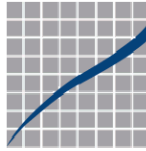


MERIDIAN SERVICE METROPOLITAN DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2020

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BiggsKofford
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Meridian Service Metropolitan District
El Paso County, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of Meridian Service Metropolitan District ("District") as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the District as of December 31, 2020, the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 which 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

BiggsKofford, P.C.

Colorado Springs, Colorado
September 30, 2021

BASIC FINANCIAL STATEMENTS

MERIDIAN SERVICE METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2020

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 426,757	\$ 7,535,602	\$ 7,962,359
Cash and investments - restricted	612,496	4,032,467	4,644,963
Accounts receivable	308,358	1,952,734	2,261,092
Prepaid expenses	64,014	81,261	145,275
Security deposits	2,000	9,580	11,580
Capital assets not being depreciated	7,743	1,155,711	1,163,454
Capital assets, net	<u>11,444,766</u>	<u>32,179,748</u>	<u>43,624,514</u>
 Total assets	 <u>12,866,134</u>	 <u>46,947,103</u>	 <u>59,813,237</u>
LIABILITIES			
Accounts payable	138,241	1,242,584	1,380,825
Accrued liabilities	17,435	584,597	602,032
Arbitration payable	-	2,985,929	2,985,929
Due to Meridian Ranch Metropolitan District	-	34,000	34,000
Noncurrent liabilities:			
Developer advance and accrued interest	<u>-</u>	<u>22,441,179</u>	<u>22,441,179</u>
 Total liabilities	 <u>155,676</u>	 <u>27,288,289</u>	 <u>27,443,965</u>
NET POSITION			
Net investment in capital assets	11,444,766	10,894,280	22,339,046
Restricted:			
Emergency reserve (Note 12)	8,300	-	8,300
Parks and ground	438,423	-	438,423
Recreation	389,567	-	389,567
Capital projects	362,615	-	362,615
Unrestricted	<u>66,787</u>	<u>8,764,534</u>	<u>8,831,321</u>
 Total net position	 <u>\$ 12,710,458</u>	 <u>\$ 19,658,814</u>	 <u>\$ 32,369,272</u>

The accompanying notes and independent auditor's report
should be read with these financial statements.

MERIDIAN SERVICE METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

	Program Revenues			Net (Expenses) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS							
PRIMARY GOVERNMENT							
General government	\$ 6,345,388	\$ 2,688,361	\$ -	\$ -	\$ (3,657,027)	\$ -	\$ (3,657,027)
Interest and related costs on long-term debt	-	-	-	-	-	-	-
Total primary government	<u>\$ 6,345,388</u>	<u>\$ 2,688,361</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(3,657,027)</u>	<u>-</u>	<u>(3,657,027)</u>
BUSINESS-TYPE ACTIVITIES							
Water	\$ 6,449,580	\$ 2,995,234	\$ -	\$ 11,846,557	-	8,392,211	8,392,211
Sewer	8,527,578	1,609,124	-	9,380,468	-	2,462,014	2,462,014
Total business-type activities	<u>\$ 14,977,158</u>	<u>\$ 4,604,358</u>	<u>\$ -</u>	<u>\$ 21,227,025</u>	<u>-</u>	<u>10,854,225</u>	<u>10,854,225</u>
GENERAL REVENUES							
Investment income					43,112	-	43,112
Miscellaneous					62,888	-	62,888
Intergovernmental revenues					250,300	-	250,300
Total general revenues					<u>356,300</u>	<u>-</u>	<u>356,300</u>
Change in net position					(3,300,727)	10,854,225	7,553,498
Net position, beginning of year, as restated* (Note 14)					<u>16,011,185</u>	<u>8,804,589</u> *	<u>24,815,774</u> *
Net position, end of year					<u>\$ 12,710,458</u>	<u>\$ 19,658,814</u>	<u>\$ 32,369,272</u>

The accompanying notes and independent auditor's report
should be read with these financial statements.

**MERIDIAN SERVICE METROPOLITAN DISTRICT
BALANCE SHEETS
GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

	<u>General Fund</u>	<u>Parks and Ground</u>	<u>Recreation</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>					
Cash and investments	\$ 70,789	\$ 56,458	\$ 123,897	\$ 175,613	\$ 426,757
Cash and investments - restricted	-	309,239	114,130	189,127	612,496
Accounts receivable	2,630	109,635	196,093	-	308,358
Prepaid expenses	8,952	20,227	34,835	-	64,014
Security deposits	2,000	-	-	-	2,000
Total assets	\$ 84,371	\$ 495,559	\$ 468,955	\$ 364,740	1,413,625
<u>LIABILITIES</u>					
Accounts payable	\$ 14,692	\$ 55,068	\$ 66,356	\$ 2,125	138,241
Accrued liabilities	2,335	2,068	13,032	-	17,435
Total liabilities	17,027	57,136	79,388	2,125	155,676
<u>FUND BALANCE</u>					
Nonspendable:					
Prepaid expenditures	8,952	20,227	34,835	-	64,014
Security deposits	2,000	-	-	-	2,000
Restricted:					
Emergency reserve (Note 12)	8,300	-	-	-	8,300
Capital projects	-	-	-	362,615	362,615
Parks and ground	-	263,192	-	-	263,192
Recreation	-	-	235,154	-	235,154
Assigned:					
Emergency reserve	-	145,004	109,578	-	254,582
Rate stabilization	-	10,000	10,000	-	20,000
Unassigned:					
General government	48,092	-	-	-	48,092
Total fund balances	67,344	438,423	389,567	362,615	1,257,949
Total liabilities and fund balances	\$ 84,371	\$ 495,559	\$ 468,955	\$ 364,740	

Amounts reported in governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Capital assets not being depreciated	7,743
Capital assets, net	11,444,766
Net position of governmental activities	\$ 12,710,458

The accompanying notes and independent auditor's report
should be read with these financial statements.

