

MERIDIAN RANCH METROPOLITAN DISTRICT
El Paso County, Colorado

FINANCIAL STATEMENTS
December 31, 2023

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Meridian Ranch Metropolitan District

Opinions

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, and each major fund of Meridian Ranch Metropolitan District, as of and for the year ended December 31, 2023, and the related notes to the financial statements, and the budgetary comparison schedules for the General Fund and the Conservation Trust Fund, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, and each major fund of Meridian Ranch Metropolitan District, as of December 31, 2023, and the respective changes in financial position, and the respective budgetary comparison for the General Fund and Conservation Trust Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management 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, 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 Meridian Ranch Metropolitan 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.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Meridian Ranch Metropolitan District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Meridian Ranch Metropolitan 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 omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Meridian Ranch Metropolitan District's basic financial statements. The supplemental information, as listed in the table of contents, is 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 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 supplementary information, as listed in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the report. The other information comprises the Schedule of Debt Service Requirements to Maturity and the Summary of Assessed Valuation, Mill Levy and Property Taxes Collected. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Haynie & Company

Littleton, Colorado

September 17, 2024

BASIC FINANCIAL STATEMENTS

MERIDIAN RANCH METROPOLITAN DISTRICT
STATEMENT OF NET POSITION (DEFICIT)
December 31, 2023

	Primary Government - Governmental Activities	Component Unit
ASSETS		
Cash and investments - unrestricted	\$ 1,210,494	\$ 272,947
Cash and investments - restricted	1,102,187	20,028,833
Prepaid expenditures	5,576	-
Receivable from county treasurer	25,832	3,395
Due from component unit	41,368	-
Property taxes receivable	4,285,998	705,361
Total assets	6,671,455	21,010,536
LIABILITIES		
Accounts payable	19,037	-
Due to primary government	-	41,368
Accrued interest payable	237,333	115,539
Due to Meridian Service MD	-	443,044
Long-term obligations - due within one year	470,000	-
Noncurrent liabilities:		
Long-term obligations	56,490,000	20,875,000
Total liabilities	57,216,370	21,474,951
DEFERRED INFLOWS OF RESOURCES		
Deferred property tax revenue	4,285,998	705,361
Total deferred inflows of resources	4,285,998	705,361
NET POSITION (DEFICIT)		
Restricted for:		
Emergencies	4,000	1,500
Unrestricted	(54,834,913)	(1,171,276)
Total net position (deficit)	\$ (54,830,913)	\$ (1,169,776)

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

**MERIDIAN RANCH METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2023**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Component Unit
Primary Government:						
Governmental activities:						
General government	\$ 584,864	\$ -	\$ 1,062,832	\$ -	\$ 477,968	
Interest and expenses on long-term debt	7,502,432	-	-	-	(7,502,432)	
	<u>\$ 8,087,296</u>	<u>\$ -</u>	<u>\$ 1,062,832</u>	<u>\$ -</u>	<u>(7,024,464)</u>	
Component Unit:						
Meridian Ranch Metropolitan District 2018 Subdistrict	<u>\$ 1,933,411</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ (1,933,411)</u>
General Revenues:						
Property taxes					3,253,503	422,041
Specific ownership taxes					340,441	44,191
Meridian Service MD - IGA					-	30,000
Interest					175,520	1,004,570
Total general revenues					<u>3,769,464</u>	<u>1,500,802</u>
Change in net position					(3,255,000)	(432,609)
Net position (deficit) - beginning					(51,575,913)	(737,167)
Net position (deficit) - ending					<u>\$ (54,830,913)</u>	<u>\$ (1,169,776)</u>

