

SUNDANCE HILLS METROPOLITAN DISTRICT
Arapahoe County, Colorado

FINANCIAL STATEMENTS
DECEMBER 31, 2025 and 2024

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sundance Hills Metropolitan District
Arapahoe County, Colorado

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Sundance Hills Metropolitan District (the "District"), which comprise the statements of net position as of December 31, 2025 and 2024, and the related statements of revenues, expenses and changes in fund net position and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Sundance Hills Metropolitan District (the "District") as of December 31, 2025 and 2024, and the respective changes in financial position and its cash flows 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 Sundance Hills Metropolitan District (the "District"), and to meet our 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 the 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 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement 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 of 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 of 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 judgement, 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

Management has not presented the management's discussion and analysis that governmental 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion is not affected by this missing information.

Supplementary Information and Other Information

Our audit was performed for the purpose of forming opinions on the financial statements and related notes to financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information on pages 16 – 18, and other information on pages 19 – 20, are presented for purposes of additional analysis and is 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 supplementary 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 budgetary comparison schedule is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Logan and Associates, LLC

Aurora, Colorado
May 21, 2026

BASIC FINANCIAL STATEMENTS

**SUNDANCE HILLS METROPOLITAN DISTRICT
STATEMENTS OF NET POSITION
December 31, 2025 and 2024**

	2025	2024
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents - unrestricted	\$ 95,059	\$ 47,389
Cash and cash equivalents - restricted	142,672	76,199
Accounts receivable:		
Pool rental	12,641	18,350
County treasurer	1,840	2,282
Property taxes receivable	692,040	391,275
Prepaid expense	16,643	15,945
Total current assets	960,895	551,440
CAPITAL ASSETS		
Capital assets, not being depreciated	252,704	252,704
Capital assets, being depreciated	3,645,640	3,645,640
	3,898,344	3,898,344
Less accumulated depreciation and amortization	(1,390,650)	(1,256,393)
Total capital assets	2,507,694	2,641,951
OTHER ASSETS		
Prepaid bond insurance, net	17,270	18,349
Total other assets	17,270	18,349
TOTAL ASSETS	\$ 3,485,859	\$ 3,211,740
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 12,840	\$ 9,118
Interest payable	4,579	4,779
Security deposit - rentals	750	1,000
Total current liabilities	18,169	14,897
NONCURRENT LIABILITIES		
Bonds payable		
Due within one year	98,026	93,595
Due in more than one year	1,921,345	2,019,371
Total noncurrent liabilities	2,019,371	2,112,966
Total liabilities	2,037,540	2,127,863
DEFERRED INFLOWS OF RESOURCES		
Deferred property tax revenue	692,040	391,275
Total deferred inflows of resources	692,040	391,275
NET POSITION		
Net investment in capital assets	488,323	528,984
Restricted for emergencies	7,000	7,000
Restricted for debt service	123,318	66,567
Restricted for capital	19,354	9,632
Unrestricted	118,284	80,419
Total net position	756,279	692,602
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 3,485,859	\$ 3,211,740

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

**SUNDANCE HILLS METROPOLITAN DISTRICT
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
Years Ended December 31, 2025 and 2024**