MERIDIAN SERVICE METROPOLITAN DISTRICT
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020

	<u>General Fund</u>	<u>Parks and Ground</u>	<u>Recreation</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES					
Intergovernmental revenues	\$ 220,000	\$ 30,300	\$ -	\$ -	\$ 250,300
Recreation center fees	-	-	1,642,750	-	1,642,750
Parks and grounds fees	-	836,210	-	-	836,210
Street lighting fees	-	160,353	-	-	160,353
Other revenues	19,936	17,622	25,330	-	62,888
Investment income	11,363	1,147	-	30,602	43,112
Lease revenues	32,748	-	-	-	32,748
Falcon Freedom Days	-	-	16,300	-	16,300
Total revenues	284,047	1,045,632	1,684,380	30,602	3,044,661
EXPENDITURES					
Accounting	30,137	14,981	24,300	-	69,418
Capital expenditures	-	18,634	22,948	312,323	353,905
Dues and subscriptions	7,953	119	586	-	8,658
Engineering	592	3,942	4,303	-	8,837
Insurance	2,700	11,184	18,016	-	31,900
Landscaping	-	320,970	-	-	320,970
Legal	74,689	390	1,276	-	76,355
Miscellaneous	7,757	4,489	7,786	-	20,032
Office supplies	6,768	5,003	40,958	-	52,729
Other expenses	36,915	82	35,821	-	72,818
Professional services	42,221	-	-	-	42,221
Repairs and maintenance	-	18,893	181,740	-	200,633
Salaries and payroll	10,030	162,942	872,905	-	1,045,877
Supplies	-	853	58,652	-	59,505
Utilities	56,257	161,237	142,025	-	359,519
Total expenditures	276,019	723,719	1,411,316	312,323	2,723,377
Excess of revenues over (under) expenditures	8,028	321,913	273,064	(281,721)	321,284
OTHER FINANCING SOURCES (USES)					
Transfer from (to) other funds	-	(33,978)	(213,000)	(1,928,554)	(2,175,532)
Total other financing sources (uses)	-	(33,978)	(213,000)	(1,928,554)	(2,175,532)
Net change in fund balances	8,028	287,935	60,064	(2,210,275)	(1,854,248)
Fund balances, beginning of year	59,316	150,488	329,503	2,572,890	3,112,197
Fund balances, end of year	\$ 67,344	\$ 438,423	\$ 389,567	\$ 362,615	\$ 1,257,949

The accompanying notes and independent auditor's report should be read with these financial statements.

**MERIDIAN SERVICE METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

Net change in fund balances - total governmental funds	\$ (1,854,248)
--	----------------

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Transfers of assets to business type-activities	(1,249,410)
Capital outlay	353,905
Depreciation expense	(550,974)
Change in net position of governmental activities	\$ (3,300,727)

The accompanying notes and independent auditor's report
should be read with these financial statements.

**MERIDIAN SERVICE METROPOLITAN DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

	Budget		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ 220,000	\$ 220,000	\$ 220,000	\$ -
Other revenues	4,800	4,800	19,936	15,136
Investment income	-	11,500	11,363	(137)
Lease revenues	32,334	32,350	32,748	398
Grant reimbursement	-	18,000	-	(18,000)
Total revenues	257,134	286,650	284,047	(2,603)
EXPENDITURES				
Accounting	18,300	30,550	30,137	413
Dues and subscriptions	9,800	8,200	7,953	247
Engineering	500	600	592	8
Insurance	2,000	2,750	2,700	50
Legal	22,000	70,000	74,689	(4,689)
Miscellaneous	8,400	10,500	7,757	2,743
Office supplies	5,000	8,200	6,768	1,432
Other expenses	37,800	40,600	36,915	3,685
Professional services	35,000	41,000	42,221	(1,221)
Salaries and payroll	9,196	10,100	10,030	70
Utilities	65,281	57,025	56,257	768
Total expenditures	213,277	279,525	276,019	3,506
Net change in fund balance	\$ 43,857	\$ 7,125	8,028	\$ 903
Fund balance, beginning of year			59,316	
Fund balance, end of year			\$ 67,344	

The accompanying notes and independent auditor's report
should be read with these financial statements.

MERIDIAN SERVICE METROPOLITAN DISTRICT
STATEMENTS OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2020

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Current assets:			
Cash and investments	\$ 4,292,966	\$ 3,242,636	\$ 7,535,602
Cash and investments - restricted	3,437,644	594,823	4,032,467
Accounts receivable - user fees	461,058	1,491,676	1,952,734
Prepaid expenses	47,508	33,753	81,261
Deposits	4,790	4,790	9,580
Total current assets	8,243,966	5,367,678	13,611,644
Capital assets:			
Capital assets not being depreciated	808,830	346,881	1,155,711
Capital assets, net	20,205,872	11,973,876	32,179,748
Total capital assets	21,014,702	12,320,757	33,335,459
Total assets	\$ 29,258,668	\$ 17,688,435	\$ 46,947,103
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	\$ 629,532	\$ 613,052	\$ 1,242,584
Accrued liabilities	304,752	279,845	584,597
Arbitration payable	-	2,985,929	2,985,929
Facility fees payable - Meridian Ranch Metropolitan District	17,000	17,000	34,000
Total current liabilities	951,284	3,895,826	4,847,110
Noncurrent liabilities:			
Developer advance and accrued interest	20,382,434	2,058,745	22,441,179
Total noncurrent liabilities	20,382,434	2,058,745	22,441,179
Total liabilities	21,333,718	5,954,571	27,288,289
<u>NET POSITION</u>			
Net investment in capital assets	632,268	10,262,012	10,894,280
Unrestricted	7,292,682	1,471,852	8,764,534
Total net position	7,924,950	11,733,864	19,658,814
Total liabilities and net position	\$ 29,258,668	\$ 17,688,435	\$ 46,947,103

The accompanying notes and independent auditor's report
should be read with these financial statements.