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

**MERIDIAN RANCH METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2023**

	General	Conservation Trust	Debt Service	Governmental Funds
ASSETS				
Cash and investments - unrestricted	\$ 1,210,494	\$ -	\$ -	\$ 1,210,494
Cash and investments - restricted	-	-	1,102,187	1,102,187
Prepaid expenditures	5,576	-	-	5,576
Receivable from county treasurer	4,510	-	21,322	25,832
Due from component unit	41,368	-	-	41,368
Property taxes receivable	599,795	-	3,686,203	4,285,998
Total assets	\$ 1,861,743	\$ -	\$ 4,809,712	\$ 6,671,455
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 19,037	\$ -	\$ -	\$ 19,037
Total liabilities	19,037	-	-	19,037
DEFERRED INFLOWS OF RESOURCES				
Deferred property tax revenue	599,795	-	3,686,203	4,285,998
Total deferred inflows of resources	599,795	-	3,686,203	4,285,998
FUND BALANCES				
Nonspendable:				
Prepaid expenditures	5,576	-	-	5,576
Assigned for next year's expenditures	48,655	-	-	48,655
Restricted:				
Emergency reserves	4,000	-	-	4,000
Debt service fund	-	-	1,123,509	1,123,509
Unassigned	1,184,680	-	-	1,184,680
Total fund balances	1,242,911	-	1,123,509	2,366,420
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES				
	\$ 1,861,743	\$ -	\$ 4,809,712	

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

Long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds		
Long-term obligations		(56,960,000)
Accrued interest on long-term obligations		(237,333)
Net position (deficit) of governmental activities		\$ (54,830,913)

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

MERIDIAN RANCH METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2023

	<u>General</u>	<u>Conservation Trust</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 568,061	\$ -	\$ 2,685,442	\$ 3,253,503
Specific ownership taxes	59,441	-	281,000	340,441
Conservation trust funds	-	62,832	-	62,832
Interest	78,959	-	96,561	175,520
Total revenues	<u>706,461</u>	<u>62,832</u>	<u>3,063,003</u>	<u>3,832,296</u>
EXPENDITURES				
<u>General</u>				
District management and accounting	33,532	-	-	33,532
Audit	27,541	-	-	27,541
County treasurer fees	8,527	-	40,311	48,838
Directors fees	5,600	-	-	5,600
Dues and subscriptions	639	-	-	639
Election	43,280	-	-	43,280
Insurance and bonds	5,125	-	-	5,125
Legal	6,443	-	-	6,443
Miscellaneous	606	-	1,601	2,207
Payroll taxes	428	-	-	428
<u>Debt service</u>				
Principal	-	-	235,000	235,000
Interest	-	-	2,756,481	2,756,481
Paying agent and cash management fees	-	-	4,406	4,406
Total expenditures	<u>131,721</u>	<u>-</u>	<u>3,037,799</u>	<u>3,169,520</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>574,740</u>	<u>62,832</u>	<u>25,204</u>	<u>662,776</u>
OTHER FINANCING SOURCES (USES)				
Intergovernmental revenues - Meridian Service				
Metropolitan District	-	-	1,000,000	1,000,000
Intergovernmental expense - Meridian Service				
Metropolitan District	<u>(350,000)</u>	<u>(62,832)</u>	<u>(4,645,603)</u>	<u>(5,058,435)</u>
Total other financing sources (uses)	<u>(350,000)</u>	<u>(62,832)</u>	<u>(3,645,603)</u>	<u>(4,058,435)</u>
NET CHANGES IN FUND BALANCES	224,740	-	(3,620,399)	(3,395,659)
FUND BALANCES - BEGINNING OF YEAR	1,018,171	-	4,743,908	5,762,079
FUND BALANCES - END OF YEAR	<u>\$ 1,242,911</u>	<u>\$ -</u>	<u>\$ 1,123,509</u>	<u>\$ 2,366,420</u>

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

**MERIDIAN RANCH METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2023**

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

Net change in fund balance - Total governmental funds	\$ (3,395,659)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The net effect of these differences in the treatment of long-term debt is as follows:

Loan principal payments	235,000
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Some expenses reported in the Statement of Activities do not require the use of financial resources and, therefore, are not reported as expenditures in governmental funds:

Net change in accrued interest on long-term obligations	<u>(94,341)</u>
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Change in net position of governmental activities	<u><u>\$ (3,255,000)</u></u>
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These financial statements should be read only in connection with the accompanying notes to financial statements.