	2025	2024
OPERATING REVENUE		
Pool membership fees	\$ 163,953	\$ 155,210
Pool rentals	24,600	22,710
Tennis membership fees	5,505	6,970
Sailfish room rental/ pool parties	8,425	6,540
Reimbursements - HOA & Aquawolves	28,435	23,365
Other	1,135	1,776
Total operating revenue	232,053	216,571
OPERATING EXPENSES		
General and administration:		
District management	24,089	22,608
District management expenses	2,455	1,874
District management - special	26,057	33,027
Accounting	27,350	25,656
Audit	4,900	4,900
Legal	6,540	6,543
Election	3,013	-
Insurance and dues	16,058	15,387
Newsletter/Ads/Website	960	1,048
Bank charges	250	231
Operations:		
Pool management contract	139,150	144,100
Pool repairs and maintenance	14,184	10,970
Pool chemicals	17,897	22,622
Pool team subsidy	5,000	5,000
Special events	200	-
Reserve study	-	3,160
Utilities:		
Cable/HSP/Phone	4,349	3,356
Security	731	731
Water	15,951	18,785
Sewer	902	901
Gas	21,788	21,652
Electricity	14,679	13,557
Ground maintenance contract	16,643	15,850
Grounds - other maintenance	9,965	12,443
Facility repairs and maintenance	729	6,692
Tennis repairs and maintenance	-	5,700
Landscaping/beautification	-	1,561
CivicRec processing fees/ administration	43,746	16,311
Depreciation expense	134,257	135,141
Total operating expenses	551,843	549,806
OPERATING LOSS	(319,790)	(333,235)
NONOPERATING REVENUE AND (EXPENSES)		
Property taxes	393,067	395,896
Specific ownership taxes	19,376	23,022
Conservation Trust Funds	9,159	9,399
Net investment income	12,772	9,430
County treasurer's fees	(5,873)	(5,946)
Bond interest expense	(57,150)	(59,550)
Bond insurance/premium amortization	12,516	13,086
Paying agent fees	(400)	(400)
Total nonoperating revenue (expense)	383,467	384,937
CHANGE IN NET POSITION	63,677	51,702
NET POSITION - BEGINNING OF YEAR	692,602	640,900
NET POSITION - END OF YEAR	\$ 756,279	\$ 692,602

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

**SUNDANCE HILLS METROPOLITAN DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2025 and 2024**

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 237,512	\$ 219,340
Payments to vendors	<u>(414,562)</u>	<u>(414,961)</u>
Net cash required by operating activities	<u>(177,050)</u>	<u>(195,621)</u>
 CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital asset purchases	-	(8,126)
Bond interest paid	(57,750)	(60,150)
Bond principal paid	<u>(80,000)</u>	<u>(80,000)</u>
Net cash required by capital financing activities	<u>(137,750)</u>	<u>(148,276)</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property and specific ownership taxes received	412,885	417,802
Conservation Trust Funds	9,159	9,399
County treasurer's fees paid	<u>(5,873)</u>	<u>(5,946)</u>
Net cash provided by noncapital financing activities	<u>416,171</u>	<u>421,255</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	12,772	9,430
Net cash provided by investing activities	<u>12,772</u>	<u>9,430</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	114,143	86,788
 CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	123,588	36,800
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 237,731</u></u>	<u><u>\$ 123,588</u></u>
 RECONCILIATION OF OPERATING LOSS TO CASH FLOWS REQUIRED BY OPERATING ACTIVITIES		
Operating loss	\$ (319,790)	\$ (333,235)
Adjustments to reconcile operating loss to net cash required by operating activities:		
Depreciation	134,257	135,141
Effects of changes in operating assets and liabilities:		
Accounts receivable	5,709	3,019
Prepaid expenses	(698)	(1,144)
Accounts payable	3,722	848
Security deposit - rentals	(250)	(250)
Net cash required by operating activities	<u><u>\$ (177,050)</u></u>	<u><u>\$ (195,621)</u></u>

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

SUNDANCE HILLS METROPOLITAN DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 1 – DEFINITION OF REPORTING ENTITY

Sundance Hills Metropolitan District (District), was organized on October 23, 1979, as a quasi-municipal corporation and political subdivision of the State of Colorado, and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Arapahoe County, Colorado. The District was established to construct and maintain parks and recreation services to the property owners and residents of the District. The District is governed by an elected Board of Directors.

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental units accounted for as a proprietary enterprise fund. The enterprise fund is used since the District's powers are related to those operated similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

Operating Revenues and Expenses

The District distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. Operating revenues consist of charges to customers for service provided. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

Budgets

In accordance with the Local Government Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total

SUNDANCE HILLS METROPOLITAN DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025 and 2024

appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements.

For financial statement presentation purposes, the District is reported as a single enterprise fund. For budgetary purposes, the District separately budgets for specific components of this enterprise fund. These separate budgetary components of the District are the general fund, debt service fund and capital projects fund. For budgetary reporting purposes these components are combined into a single budgetary schedule.

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

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

Cash Equivalents

For purposes of the statement of cash flows, the District considers cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash equivalents.