MERIDIAN SERVICE METROPOLITAN DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2020

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<u>OPERATING REVENUES</u>			
Service charges	\$ 2,756,901	\$ 1,565,576	\$ 4,322,477
Meter services	214,662	-	214,662
Total operating revenues	<u>2,971,563</u>	<u>1,565,576</u>	<u>4,537,139</u>
<u>OPERATING EXPENSES</u>			
Cost of services:			
Operations	379,626	519,815	899,441
Engineering	58,403	228,326	286,729
Payroll	392,767	339,287	732,054
Repairs and maintenance	427,185	62,075	489,260
Administrative and general expenses:			
Accounting and management	59,571	57,818	117,389
Depreciation	1,047,872	568,043	1,615,915
Dues and subscriptions	1,997	764	2,761
Insurance	44,292	43,484	87,776
Interest expense	465,774	-	465,774
Legal	11,493	530,958	542,451
Miscellaneous expenses	6,075	15,594	21,669
Office expense	9,378	12,817	22,195
Utilities	451,147	68,668	519,815
Total operating expenses	<u>3,355,580</u>	<u>2,447,649</u>	<u>5,803,229</u>
Operating income (loss)	<u>(384,017)</u>	<u>(882,073)</u>	<u>(1,266,090)</u>
<u>NONOPERATING REVENUES AND EXPENSES</u>			
Facilities fees	2,902,000	5,581,452	8,483,452
Miscellaneous income	23,671	43,548	67,219
Fees transferred to Meridian Ranch Metropolitan District	(3,094,000)	(3,094,000)	(6,188,000)
Net nonoperating revenues (expenses)	<u>(168,329)</u>	<u>2,531,000</u>	<u>2,362,671</u>
Income (loss) before other financing sources (uses)	<u>(552,346)</u>	<u>1,648,927</u>	<u>1,096,581</u>

The accompanying notes and independent auditor's report
should be read with these financial statements.

**MERIDIAN SERVICE METROPOLITAN DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2020**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Contributed assets	\$ 2,152,385	\$ 2,860,623	\$ 5,013,008
Transfer from (to) other funds	2,575,110	849,832	3,424,942
Contributions to other governments	-	(2,985,929)	(2,985,929)
Intergovernmental revenues	4,217,062	88,561	4,305,623
Net other financing sources (uses)	8,944,557	813,087	9,757,644
Change in net position	8,392,211	2,462,014	10,854,225
Net position, beginning of year as restated (Note 14)	(467,261)	9,271,850	8,804,589
Net position, end of year	<u>\$ 7,924,950</u>	<u>\$ 11,733,864</u>	<u>\$ 19,658,814</u>

The accompanying notes and independent auditor's report
should be read with these financial statements.

MERIDIAN SERVICE METROPOLITAN DISTRICT
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2020

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Receipts from customers	\$ 2,497,340	\$ 220,949	\$ 2,718,289
Payments to vendors	(904,545)	(1,302,152)	(2,206,697)
Net cash flows from operating activities	<u>1,592,795</u>	<u>(1,081,203)</u>	<u>511,592</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Acquisition of capital assets	(2,888,533)	(655,313)	(3,543,846)
Miscellaneous income	23,671	43,548	67,219
Facilities fees	2,902,000	5,581,452	8,483,452
Transfers to other funds	2,575,110	849,832	3,424,942
Fees transferred to Meridian Ranch Metropolitan District	(3,094,000)	(3,094,000)	(6,188,000)
Intergovernmental revenues	4,217,062	88,561	4,305,623
Net cash flows from capital and related financing activities	<u>3,735,310</u>	<u>2,814,080</u>	<u>6,549,390</u>
Net change in cash and investments	5,328,105	1,732,877	7,060,982
Cash and investments, beginning balance	<u>2,402,505</u>	<u>2,104,582</u>	<u>4,507,087</u>
Cash and investments, ending balance	<u>\$ 7,730,610</u>	<u>\$ 3,837,459</u>	<u>\$ 11,568,069</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Operating income (loss)	\$ (384,017)	\$ (882,073)	\$ (1,266,090)
Depreciation	1,047,872	568,043	1,615,915
Changes in operating assets and liabilities:			
Accounts receivable	(259,561)	(1,344,627)	(1,604,188)
Due to (from) other funds	138,434	59,935	198,369
Prepaid expenses and deposits	(41,360)	(27,766)	(69,126)
Accounts payable	488,901	432,440	921,341
Deferred revenue	(81,000)	(80,000)	(161,000)
Accrued liabilities	217,752	192,845	410,597
Accrued interest on developer advances	465,774	-	465,774
Net cash flows from operating activities	<u>\$ 1,592,795</u>	<u>\$ (1,081,203)</u>	<u>\$ 511,592</u>

The accompanying notes and independent auditor's report
should be read with these financial statements.