**MERIDIAN RANCH METROPOLITAN DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended December 31, 2023**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 567,772	\$ 567,772	\$ 568,061	\$ 289
Specific ownership taxes	48,854	48,854	59,441	10,587
Interest	5,000	60,000	78,959	18,959
Total revenues	<u>621,626</u>	<u>676,626</u>	<u>706,461</u>	<u>29,835</u>
EXPENDITURES				
District management and accounting	30,000	30,000	33,532	(3,532)
Audit	13,000	26,500	27,541	(1,041)
County treasurer fees	8,517	8,517	8,527	(10)
Directors fees	12,000	12,000	5,600	6,400
Dues and subscriptions	1,500	1,500	639	861
Election	45,000	45,000	43,280	1,720
Insurance and bonds	5,000	6,500	5,125	1,375
Legal	5,000	5,000	6,443	(1,443)
Miscellaneous	1,000	1,000	606	394
Payroll taxes	918	918	428	490
Emergency reserve	14,200	14,200	-	14,200
Total expenditures	<u>136,135</u>	<u>151,135</u>	<u>131,721</u>	<u>19,414</u>
EXCESS OF REVENUES OVER EXPENDITURES				
	<u>485,491</u>	<u>525,491</u>	<u>574,740</u>	<u>49,249</u>
OTHER FINANCING USES				
Intergovernmental expense - Meridian Service				
Metropolitan District	(350,000)	(350,000)	(350,000)	-
Total other financing uses	<u>(350,000)</u>	<u>(350,000)</u>	<u>(350,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	135,491	175,491	224,740	49,249
FUND BALANCE - BEGINNING OF YEAR	<u>980,995</u>	<u>1,018,171</u>	<u>1,018,171</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,116,486</u>	<u>\$ 1,193,662</u>	<u>\$ 1,242,911</u>	<u>\$ 49,249</u>

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

**MERIDIAN RANCH METROPOLITAN DISTRICT
 CONSERVATION TRUST FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
 BUDGET AND ACTUAL
 Year Ended December 31, 2023**

	<u>Budget Amounts</u> <u>Original & Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
REVENUES			
Conservation trust funds	\$ 65,000	\$ 62,832	\$ (2,168)
Total revenues	<u>65,000</u>	<u>62,832</u>	<u>(2,168)</u>
EXPENDITURES			
Intergovernmental expense - Meridian Service Metropolitan District	65,000	62,832	2,168
Total expenditures	<u>65,000</u>	<u>62,832</u>	<u>2,168</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

MERIDIAN RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE 1 – DEFINITION OF REPORTING ENTITY

Meridian Ranch Metropolitan District (the District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized on May 5, 1998 concurrently with Meridian Service Metropolitan District (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 Districts also have limited fire protection powers in a cooperative manner with Falcon Fire Protection District. The Districts' service area is located in El Paso County, Colorado. The District is considered to be the financing district related to Meridian Service Metropolitan District (Meridian Service), the operating district (see Note 8).

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.

These financial statements include those of the District (primary government) and organizations for which the District is financially accountable (component units). The following component unit is included in the reporting entity: Meridian District 2018 Subdistrict. This component unit issues its own financial statements which can be obtained by contacting the District's Finance Department at 303-381-4960 or through the Office of the State Auditor at 303-869-3000.

Discretely Presented Component Unit

Meridian Ranch Metropolitan District 2018 Subdistrict - The District organized the Meridian Ranch Metropolitan District 2018 Subdistrict (Subdistrict or component unit) on July 11, 2018. Pursuant to the Special District Act, the Subdistrict is subject to the District's service plan and debt limitations. In addition, an intergovernmental agreement between the District and the Subdistrict provides for, among other things, limitations related to mill levy limitations and the issuance of additional indebtedness for the District and Subdistrict.