Capital Assets

Capital assets are recorded at cost except for those assets which have been contributed which are stated at estimated fair value at the date of contribution. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation and amortization expense has been computed using the straight-line method over the estimated economic useful lives:

Buildings and pools	10 - 40 years
Tennis courts	15 years
Furniture and equipment	5-10 years
Playground equipment	15 years
Fence	10-20 years
Volleyball court	15 years

**SUNDANCE HILLS METROPOLITAN DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025 and 2024**

Estimates

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

Bond Issue Costs, Original Issue Premium and Bond Insurance

Bond issuance costs are treated as a period cost and expensed in the year incurred. The original issue premium is being amortized over the life of the bonds using the effective interest method. The bond insurance premium has been reported as prepaid bond insurance and is being amortized straight-line over the life of the bonds.

Deferred Inflows/Outflows 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 only 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 or fund balance 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 revenue, is reported in the Statements of Net Position. Deferred inflows of resources reported are property taxes levied for the ensuing year.

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2025 and 2024 are classified in the accompanying financial statements as follows:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents - unrestricted	\$ 95,059	\$ 47,389
Cash and cash equivalents - restricted	142,672	76,199
	<u>\$ 237,731</u>	<u>\$ 123,588</u>

Cash deposits and investments as of December 31, 2024 and 2023 consist of the following:

	<u>2025</u>	<u>2024</u>
Cash deposits	\$ 27,269	\$ 14,719
Investments	210,462	108,869
	<u>\$ 237,731</u>	<u>\$ 123,588</u>

SUNDANCE HILLS METROPOLITAN DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025 and 2024

Cash Deposits

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

The State Commissioners for banks and financial services are required by Statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2025, the District had cash deposits with a bank balance of \$49,373 and a carrying balance of \$27,269. At December 31, 2024, the District had cash deposits with a bank balance of \$41,237 and a carrying balance of \$14,719.

Investments

The District has not adopted a formal investment policy, however, the District follows Colorado State Statutes which specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

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

The local government investment pool, Colorado Local Government Liquid Asset Trust (COLOTRUST PRIME), is rated AAAM by Standard and Poor's. Information related to Standard & Poor's ratings can be obtained from Standard & Poor's.

Interest Rate Risk

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

**SUNDANCE HILLS METROPOLITAN DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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As of December 31, 2025 and 2024, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Carrying Value</u>	
		<u>2025</u>	<u>2024</u>
Colotrust Local Government Liquid Asset Trust (COLOTRUST PRIME)	Weighted average under 60 days	\$ 210,462	\$ 108,869

COLOTRUST

As of December 31, 2025 and 2024, the District has invested in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund. The Trust offers shares in three portfolios, COLOTRUST Prime (Prime), COLOTRUST Plus+ (Plus+) and COLOTRUST Edge (Edge). All portfolios may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies and instrumentalities, and repurchase agreements collateralized with certain U.S. government agencies or instrumentalities. COLOTRUST Plus+ and COLOTRUST Edge may also invest in the highest rated commercial paper. The Prime and Plus+ portfolios are restricted to a weighted average maturity (WAM) of 60 days or less while the Edge portfolio incorporates longer-dated securities with a WAM of 60 days or more. Both Prime and Plus+ portfolios are rated AAAM by Standard and Poor’s and the EDGE portfolio is rated AA Af/S1 by Fitch Ratings. Information related to COLOTRUST, including the annual audited financial statements, can be found at the COLOTRUST website at www.colotrust.com.

Investment Valuation

Certain investments are measured at fair value on a recurring basis are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure an asset’s fair value: 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 investments are not required to be categorized within the fair value hierarchy. These investments are measured at amortized cost or in certain circumstances the value is calculated using the net asset value (NAV) per share, or its equivalent of the investment. These investments include 2a7-like external investment pools and money market investments. The District held investments in COLOTRUST at yearend for which the investment valuations were determined as follows.

COLOTRUST records its investments at fair value and the District records its investments in COLOTRUST at net asset value as determined by fair value. Each share of Prime and Plus is equal in value to \$1.00 and the redemption frequency is daily with no redemption notice period. Edge’s net asset value is managed to approximate a \$10.00 transactional share price and the redemption frequency is five business days. The principal value of an Edge investment may fluctuate and could be greater or less than \$10.00 per share at time of purchase, prior to redemption, and at the time of redemption. There are no unfunded commitments.