MERIDIAN SERVICE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. DEFINITION OF REPORTING ENTITY

Meridian Service Metropolitan District ("District" or "Meridian Service"), a quasi-municipal corporation and political subdivision of the state of Colorado, was organized on May 5, 1998 concurrently with Meridian Ranch Metropolitan District ("Meridian Ranch") (collectively, the "Districts") to provide water and wastewater service, street improvements, safety protection, parks and recreation facilities, drainage, landscape, mosquito control, transportation and television relay for public and private purposes by any available means. The District also has limited fire protection powers in a cooperative manner with Falcon Fire Protection District. The District is intended to be the operating district related to Meridian Ranch Metropolitan District ("Meridian Ranch"), the financing district (Note 9).

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the District are described as follows:

Government-wide and fund financial statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements. Both statements distinguish between governmental activities, which normally are supported by taxes and intergovernmental revenues, and business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net position reports all financial and capital resources of the District. The difference between the assets and liabilities of the District is reported as net position.

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.

Separate financial statements are provided for the governmental funds and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements.

See independent auditor's report.

MERIDIAN SERVICE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement focus, basis of accounting and financial statement position

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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 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 period. The material source of revenue subject to accrual is investment income. 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 used to account for all financial resources of the District except those required to be accounted for in another fund.

Parks and ground fund and *recreation fund* - The parks and ground fund and recreation funds account for parks and recreation operations.

Capital projects fund - The capital projects fund accounts for financial resources to be used for the acquisition and construction of major capital equipment and facilities.

The District reports the following major proprietary funds:

Water fund - The water fund accounts for the water operations that are financed and operated with the intent that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

Sewer fund - The sewer fund accounts for the sewer operations that are financed and operated with the intent that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

Use of estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America ("US GAAP") requires the District to use estimates and assumptions. Those estimates and assumptions affect the reported balances of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues, expenditures and expenses. Actual results could vary from the estimates.

See independent auditor's report.

MERIDIAN SERVICE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with state budget law, 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 and other financing uses level and lapses at year end. The District's board of directors can modify the budget by line item within the total appropriation without notification. The 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 District incurred expenditures in excess of appropriations for the year ended December 31, 2020 in the sewer fund, which may be a violation of local government budget law.

Pooled cash and investments

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

Cash equivalents

For purposes of the statements of cash flows, the District considers cash deposits and highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Capital assets

Capital assets, which include property, equipment and infrastructure assets (e.g., roads, sidewalks and similar items), are reported in the applicable governmental activities column 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 a useful life greater than one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress, and are not included in the calculation of the net investment in capital assets component of the District's net position.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of an asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related assets, as applicable. Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

Park and recreation facilities	40 years
Water facilities	30 years
Sewer facilities	30 years
Vehicles and equipment	5-15 years

See independent auditor's report.

MERIDIAN SERVICE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Facilities fees

A water tap fee and a sewer tap fee per single family equivalent unit are charged against properties within the District. Facilities fees are due when a building permit is issued.

Water rights

The cost of water rights includes acquisition cost, legal and engineering costs related to the development and augmentation of those rights. Since the rights have a perpetual life, they are not amortized. All other costs, including costs incurred for the protection of those rights, are expensed.

Net position and fund balances

Net position

For government-wide presentation purposes, when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

Fund balance

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance - The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or is legally or contractually required to be maintained intact.

Restricted fund balance - The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

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

Assigned fund balance - The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the board of directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

Unassigned fund balance - The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's policy to use the most restrictive classification first.

See independent auditor's report.

MERIDIAN SERVICE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

3. CASH AND INVESTMENTS

Cash and investments as of December 31, 2020 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$ 7,962,359
Cash and investments - restricted	<u>4,644,963</u>
Total cash and investments	<u><u>\$ 12,607,322</u></u>

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

Deposits with financial institutions	\$ 6,352,701
Investments	<u>6,254,621</u>
	<u><u>\$ 12,607,322</u></u>

Deposits with financial institutions

The Colorado Public Deposit Protection Act ("PDPA") requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The 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 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.

As of December 31, 2020, the District's cash deposits had a bank balance of \$6,419,549 and a book balance of \$6,352,701.

Investments

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

The District generally limits its concentration of investments to those below which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless otherwise formally approved by the boards of directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

See independent auditor's report.

MERIDIAN SERVICE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

3. CASH AND INVESTMENTS (CONTINUED)

Investments (continued)

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- Obligations of the US and certain US government agency securities
- Certain international agency securities
- General obligation and revenue bonds of US local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certificates of deposit in Colorado PDPA approved banks or savings banks
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

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

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Liquid Asset Trust	Weighted average under one year	<u>\$ 6,254,621</u>

Colotrust

During 2020, the District invested in the Colorado Local Government Liquid Asset Trust ("Colotrust"), an investment vehicle established for local government entities in Colorado to pool surplus funds. The state securities commission administers and enforces all state statutes governing Colotrust. Colotrust operates similarly to a money market fund and each share is equal in value to \$1.00.

Colotrust offers shares in two portfolios, Colotrust Prime and Colotrust Plus+. Both portfolios may invest in US Treasury securities and repurchase agreements collateralized by US Treasury securities. Colotrust Plus+ may also invest in certain obligations of US government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of US government agencies. A designated custodial bank serves as custodian for the Colotrust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for Colotrust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by Colotrust. Colotrust is rated AAAM by S&P Global Ratings. Colotrust records its investments at fair value and the District records its investments in Colotrust at net asset value. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

See independent auditor's report.

