovernmental Agreement with Aurora

The District and the City are parties to an Intergovernmental Agreement dated December 4, 2020, ("City IGA") pursuant to the requirements of the District's Service Plan. Under the City IGA, the District covenants to dedicate public improvements to the City or other appropriate jurisdiction, and covenants that all improvements will be constructed in compliance with the City's standards and specifications. The City IGA states that the District is authorized, but not required, to own, operate and maintain improvements that are not otherwise required to be dedicated to the City or another entity. Pursuant to the District's Service Plan, the District is required to impose a mill levy for Aurora Regional Improvements (the "ARI Mill Levy") commencing in the first year the District imposes a debt service mill levy.

ARTA Establishment Agreement

On December 13, 2022 to be effective September 27, 2022, and as may be subsequently amended from time to time, the District, along with other Title 32 special districts, entered into the Aurora Regional Transportation Authority (ARTA) Establishment Agreement (ARTA Agreement), an authority formed pursuant to Section 29-1-203, C.R.S. Pursuant to the ARTA Agreement, ARTA will plan, design, acquire, construct, relocate, redevelop, and finance regional improvements within the boundaries of the metropolitan districts which are parties to the ARTA Agreement using the revenue from the ARI Mill Levy (as defined therein) of each of the participating districts. In accordance with the ARTA Agreement, the City has been offered the right to appoint no less than 30% and no more than 49% of the ARTA Board, but as of 2024, had not exercised this right. For collection year 2024, the District imposed an ARI mill levy equal to 1.047 mills, which generated \$9.00 of net ARTA property taxes collections.

Note 6: Related Parties

All of the Board members are owners or members of or are otherwise associated with the Developer. Management believes that all potential conflicts, if any, have been disclosed to the Board.

SKY DANCE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2024

Note 7: Tax, Spending and Debt Limitations

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

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

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

The District’s management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

Note 8: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool (“Pool”) which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials’ liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other 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.

SKY DANCE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements
December 31, 2024

Note 9: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

The Governmental Funds Balance Sheet/Statement of Net Position includes an adjustments column. The adjustments may have the following elements:

- 1) capital improvements used in government activities are not financial resources and, therefore are not reported in the funds; and
- 2) long-term liabilities such as developer advances payable and accrued interest payable are not due and payable in the current period and, therefore, are not in the funds.

The Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities includes an adjustments column. The adjustments may have the following elements:

- 1) governmental funds report capital outlays as expenditures, however, in the statement of activities, the costs of those assets are held as construction in process pending transfer to other governmental entities or capitalized and depreciated over their useful lives;
- 2) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities; and
- 3) governmental funds report developer advances as revenue.

SUPPLEMENTAL INFORMATION

SKY DANCE METROPOLITAN DISTRICT NO. 1

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
DEBT SERVICE FUND

For the Year Ended December 31, 2024

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Property taxes	\$ 464	\$ 465	\$ 1
Specific ownership taxes	28	23	(5)
Transfer from District 2	<u>542</u>	<u>-</u>	<u>(542)</u>
Total Revenues	<u>1,034</u>	<u>488</u>	<u>(546)</u>
EXPENDITURES			
Regional mill levy	10	9	1
Treasurer's Fees	7	7	-
Transfer to District No. 2	-	1,418	(1,418)
Bond interest	1,965,313	-	1,965,313
Paying agent fees	<u>7,000</u>	<u>-</u>	<u>7,000</u>
Total Expenditures	<u>1,972,330</u>	<u>1,434</u>	<u>1,970,896</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,971,296)	(946)	1,970,350
OTHER FINANCING SOURCES (USES)			
Transfer to/from other funds	<u>9,039,938</u>	<u>-</u>	<u>(9,039,938)</u>
Total Other Financing Sources (Uses)	<u>9,039,938</u>	<u>-</u>	<u>(9,039,938)</u>
NET CHANGE IN FUND BALANCE	7,068,642	(946)	(7,069,588)
FUND BALANCE:			
BEGINNING OF YEAR	<u>942</u>	<u>946</u>	<u>4</u>
END OF YEAR	<u>\$ 7,069,584</u>	<u>\$ -</u>	<u>\$ (7,069,584)</u>

The notes to the financial statements are an integral part of these statements.

SKY DANCE METROPOLITAN DISTRICT NO. 1

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
CAPITAL PROJECTS FUND

For the Year Ended December 31, 2024

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Transfer from District 2	\$ -	\$ 2,032,768	\$ 2,032,768
Total Revenues	<u>-</u>	<u>2,032,768</u>	<u>2,032,768</u>
EXPENDITURES			
Capital expenditures	28,603,862	1,873,796	26,730,066
Issuance costs	1,211,200	-	1,211,200
Repayment of developer advances	<u>-</u>	<u>1,169,897</u>	<u>(1,169,897)</u>
Total Expenditures	<u>29,815,062</u>	<u>3,043,693</u>	<u>26,771,369</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(29,815,062)	(1,010,925)	28,804,137
OTHER FINANCING SOURCES (USES)			
Bond proceeds	38,855,000	-	(38,855,000)
Developer advances		1,010,925	1,010,925
Transfer to/from other funds	<u>(9,039,938)</u>	<u>-</u>	<u>9,039,938</u>
Total Other Financing Sources (Uses)	<u>29,815,062</u>	<u>1,010,925</u>	<u>(28,804,137)</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE:			
BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of these statements.