**SUNDANCE HILLS METROPOLITAN DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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RESTRICTED CASH AND INVESTMENTS

At December 31, 2025, cash and investments in the amount of \$142,672 of which \$123,318 is restricted for debt service related to the General Obligation Bonds, Series 2021 (Note 5) and \$19,354 is restricted for expenses allowed by the Conservation Trust Fund. At December 31, 2024, cash and investments in the amount of \$76,199 of which \$66,567 is restricted for debt service related to the General Obligation Bonds, Series 2021 (Note 5) and \$9,632 is restricted for expenses allowed by the Conservation Trust Fund.

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2025 follows:

	<u>Balance at December 31, 2024</u>	<u>Additions</u>	<u>Disposals/ Retirements</u>	<u>Balance at December 31, 2025</u>
Capital assets, not being depreciated:				
Land and landscaping	\$ 252,704	\$ -	\$ -	\$ 252,704
Total capital assets, not being depreciated	<u>252,704</u>	<u>-</u>	<u>-</u>	<u>252,704</u>
Capital assets, being depreciated:				
Buildings and pools	3,188,100	-	-	3,188,100
Tennis courts	243,511	-	-	243,511
Furniture and equipment	100,407	-	-	100,407
Playground equipment	62,705	-	-	62,705
Fence	43,762	-	-	43,762
Volleyball court	7,155	-	-	7,155
Total capital assets being depreciated	<u>3,645,640</u>	<u>-</u>	<u>-</u>	<u>3,645,640</u>
Less accumulated depreciation for:				
Buildings and pools	(894,145)	(115,596)	-	(1,009,741)
Tennis courts	(237,738)	(1,050)	-	(238,788)
Furniture and equipment	(37,273)	(14,030)	-	(51,303)
Playground equipment	(62,705)	-	-	(62,705)
Fence	(20,478)	(3,104)	-	(23,582)
Volleyball court	(4,054)	(477)	-	(4,531)
Total accumulated depreciation	<u>(1,256,393)</u>	<u>(134,257)</u>	<u>-</u>	<u>(1,390,650)</u>
Total capital assets being depreciated, net	<u>2,389,247</u>	<u>(134,257)</u>	<u>-</u>	<u>2,254,990</u>
Total capital assets, net	<u>\$ 2,641,951</u>	<u>\$ (134,257)</u>	<u>\$ -</u>	<u>\$ 2,507,694</u>

**SUNDANCE HILLS METROPOLITAN DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025 and 2024**

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

	Balance at December 31, 2023	Additions	Disposals/ Retirements	Balance at December 31, 2024
Capital assets, not being depreciated:				
Land and landscaping	\$ 252,704	\$ -	\$ -	\$ 252,704
Total capital assets, not being depreciated	<u>252,704</u>	<u>-</u>	<u>-</u>	<u>252,704</u>
Capital assets, being depreciated:				
Buildings and pools	3,179,974	8,126	-	3,188,100
Tennis courts	243,511	-	-	243,511
Furniture and equipment	100,407	-	-	100,407
Playground equipment	62,705	-	-	62,705
Fence	43,762	-	-	43,762
Volleyball court	7,155	-	-	7,155
Total capital assets being depreciated	<u>3,637,514</u>	<u>8,126</u>	<u>-</u>	<u>3,645,640</u>
Less accumulated depreciation for:				
Buildings and pools	(777,664)	(116,481)	-	(894,145)
Tennis courts	(236,689)	(1,049)	-	(237,738)
Furniture and equipment	(23,244)	(14,029)	-	(37,273)
Playground equipment	(62,705)	-	-	(62,705)
Fence	(17,373)	(3,105)	-	(20,478)
Volleyball court	(3,577)	(477)	-	(4,054)
Total accumulated depreciation	<u>(1,121,252)</u>	<u>(135,141)</u>	<u>-</u>	<u>(1,256,393)</u>
Total capital assets being depreciated, net	<u>2,516,262</u>	<u>(127,015)</u>	<u>-</u>	<u>2,389,247</u>
Total capital assets, net	<u>\$ 2,768,966</u>	<u>\$ (127,015)</u>	<u>\$ -</u>	<u>\$ 2,641,951</u>

NOTE 5 – LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2025:

	Balance at December 31, 2024	Additions	Reductions	Balance at December 31, 2025	Due Within One Year
General Obligation Bonds, Series 2021	\$1,975,000	\$ -	\$ 80,000	\$ 1,895,000	\$ 85,000
Series 2021 premium	137,966	-	13,595	124,371	13,026
Total long-term obligations	<u>\$2,112,966</u>	<u>\$ -</u>	<u>\$ 93,595</u>	<u>\$ 2,019,371</u>	<u>\$ 98,026</u>

**SUNDANCE HILLS METROPOLITAN DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025 and 2024**

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2024:

	<u>Balance at December 31, 2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at December 31, 2024</u>	<u>Due Within One Year</u>
General Obligation Bonds, Series 2021	\$2,055,000	\$ -	\$ 80,000	\$ 1,975,000	\$ 80,000
Series 2021 premium	152,131	-	14,165	137,966	13,595
Total long-term obligations	<u>\$2,207,131</u>	<u>\$ -</u>	<u>\$ 94,165</u>	<u>\$ 2,112,966</u>	<u>\$ 93,595</u>

General Obligation Bonds, Series 2021

On May 4, 2021, the District issued the General Obligation Bonds, Series 2021 (2021 Bonds). The bonds were issued to finance the construction and installation of certain improvements and to pay the costs of issuance of the 2021 Bonds. The bonds bear interest at rates between 1.5% and 3.00%, payable semiannually on each June 1 and December 1, commencing on December 1, 2021. The bonds maturing on and before December 1, 2029 are not subject to redemption prior to their respective maturity dates. The Bonds maturing on and after December 1, 2032 are subject to redemption prior to maturity as a whole or in integral multiples of \$5,000, at the option of the District, on December 1, 2029 and on any date thereafter, upon payment of par and accrued interest, without redemption premium. The bonds maturing December 1, 2029 are subject to mandatory sinking fund redemption commencing on December 1, 2028 and each December 1 thereafter in varying amounts.

The District has pledged to levy a debt service mill levy in an amount sufficient to pay the principal and interest on the 2021 Bonds when due.

The District's long-term obligations will mature as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 85,000	\$ 54,950	\$ 139,950
2027	90,000	52,400	142,400
2028	95,000	49,700	144,700
2029	95,000	47,800	142,800
2030	100,000	45,900	145,900
2031-2035	575,000	181,500	756,500
2036-2040	700,000	87,750	787,750
2041	155,000	4,650	159,650
	<u>\$ 1,895,000</u>	<u>\$ 524,650</u>	<u>\$ 2,419,650</u>

The occurrence of any one or more of the following events or existence of any one or more of the following shall constitute an event of default under the 2021 Bonds:

- a) failure to pay the principal of or interest on the 2021 Bonds or any other amount payable to the lender hereunder when due;

**SUNDANCE HILLS METROPOLITAN DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025 and 2024**

- b) breach by the District of any material covenant set forth herein or failure by the District to perform any material duty imposed on it hereunder;
- c) an order of decree by a court declaring the District bankrupt under federal bankruptcy law or appointing a receiver of all or any material portion of the District's assets or revenues is entered with the consent or acquiescence or without the consent or acquiescence of the District but is not vacated, discharged or stayed within thirty days after it is entered;

Upon the occurrence and continuance of any event of default, the owners of not less than 25% of the aggregate amount of the bond obligation, may proceed against the District to protect and to enforce the rights of any owners by mandamus, injunction or by other suit, action or special proceeding in equity or at law, in any court: 1) for the payment of interest on any installment of principal of any bond that was not paid when due at the interest rate borne by such bond; 2) for the specific performance of any covenant of the 2021 Bonds; 3) to enjoin any act that may be unlawful or in violation of any right of any owner of any bond; 4) for any other proper legal or equitable remedy; or 5) any combination of such remedies or as otherwise may be authorized by applicable law; provided, however, that acceleration of any amount not yet due on the 2021 Bonds according to their terms shall not be an available remedy.

Authorized Debt

On November 4, 2025, the District's electors authorized the District to increase debt up to \$3,000,000 to repair and/or replace park and recreation facilities. As of December 31, 2025, the District had authorized but unissued debt remaining in the amount of \$3,000,000. At December 31, 2024, the District had no authorized but unissued debt.