MERIDIAN SERVICE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

4. CAPITAL ASSETS

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

	Balance 1/1/2020	Additions/ Reclass- ifications	Dispositions/ Reclass- ifications	Balance 12/31/2020
Governmental activities				
Capital assets not being depreciated:				
Construction in progress	\$ 1,104,479	\$ 9,163	\$ (1,105,899)	\$ 7,743
Total capital assets not being depreciated	1,104,479	9,163	(1,105,899)	7,743
Capital assets being depreciated:				
Parks and recreation facilities	15,561,888	303,160	(155,998)	15,709,050
Vehicles and equipment	96,007	41,582	-	137,589
Total capital assets being depreciated	15,657,895	344,742	(155,998)	15,846,639
Less accumulated depreciation	(3,863,386)	(550,974)	12,487	(4,401,873)
Total capital assets being depreciated, net	11,794,509	(206,232)	(143,511)	11,444,766
Governmental activities capital assets, net	<u>\$ 12,898,988</u>	<u>\$ (197,069)</u>	<u>\$ (1,249,410)</u>	<u>\$ 11,452,509</u>

Depreciation expense for governmental activities for the year ended December 31, 2020 totaled \$550,974.

See independent auditor's report.

MERIDIAN SERVICE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

4. CAPITAL ASSETS (CONTINUED)

	Balance 1/1/2020	Additions/ Reclass- ifications	Dispositions/ Reclass- ifications	Balance 12/31/2020
Business-type activities				
Capital assets not being depreciated:				
Water rights	\$ 257,085	\$ -	\$ -	\$ 257,085
Construction in progress	12,752	2,181,991	(1,296,117)	898,626
Total capital assets not being depreciated	269,837	2,181,991	(1,296,117)	1,155,711
Capital assets being depreciated:				
Water system facilities	29,447,139	2,056,821	2,364,542	33,868,502
Sewer system facilities	15,307,526	2,835,910	193,472	18,336,908
Vehicles - water	-	93,049	-	93,049
Vehicles - sewer	-	139,673	-	139,673
Total capital assets being depreciated	44,754,665	5,125,453	2,558,014	52,438,132
Less accumulated depreciation	(18,629,982)	(1,615,915)	(12,487)	(20,258,384)
Total capital assets being depreciated, net	26,124,683	3,509,538	2,545,527	32,179,748
Business-type activities capital assets, net	\$ 26,394,520	\$ 5,691,529	\$ 1,249,410	\$ 33,335,459

Depreciation expense for business-type activities for the year ended December 31, 2020 totaled \$1,615,915.

See independent auditor's report.

MERIDIAN SERVICE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

5. LONG-TERM OBLIGATIONS

Developer advances

On March 20, 2001, the District entered into a reimbursement agreement with GTL Development, Inc. ("Developer") to reimburse the Developer for advances made on behalf of the District for operations, maintenance and capital infrastructure costs, along with accrued interest from the date of receipt at the rate of 5% per annum. On March 4, 2020, this agreement was revised and the Developer agreed to forego the compounding of interest from March 18, 2018 through January 1, 2026 (Note 13).

	Balance 1/1/2020	Additions	Repayments/ Accretion	Balance 12/31/2020	Due within one year
Developer advances	\$ 9,315,476	\$ -	\$ -	\$ 9,315,476	\$ -
Accrued interest	12,659,929	465,774	-	13,125,703	-
	<u>\$21,975,405</u>	<u>\$ 465,774</u>	<u>\$ -</u>	<u>\$ 22,441,179</u>	<u>\$ -</u>

Authorized indebtedness

On November 7, 2000, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$170,000,000 at an interest rate not to exceed 16% per annum.

As of December 31, 2020, the District had authorized and unissued indebtedness in the following amounts allocated for the following purposes:

	Authorized	Remaining
Street improvements	\$ 29,435,000	\$ 29,435,000
Water	35,765,000	35,765,000
Sanitation	7,320,000	7,320,000
Safety protection	1,740,000	1,740,000
Park and recreation	7,620,000	7,620,000
Mosquito control	1,305,000	1,305,000
Television realty and	1,055,000	1,055,000
Public transportation	260,000	260,000
Operations	500,000	500,000
Refunding	85,000,000	85,000,000
	<u>\$ 170,000,000</u>	<u>\$ 170,000,000</u>

See independent auditor's report.

MERIDIAN SERVICE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

6. RETIREMENT PLAN

Defined contribution money purchase plan - IRC 401(a) and deferred compensation plan

The District has adopted an employees' qualified money purchase plan and trust ("Plan") in accordance with Internal Revenue Code Section 401(a). The Plan is administered by ICMA Retirement Corporation. The Plan is a defined contribution plan with the District contributing an amount equal to 6.2% of each participant's compensation for the year. Each full-time employee age 16 or older, is eligible to participate. Each participant is required to match the District's contribution. The District adopted an employees' 457(b) deferred compensation plan in which the District contributes on behalf of each participant 100% of the voluntary participant contribution made by the participant for the plan year not to exceed 3% of participant earnings. The District is not liable for further pension benefits in excess of the contributions made to the Plan nor liable for losses from depreciation or shrinkage in the value of any investments acquired under the Plan. The employer and the employees' contributions are fully vested at the date of contribution. Contributions are tax deferred until withdrawn. The District contributed \$52,029 to the Plan during the year ended December 31, 2020.