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

MERIDIAN RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies 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 primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues. The primary government is reported separately from the legally separate component unit.

The statement of net position reports all financial and capital resources of the primary government and its component unit. The difference between the assets plus deferred outflows of resources and liabilities plus deferred inflows of resources 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. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Expenditures for property and equipment are shown as increases in assets and redemptions of bonds, notes and developer advances are recorded as reductions in liabilities.

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, revenues are considered to be available if they are collected within 60 days of the end of the current period. The major sources of revenue subject to accrual are property taxes and specific ownership taxes. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid. All other revenue items are considered to be measurable and available only when cash is received.

MERIDIAN RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District reports the following major governmental funds:

The General Fund is the primary operating fund. It is used to account for all financial resources of the general government, except those required to be accounted for in another fund.

The Conservation Trust Fund is used to account for the receipt and spending of lottery proceeds.

The Debt Service Fund is used to account for the accumulation of resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs of the governmental funds.

When both restricted and unrestricted resources are available for use, restricted funds are used first, then unrestricted resources as they are needed.

Budgets

In accordance with the Local Government Budget Law of Colorado, the board of directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The 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. For the year ended December 31, 2023, supplementary appropriations approved by the District’s board of directors modified the appropriations in its General Fund and Debt Service Fund.

Pooled Cash and Investments

The District follows the practice of pooling cash 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.

Property Taxes

Property taxes are levied by the board of directors. The levy is based on assessed valuations determined by the county assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the county commissioners to assess the property tax obligation of 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, or at the taxpayers election, in equal installments in February and June. Delinquent taxpayers are notified in August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. Taxes collected are remitted monthly by the county treasurer.

MERIDIAN RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 inflows of resources related to property tax revenues are recorded as revenue in the year they are available or collected.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The revenue continues to be recognized when earned in the government-wide statements. There is one item that qualifies for reporting in this category. Accordingly, the item, deferred property tax revenue, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Fund Balances

Fund balances for governmental funds may consist of five classifications based on the relative strength of spending constraints:

Nonspendable fund balance – the portion of fund balance that cannot be spent because it is either not in spendable form (such as inventory and prepaids) or is legally or contractually required to be maintained intact.

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

Committed fund balance – the portion of fund balance constrained for specific purposes according to limitations imposed by the highest level of decision-making authorities, the board of directors, prior to the end of the current fiscal year. 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 above criteria.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, restricted funds are considered to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, amounts to have been spent first are considered to be out of committed funds, then assigned funds and finally unassigned funds, as needed, unless the board of directors has provided otherwise in its commitment or assignment actions.

**MERIDIAN RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023**

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2023 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments - unrestricted	\$	1,210,494
Cash and investments - restricted		1,102,187
		\$ 2,312,681
		\$ 2,312,681

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

Deposits with financial institutions	\$	1,039,130
Investments		1,273,551
		\$ 2,312,681
		\$ 2,312,681

As of December 31, 2023, the District’s cash deposits had a bank balance and carrying balance of \$1,039,130.

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 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. The District does not have formal policies for deposits. None of their deposits were exposed to custodial credit risk.

Investments

The District has not adopted formal investment policies; however, it follows state statutes regarding investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts and local government investment pools. None of the District’s investments are subject to custodial or concentration of credit 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 requirements.