NOTE 6 - NET POSITION

The District's net position consists of three components – net investment in capital assets; restricted; and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and, if applicable, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2025 and 2024, the District had \$488,323 and \$528,984 in net investment in capital assets, respectively.

Restricted net position includes amounts that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

The District had restricted net position as of December 31, 2025 and 2024 as follows:

Restricted:	<u>2025</u>	<u>2024</u>
Emergency reserve (Note 8)	\$ 7,000	\$ 7,000
Debt Service (Note 5)	123,318	66,567
Capital projects (Conservation Trust)	19,354	9,632
	<u>\$ 149,672</u>	<u>\$ 83,199</u>

SUNDANCE HILLS METROPOLITAN DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025 and 2024

The District's unrestricted net position at December 31, 2025 and 2024 totaled \$118,284 and \$80,419.

NOTE 7 - RISK MANAGEMENT

Except as provided by the Colorado Governmental Immunity Act, Section 24-10-101, et seq., C.R.S., as may be amended from time to time, the District may be exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2025 and 2024. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past four fiscal years.

The District pays annual premiums to the Pool for property, liability, public officials' liability, boiler and machinery, and workers compensation 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.

NOTE 8 - TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations that 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.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District maintains that the activities conducted within the Enterprise Fund do not fall within the scope of TABOR and the Enterprise Act, C.R.S. 37-45.1-01, et seq. The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and many of the provisions, including the calculation of fiscal year spending limits, growth factors, and qualification as an Enterprise, may require judicial interpretation.

SUNDANCE HILLS METROPOLITAN DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025 and 2024

In 2016, the District's electors approved the following ballot issue:

Shall the Sundance Hills Metropolitan District, without creating any new tax or increasing any current tax, be permitted to collect and expend as a voter approved revenue change under Article X, Section 20 of the Colorado Constitution whatever additional amounts are raised annually in 2016 and any year thereafter from its mill levy, specific ownership taxes, interest income, fees, grants and any other income of the District, such authority to collect and expend such amounts to constitute voter-approved revenue changes and an exception to the spending, revenue-raising, tax reduction or other limitations contained either within Article X, Section 20 of the Colorado Constitution as the same exists and as it may be amended and Section 29-1-301, Colorado Revised Statutes?

On November 3, 2020, the District voters passed the following ballot question:

Shall Sundance Hills Metropolitan District taxes be increased \$60,000 annually, commencing in 2020 for collection in 2021, or by such greater or lesser annual amount as may be derived from an ad valorem mill levy imposed on all taxable property of the District not in excess of 3.000 mills as may be determined annually by the Board of Directors of the District (provided that such maximum mill levy shall be adjusted up or down to account for changes in law or the method by which assessed valuation is calculated occurring after 2020, so that, to the extent possible, the actual tax revenues generated by the mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes), the revenues therefrom to be used for the purpose of paying the District's administration, operations, maintenance, capital, and other expenses; and shall the proceeds of such taxes and investment income thereon be collected and spent by the District as a voter-approved revenue change in 2020 and in each year thereafter, without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, the limits imposed on increases in property taxation by Section 29-1-301, Colorado Revised Statutes, or any other law which purports to limit the District's revenues or expenditures, as it currently exists or as it may be amended in the future, all without limiting in any year the amount of other revenues that may be collected and spent by the District.

On November 5, 2025, the District voters passed the following ballot question:

Shall Sundance Hills Metropolitan District taxes be increased \$215,000 annually, commencing in 2025 for collection in 2026, or by such greater or lesser annual amount as may be derived from an ad valorem mill levy imposed on all taxable property of the District not in excess of 6.800 mills as may be determined annually by the Board of Directors of the District (provided that such maximum mill levy shall be adjusted up or down to account for changes in law or the method by which assessed valuation is calculated occurring after 2025, so that, to the extent possible, the actual tax revenues generated by the mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes), the revenues therefrom to be used for the purpose of paying the District's administration, operations, maintenance, capital, and other expenses; and shall the proceeds of such taxes and investment income thereon be collected and spent by the District as a voter-approved revenue change in 2025 and in each year thereafter, without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, the limits imposed on increases in property taxation by Section 29-1-301, Colorado Revised Statutes, or any other law which purports to limit the District's revenues or expenditures, as it currently exists or as it may be amended in the future, all without limiting in any year the amount of other revenues that may be collected and spent by the District.