7. NET POSITION

The District has a net position consisting of three components: net investments in capital assets, restricted and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation and 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, 2020, the District had net investments in capital assets as follows:

	Governmental Activities	Business-type Activities	Total
Net investments in capital assets:			
Capital assets, net	\$ 11,444,766	\$ 32,179,748	\$ 43,624,514
Outstanding developer advances and accrued interest	-	(22,441,179)	\$(22,441,179)
Net investments in capital assets	\$ 11,444,766	\$ 9,738,569	\$ 21,183,335

Restricted positions include net positions that are subject to restrictions for use either by external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position as of December 31, 2020 as follows:

Restricted net position:		
Emergency reserve (Note 12)		\$ 8,300
Parks and ground		438,423
Recreation		389,567
Capital projects		362,615
		\$ 1,198,905

Unrestricted net position consists of net assets that do not meet the definition of net investment in capital assets or restricted net assets.

See independent auditor's report.

MERIDIAN SERVICE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

8. COMMITMENTS

As of December 31, 2020, the District had various unspent appropriations for the acquisition and construction of projects which totaled \$3,285,793.

9. INTERGOVERNMENTAL AGREEMENT

The District entered into an intergovernmental agreement with Meridian Ranch on July 17, 2001 to set forth rights and obligations of the Districts pursuant to their respective service plans. The District agreed that the facilities described in the service plans are needed by the District and that such facilities will benefit the residents and property owners in both Districts in terms of cost, quality and level of service.

Each of the Districts agreed that the District will own (subject to potential transfer to other governmental entities or authorities) operate, maintain and construct facilities benefiting both Districts, and that Meridian Ranch will contribute to the costs of construction, operation, and maintenance of such facilities.

In this regard, Meridian Ranch agreed to issue limited tax general obligation bonds, or if bonds were not issued, Meridian Ranch agreed to pledge its ad valorem tax revenue at the times and in the amounts required to meet its obligations subject to a 50.000 mill cap (2001 equivalency). As bonds were issued, Meridian Ranch transferred the net proceeds of the bonds to the District. Any and all bond proceeds received by the District will be applied to the payment of public infrastructure costs or will be utilized to pay all or a portion of Meridian Ranch's outstanding bonds. To assist in the repayment of Meridian Ranch's subordinate bonds, the District is required to transfer revenue collected from facilities fees and/or user fees to Meridian Ranch. The water taps from Latigo Trails are not included in fees transferred to Meridian Ranch.

During 2020, the District transferred a total of \$6,188,000 to Meridian Ranch to assist in the repayment of the subordinate bonds issued by Meridian Ranch.

10. RELATED PARTIES

Some of the members of the board of directors are affiliated with or are employees of developers of land within the District. These members may have conflicts of interest with respect to certain transactions which come before the board of directors.

11. RISK MANAGEMENT

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

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

The District pays annual premiums to the Pool for liability, property, public officials liability 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.

See independent auditor's report.

MERIDIAN SERVICE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

12. 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 which apply to the State of Colorado and all local governments within the State of Colorado.

Spending and revenue limits are determined based on the prior 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. Revenues in excess of the fiscal year spending limit must be refunded unless the voters approve retention of such revenues.

On November 7, 2000, a majority of the District's electors authorized the District to collect and spend or retain in a reserve any and all revenue annually from any revenue source other than ad valorem taxes.

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 the District 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 likely require judicial interpretation.

13. WASTEWATER ARBITRATION JUDGMENT

As of December 31, 2020 the District was in arbitration before Judicial Arbiter Group, Inc. ("JAG") with Cherokee Metropolitan District ("Cherokee"). The arbitration involved issues over a 2003 intergovernmental agreement known as Chino Basin Wastewater Treatment Facility and Black Squirrel Basin Recharge Facility Intergovernmental Agreement ("IGA"). The District contended that Cherokee breached the IGA by demanding amounts from the District to which it was not entitled under the IGA. The District also contended that Cherokee breached the IGA and made misrepresentations to the District relating to an undisclosed stipulation which had materially affected the District's ability to benefit from a replacement plan. Cherokee's counterclaims asserted that the District failed to pay amounts due under the IGA. The suit was arbitrated in March 2021 and the arbitrator issued a decision, holding that the District must pay 45.8% of all documented costs for Cherokee to complete certain upgrades and repairs to bring the wastewater treatment facility into compliance with its discharge permit, which are expected to total approximately \$42,500,000. In addition, the arbitrator ordered the District to pay \$2,985,929 plus 8% annual interest expense to Cherokee Metropolitan District. The District will record the costs of the treatment facility as costs are incurred beginning in 2021. The additional costs of \$2,985,929 were accrued by the District as of December 31, 2020 and are included in the sewer fund as arbitration payable on the statement of net position.

14. RESTATEMENT

The District restated its net position as of January 1, 2020 for its business-type activity funds related to an adjustment to accrued interest on developer advances to reflect an agreement entered into by the District and the Developer in March of 2020 in which the Developer agreed to forgo compounding of interest on outstanding balances from March 14, 2018 to January 1, 2026.

See independent auditor's report.

MERIDIAN SERVICE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

14. RESTATEMENT (CONTINUED)

	Water Fund	Sewer Fund	Total
Net position, as originally stated	\$ 368,720	\$ 9,308,711	\$ 9,677,431
Adjustment to developer advance and accrued interest	(835,981)	(36,861)	(872,842)
Net position, as restated, as of January 1, 2020	\$ (467,261)	\$ 9,271,850	\$ 8,804,589

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See independent auditor's report.