**MERIDIAN RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Investments as of December 31, 2023 consist of the following:

<u>Investment</u>	<u>Maturity</u>	<u>Net Asset Value</u>
Colorado Local Government Liquid Asset Trust		
COLOTRUST PLUS+	Weighted average under 60 days	\$ 370,865
COLOTRUST EDGE	Weighted average under one year	902,686
		\$ 1,273,551

COLOTRUST

During 2023, the District invested in the Colorado Local Government Liquid Asset Trust (Colostrust), 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 Colostrust. The District invested in COLOTRUST PLUS+ (PLUS+) and COLOTRUST EDGE (EDGE), two of the three portfolios offered by Colostrust. PLUS+ operates similarly to a money market fund and each share is equal in value to \$1.00. There are no unfunded commitments, the redemption period frequency is daily and there is no redemption notice period. EDGE is an enhanced cash, variable net asset value (NAV) fund that offers next-day liquidity. Allowable investments in the PLUS+ portfolio include U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. EDGE is an enhanced cash, variable net asset value fund that offers next-day liquidity. Edge investments consist of money market instruments and medium-term notes designed for the short to intermediate reserve and surplus funds of Colorado governments.

A designated custodial bank serves as custodian for Colostrust investment portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for Colostrust investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by Colostrust. PLUS+ is rated AAAM by S&P Global Ratings and EDGE is rated AAAs/S1 by Fitch Ratings.

Cash and investments of \$1,102,187 are restricted in the Debt Service Fund for servicing the District's loan (Note 4).

Investment Valuation

Certain investments are measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**MERIDIAN RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023**

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

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 estimated using the 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 year end for which the investment evaluation was determined as follows.

Colotrust determines the NAV of the shares of each portfolio as of the close of business on each day. The NAV per share of each portfolio is computed by dividing the total value of the securities and other assets of the portfolios, less any liabilities, by the total outstanding shares of the portfolios. Liabilities, which include all expenses and fees of Colotrust, are accrued daily. The NAV is calculated at fair value using various inputs to determine value in accordance with FASB guidance. It is the goal of PLUS+ to maintain a NAV of \$1.00 per share, however changes in interest rates may affect the fair value of the securities held by Colotrust and there can be no assurance that the NAV will not vary from \$1.00 per share. EDGE does not seek to maintain a stable NAV. EDGE initially established a \$10.00 transactional share price. The principal value of an EDGE investment may fluctuate and could be greater or less than the share price at price of purchase, prior to redemption and at the time of redemption.

NOTE 4 – LONG-TERM OBLIGATIONS

The following is an analysis of changes in long-term obligations for the year ended December 31, 2023:

	Balance at December 31, 2022	Additions	Retirements	Balance at December 31, 2023	Due Within One Year
<u>Primary Government:</u>					
<i>Loans</i>					
Series 2022	\$ 57,195,000	\$ -	\$ (235,000)	\$ 56,960,000	\$ 470,000
	<u>\$ 57,195,000</u>	<u>\$ -</u>	<u>\$ (235,000)</u>	<u>\$ 56,960,000</u>	<u>\$ 470,000</u>
<u>Component Unit:</u>					
<i>Bonded debt</i>					
General obligation limited tax bonds, Series 2022	\$ 20,875,000	\$ -	\$ -	\$ 20,875,000	\$ -

The details of the District’s long-term obligations are as follows:

\$57,195,000 Limited Tax General Obligation Refunding Loan, Series 2022

On December 14, 2022, the District issued a Limited Tax General Obligation Refunding Loan, Series 2022 (Series 2022 Loan) in the principal amount of \$57,195,000. The Series 2022 Loan was issued for the purpose of refunding the District’s outstanding bond and loan obligations, paying the costs of issuance of the Series 2022 Loan, reducing interest costs and modifying certain contractual limitations. Principal payments are due on December 1. The Series 2022 Loan has a base fixed-rate interest of 5.00% subject to the default interest rate, taxable rate increase and post-maturity default interest rate (as discussed below) with a 30-year amortization and a December 1, 2032 maturity date. Interest is payable on June 1 and December 1.