SUNDANCE HILLS METROPOLITAN DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 9 – SUBSEQUENT EVENT

\$3,000,000 Tax-Free Loan, Series 2026

On March 25, 2026, the District issued \$3,000,000 of General Obligation Tax-Exempt Loan, Series 2026 (2026 Loan), to pay for capital expenditures and pay the costs of financing. The 2026 Loan bears interest at a rate of 3.9%. The 2026 Loan principal payments are to be made in annual installments on December 1 of each year beginning in 2026. Interest will be paid semiannually on June 1 and December 1 of each year, commencing June 1, 2026. Final maturity of the 2026 Loan is on December 1, 2036.

The 2026 Loan is subject to a one-time-only extraordinary redemption, in part, on any interest payment date on or before December 1, 2028, at the option of the District in a principal amount not to exceed \$500,000, at a redemption price equal to the principal amount so redeemed without redemption premium. The 2026 Loan is also subject to mandatory sinking fund redemptions on each December 1, beginning on December 1, 2026 through the maturity date of December 1, 2036 in varying amounts as outlined in the 2026 Loan Documents.

The District has pledged to levy a debt service mill levy in an amount sufficient to pay the principal and interest on the 2026 Loan when due.

This information is an integral part of the accompanying financial statements.

SUPPLEMENTAL INFORMATION

**SUNDANCE HILLS METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2025**

	Budgeted Amounts Final	Actual	Variance with Final Budget -
REVENUES			
Property taxes - operations	\$ 193,954	\$ 195,798	\$ 1,844
Property taxes - debt service	197,322	197,269	(53)
Specific ownership taxes	23,477	19,376	(4,101)
Conservation Trust Funds	8,000	9,159	1,159
Pool membership fees	153,425	163,953	10,528
Pool rentals	15,000	24,600	9,600
Tennis membership fees	6,675	5,505	(1,170)
Sailfish room rental/ pool parties	12,000	8,425	(3,575)
Reimbursements - HOA	1,000	966	(34)
Reimbursements - Aquawolves	15,000	27,469	12,469
Net investment income	5,050	12,772	7,722
Other	-	1,135	1,135
Total Revenues	<u>630,903</u>	<u>666,427</u>	<u>35,524</u>
EXPENDITURES			
Administration and operations:			
District management	23,814	24,089	(275)
District management expenses	3,000	2,455	545
District management - special	20,000	26,057	(6,057)
Accounting - CPA	14,124	17,031	(2,907)
Accounting - District Manager	15,554	10,319	5,235
Audit	5,700	4,900	800
Legal	15,000	6,540	8,460
Election	35,000	3,013	31,987
Insurance and dues	16,200	16,058	142
Newsletter/Ads/Website	2,000	960	1,040
Bank charges	250	250	-
Postage/supplies	300	-	300
Treasurer's fees	2,909	2,911	(2)
Operations:			
Pool management contract	140,000	139,150	850
Pool repairs and maintenance	12,000	14,184	(2,184)
Pool chemicals	20,000	17,897	2,103
Pool furniture/cover	3,000	-	3,000
Pool team subsidy	5,000	5,000	-
Special events	2,000	200	1,800
Reserve study	-	-	-
Utilities:			
Cable/HSP/Phone	3,128	4,349	(1,221)
Security	865	731	134
Water	22,356	15,951	6,405
Sewer	1,420	902	518
Gas	24,830	21,788	3,042
Electricity	14,862	14,679	183

(Continued)

See the Accompanying Independent Auditor's Report.