SUPPLEMENTAL INFORMATION

**MERIDIAN SERVICE METROPOLITAN DISTRICT
PARKS AND GROUND FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

	Budget		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Parks and grounds fees	\$ 806,996	\$ 806,996	\$ 836,210	\$ 29,214
Street lighting fees	156,987	156,987	160,353	3,366
Other revenues	-	-	17,622	17,622
Investment income	-	-	1,147	1,147
Intergovernmental revenues	37,000	37,000	30,300	(6,700)
Total revenues	1,000,983	1,000,983	1,045,632	44,649
EXPENDITURES				
Accounting	20,200	20,200	14,981	5,219
Capital expenditures	19,000	19,000	18,634	366
Dues and subscriptions	2,000	2,000	119	1,881
Engineering	3,500	3,500	3,942	(442)
Insurance	12,000	12,000	11,184	816
Landscaping	444,335	469,335	320,970	148,365
Legal	2,500	2,500	390	2,110
Miscellaneous	500	500	4,489	(3,989)
Office supplies	-	-	5,003	(5,003)
Other expenses	2,000	2,000	82	1,918
Repairs and maintenance	94,000	94,000	18,893	75,107
Salaries and payroll	159,828	159,828	162,942	(3,114)
Supplies	-	-	853	(853)
Utilities	155,530	155,530	161,237	(5,707)
Total expenditures	915,393	940,393	723,719	216,674
Excess of revenues over (under) expenditures	85,590	60,590	321,913	261,323
OTHER FINANCING SOURCES (USES)				
Transfer from (to) other funds	(300,000)	(33,978)	(33,978)	-
Total other financing sources (uses)	(300,000)	(33,978)	(33,978)	-
Net change in fund balance	\$ (214,410)	\$ 26,612	287,935	\$ 261,323
Fund balance, beginning of year			150,488	
Fund balance, end of year			\$ 438,423	

See independent auditor's report.

**MERIDIAN SERVICE METROPOLITAN DISTRICT
RECREATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

	Budget		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Recreation center fees	\$ 1,682,287	\$ 1,682,287	\$ 1,642,750	\$ (39,537)
Other revenues	-	-	25,330	25,330
Falcon Freedom Days	35,000	35,000	16,300	(18,700)
Total revenues	1,717,287	1,717,287	1,684,380	(32,907)
EXPENDITURES				
Accounting	34,000	34,000	24,300	9,700
Capital expenditures	22,000	22,000	22,948	(948)
Dues and subscriptions	1,000	1,000	586	414
Engineering	5,200	5,200	4,303	897
Insurance	17,000	17,000	18,016	(1,016)
Legal	5,000	5,000	1,276	3,724
Miscellaneous	500	500	7,786	(7,286)
Office supplies	41,450	35,650	40,958	(5,308)
Other expenses	65,000	70,800	35,821	34,979
Repairs and maintenance	258,000	258,000	181,740	76,260
Salaries and payroll	788,908	788,908	872,905	(83,997)
Supplies	52,300	52,300	58,652	(6,352)
Utilities	175,710	175,710	142,025	33,685
Total expenditures	1,466,068	1,466,068	1,411,316	54,752
Excess of revenues over (under) expenditures	251,219	251,219	273,064	21,845
OTHER FINANCING SOURCES (USES)				
Transfer from (to) other funds	(150,000)	(213,000)	(213,000)	-
Total other financing sources (uses)	(150,000)	(213,000)	(213,000)	-
Net change in fund balance	\$ 101,219	\$ 38,219	60,064	\$ 21,845
Fund balance, beginning of year			329,503	
Fund balance, end of year			\$ 389,567	

See independent auditor's report.

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

	<u>Budget</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Investment income	\$ -	\$ -	\$ 30,602	\$ 30,602
Total revenues	-	-	30,602	30,602
<u>EXPENDITURES</u>				
Legal	10,000	2,000	-	2,000
Capital expenditures	930,000	363,200	312,323	50,877
Total expenditures	940,000	365,200	312,323	50,877
Excess of revenues over (under) expenditures	(940,000)	(365,200)	(281,721)	81,479
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer from (to) other funds	450,000	996,978	(1,928,554)	(2,925,532)
Total other financing sources (uses)	450,000	996,978	(1,928,554)	(2,925,532)
Net change in fund balance	<u>\$ (490,000)</u>	<u>\$ 631,778</u>	(2,210,275)	<u>\$ (2,844,053)</u>
Fund balance, beginning of year			2,572,890	
Fund balance, end of year			<u>\$ 362,615</u>	

See independent auditor's report.

**MERIDIAN SERVICE METROPOLITAN DISTRICT
WATER FUND
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED DECEMBER 31, 2020**

	Budget		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Service charges	\$ 2,553,283	\$ 2,695,580	\$ 2,756,901	\$ 61,321
Meter services	123,000	235,817	214,662	(21,155)
Total revenues	<u>2,676,283</u>	<u>2,931,397</u>	<u>2,971,563</u>	<u>40,166</u>
EXPENSES				
Operations	579,830	844,500	379,626	464,874
Engineering	50,000	47,350	58,403	(11,053)
Payroll	395,176	383,250	392,767	(9,517)
Repairs and maintenance	41,000	20,500	427,185	(406,685)
Accounting and management	73,280	59,000	59,571	(571)
Capital outlay	1,248,692	1,639,000	1,639,123	(123)
Dues and subscriptions	4,000	2,100	1,997	103
Insurance	55,000	44,600	44,292	308
Legal	20,000	10,700	11,493	(793)
Office expense	8,000	8,900	9,378	(478)
Miscellaneous expenses	20,000	12,900	6,075	6,825
Utilities	438,200	436,000	451,147	(15,147)
Total operating expenses	<u>2,933,178</u>	<u>3,508,800</u>	<u>3,481,057</u>	<u>27,743</u>
Operating income (loss)	<u>(256,895)</u>	<u>(577,403)</u>	<u>(509,494)</u>	<u>67,909</u>
NONOPERATING REVENUES AND (EXPENSES)				
Facilities fees	1,742,500	2,519,500	2,902,000	382,500
Miscellaneous income	9,500	35,145	23,671	(11,474)
Fees transferred to Meridian Ranch Metropolitan District	<u>(1,742,500)</u>	<u>(2,439,500)</u>	<u>(3,094,000)</u>	<u>(654,500)</u>
Net nonoperating revenues (expenses)	<u>9,500</u>	<u>115,145</u>	<u>(168,329)</u>	<u>(283,474)</u>
Income (loss) before other financing sources (uses)	<u>(247,395)</u>	<u>(462,258)</u>	<u>(677,823)</u>	<u>(215,565)</u>
OTHER FINANCING SOURCES (USES)				
Transfer from (to) other funds	-	-	2,575,110	2,575,110
Intergovernmental revenues	<u>750,000</u>	<u>4,184,000</u>	<u>4,217,062</u>	<u>33,062</u>
Net other financing sources (uses)	<u>750,000</u>	<u>4,184,000</u>	<u>6,792,172</u>	<u>2,608,172</u>
Change in net position	<u>\$ 502,605</u>	<u>\$ 3,721,742</u>	6,114,349	<u>\$ 2,392,607</u>
Net position, beginning of year			<u>2,427,743</u>	
Net position, end of year			<u>\$ 8,542,092</u>	

See independent auditor's report.

**MERIDIAN SERVICE METROPOLITAN DISTRICT
RECONCILIATION OF BUDGETARY BASIS (ACTUAL) TO STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET POSITION
WATER FUND
YEAR ENDED DECEMBER 31, 2020**

The accompanying schedule of revenues, expenses and changes in net position - budget and actual presents comparisons of the legally adopted budget with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with US GAAP, a reconciliation of differences for the year ended December 31, 2020 is presented below.

Revenues - budgetary basis	\$ 12,689,406
Contributed assets	2,152,385
Revenues per statement of revenues, expenses, and changes in net position	\$ 14,841,791
Expenditures - budgetary basis	\$ 6,575,057
Depreciation	1,047,872
Capital outlay	(1,639,123)
Interest expense	465,774
Change in net assets per statement of revenues, expenses and changes in net position	\$ 6,449,580

See independent auditor's report.

**MERIDIAN SERVICE METROPOLITAN DISTRICT
SEWER FUND
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED DECEMBER 31, 2020**

	Budget		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Service charges	\$ 1,518,466	\$ 1,534,125	\$ 1,565,576	\$ 31,451
Total revenues	1,518,466	1,534,125	1,565,576	31,451
EXPENDITURES				
Operations	530,970	662,970	519,815	143,155
Engineering	150,000	210,000	228,326	(18,326)
Payroll	414,792	323,450	339,287	(15,837)
Repairs and maintenance	10,000	6,700	62,075	(55,375)
Accounting and management	72,380	57,870	57,818	52
Dues and subscriptions	4,500	1,000	764	236
Insurance	45,000	45,000	43,484	1,516
Legal	235,000	420,000	530,958	(110,958)
Office expense	12,000	12,400	12,817	(417)
Miscellaneous expenses	3,500	9,475	15,594	(6,119)
Utilities	7,000	4,700	68,668	(63,968)
Capital outlay	954,000	387,800	655,313	(267,513)
Total operating expenses	2,439,142	2,141,365	2,534,919	(393,554)
Operating income (loss)	(920,676)	(607,240)	(969,343)	(362,103)
NONOPERATING REVENUES AND (EXPENSES)				
Facilities fees	2,864,570	3,979,500	5,581,452	1,601,952
Miscellaneous income	-	53,500	43,548	(9,952)
Fees transferred to Meridian Ranch Metropolitan District	(1,742,500)	(2,439,500)	(3,094,000)	(654,500)
Net nonoperating revenues (expenses)	1,122,070	1,593,500	2,531,000	937,500
Income (loss) before other financing sources (uses)	201,394	986,260	1,561,657	575,397
OTHER FINANCING SOURCES (USES)				
Transfer from (to) other funds	-	(750,000)	849,832	1,599,832
Contributions to other governments	-	-	(2,985,929)	(2,985,929)
Intergovernmental revenues	100,000	100,000	88,561	(11,439)
Net other financing sources (uses)	100,000	(650,000)	(2,047,536)	(1,397,536)
Change in net position	\$ 301,394	\$ 336,260	(485,879)	\$ (822,139)
Net position, beginning of year			1,957,731	
Net position, end of year			\$ 1,471,852	

See independent auditor's report.

**MERIDIAN SERVICE METROPOLITAN DISTRICT
RECONCILIATION OF BUDGETARY (ACTUAL) BASIS TO STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET POSITION
SEWER FUND
YEAR ENDED DECEMBER 31, 2020**

The accompanying schedule of revenues, expenses and changes in net position - budget and actual presents comparisons of the legally adopted budget with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with US GAAP, a reconciliation of differences for the year ended December 31, 2020 is presented below.

Revenues - budgetary basis	\$ 8,128,969
Contributed assets	2,860,623
Revenues per statement of revenues, expenses, and changes in net position	\$ 10,989,592
Expenditures - budgetary basis	\$ 8,614,848
Depreciation	568,043
Capital outlay	(655,313)
Change in net assets per statement of revenues, expenses and changes in net position	\$ 8,527,578

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