**SUNDANCE HILLS METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2025**

(Continued)

	Budgeted Amounts		Variance with Final Budget -
	Final	Actual	
Ground maintenance contract	18,125	16,643	1,482
Grounds - other maintenance	12,744	9,965	2,779
Facility repairs and maintenance	9,667	729	8,938
Tennis repairs and maintenance	1,940	-	1,940
Playground repairs and maintenance	500	-	500
Landscaping/beautification	2,459	-	2,459
Front entrance maintenance	2,000	-	2,000
Utilities - Aquawolves share	15,000	-	15,000
CivicRec processing fees	10,068	12,790	(2,722)
CivicRec administration	9,001	30,956	(21,955)
Debt Service:			
Paying agent fees	2,000	400	1,600
Bond principal	80,000	80,000	-
Bond interest	57,350	57,150	200
Treasurer's fees	2,960	2,962	(2)
Contingency	-	-	-
Total expenditures	<u>627,126</u>	<u>561,009</u>	<u>66,117</u>
REVENUES OVER (UNDER) EXPENDITURES	3,777	105,418	101,641
FUNDS AVAILABLE - BEGINNING OF YEAR	138,130	145,268	7,138
FUNDS AVAILABLE - END OF YEAR	<u>\$ 141,907</u>	<u>\$ 250,686</u>	<u>\$ 108,779</u>

Funds available are computed as follows:

Current assets	\$ 960,895
Current liabilities	(18,169)
Deferred inflows of resources	(692,040)
	<u>\$ 250,686</u>

See the Accompanying Independent Auditor's Report.

**SUNDANCE HILLS METROPOLITAN DISTRICT
RECONCILIATION OF BUDGETARY BASIS TO STATEMENT OF
REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
Year Ended December 31, 2025**

Revenue (budgetary basis)	<u>\$</u>	666,427
Revenues per Statement of Revenues, Expenses and Changes in Fund Net Position		<u>666,427</u>
Expenditures (budgetary basis)		561,009
Depreciation		134,257
Bond principal payment		(80,000)
Original issue premium/bond insurance amortization		<u>(12,516)</u>
Expenses per Statement of Revenues, Expenses and Changes in Fund Net Position		<u>602,750</u>
Change in net position per Statement of Revenues, Expenses and Changes in Fund Net Position	<u>\$</u>	<u>63,677</u>

See the Accompanying Independent Auditor's Report.

OTHER INFORMATION

**SUNDANCE HILLS METROPOLITAN DISTRICT
SUMMARY OF ASSESSED VALUATION, MILL LEVY
AND PROPERTY TAXES COLLECTED
Year Ended December 31, 2025
(UNAUDITED)**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mill Levy			Tax Revenue		
		General	Debt	Total	Levied	Collected	% Collected
2021	\$ 19,619,022	6.604	0.000	6.604	\$ 129,564	\$ 129,564	100%
2022	\$ 19,693,430	6.604	7.200	13.804	\$ 271,848	\$ 271,498	100%
2023	\$ 19,241,859	6.785	7.500	14.285	\$ 274,872	\$ 274,870	100%
2024	\$ 26,292,226	7.372	7.500	14.872	\$ 391,018	\$ 391,009 ^(a)	100%
2025	\$ 26,309,536	7.372	7.500	14.872	\$ 391,275	\$ 391,170 ^(b)	100%
Estimated for year ending December 31, 2026	\$ 25,750,320	14.675	12.200	26.875	\$ 692,040		

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

(a) Excludes funds received during the year from SB22-238/23B-001 of \$4,887.

(b) Excludes funds received during the year from SB22-238/23B-001 of \$1,897.

See the Accompanying Independent Auditor's Report.

**SUNDANCE HILLS METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**

\$2,200,000			
General Obligation Bonds, Series 2021			
Interest Rate 1.50% - 3.00%			
Principal Due on December 1			
Interest Due on June 1 and December 1			
Year Ending December 31,	Principal	Interest	Total
2026	\$ 85,000	\$ 54,950	\$ 139,950
2027	90,000	52,400	142,400
2028	95,000	49,700	144,700
2029	95,000	47,800	142,800
2030	100,000	45,900	145,900
2031	105,000	42,900	147,900
2032	110,000	39,750	149,750
2033	115,000	36,450	151,450
2034	120,000	33,000	153,000
2035	125,000	29,400	154,400
2036	130,000	25,650	155,650
2037	135,000	21,750	156,750
2038	140,000	17,700	157,700
2039	145,000	13,500	158,500
2040	150,000	9,150	159,150
2041	155,000	4,650	159,650
	\$ 1,895,000	\$ 524,650	\$ 2,419,650

See the Accompanying Independent Auditor's Report.