MERIDIAN RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE 4 – LONG-TERM OBLIGATIONS (CONTINUED)

The Series 2022 Loan is subject to redemption prior to maturity beginning January 1, 2024 at the option of the District, as a whole but not in part upon payment of par, accrued interest and a redemption premium of 3.0% prior to January 1, 2025, 2.0 % prior to January 1, 2026 and 1.0% prior to January 1, 2027.

The Series 2022 Loan is secured by and payable from pledged revenues consisting of monies derived by the District from the following sources, net of any collection costs: (1) the Required Mill Levy (as defined below), (2) the portion of the specific ownership taxes allocable to the amount of the Required Mill Levy and (3) any other legally available monies which the District determines in its sole discretion to treat as pledged revenue. The Required Mill Levy consists of an ad valorem mill levy imposed upon all taxable property of the District each year in an amount which, when combined with other pledged revenues, including any monies in the revenue fund not required to be applied to the payment of the Series 2022 Loan in the current year, will generate property tax revenues of not less than the debt requirements for the next fiscal year. The District's current maximum mill levy is 48.00 mills, subject to adjustments related to future changes in the method of calculating the District's assessed valuation.

When any payment of principal or interest on the Series 2022 Loan is not paid on the due date, such delinquent amount shall begin to accrue interest at the default interest rate. The default interest rate is the sum of the base interest rate (or the rate as deemed in the event of a taxable rate increase, as applicable), plus 3.00%.

The base interest rate will increase to 6.39% if a determination of taxability is received and when interest on the Series 2022 Loan is first includable in gross income of the lender. In addition, if any loan balance is not paid on the maturity date, the then-applicable interest rate on the Series 2022 Loan will increase by 3.00%.

Significant events of default under the Series 2022 Loan include (a) the District fails or refuses to impose the Required Mill Levy or to apply the pledge revenue as required by the Series 2022 Loan agreement, (b) failure to pay principal and interest when due, (c) failure to observe or perform any of the covenants, agreements, duties or conditions as outlined in the Series 2022 Loan agreement, (d) misrepresentation of facts on financial documents furnished to the lender, (e) failure to enforce collection of pledged revenue, (f) any judgment or court order for the payment of money exceeding any applicable insurance coverage by more than \$100,000 in the aggregate is rendered against the District and the District fails to vacate, bond, stay, contest, pay, or satisfy such judgment or court order for 30 days, (g) a change occurs in the financial or operating conditions of the District, or the occurrence of any other event that in the lender's reasonable judgment will have a materially adverse impact on the ability of the District to generate pledge revenue sufficient to satisfy the District's obligations and the District fails to cure such condition within the time specified by the lender, (h) legal proceedings including bankruptcy, insolvency, reorganization, etc. as described in the Series 2022 Loan agreement, (i) financial documentation that ceases to be valid and binding or is declared null and void, (j) the District initiates, acquires, or consents to any proceedings to dissolve itself or to consolidate itself, (k) any funds or investments on deposit in, or otherwise to the credit of any of the funds or accounts established become subject to any writ, judgement, warrant, attachment, execution or similar process.

**MERIDIAN RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023**

NOTE 4 – LONG-TERM OBLIGATIONS (CONTINUED)

In addition to the application of the default interest rates, upon the occurrence and continuance of an event of default, the lender has the right to exercise any and all remedies available under the financing documents at law or in equity, including application of all amounts constituting collateral to the amounts due, in any order of priority as determined by the lender. Acceleration is not an available remedy for an event of default.

The District’s long-term obligation will mature as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 470,000	\$ 2,848,000	\$ 3,318,000
2025	500,000	2,824,500	3,324,500
2026	585,000	2,799,500	3,384,500
2027	615,000	2,770,250	3,385,250
2028	710,000	2,739,500	3,449,500
2029-2032	54,080,000	10,574,750	64,654,750
	<u>\$ 56,960,000</u>	<u>\$ 24,556,500</u>	<u>\$ 81,516,500</u>

Authorized Debt

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 16.00% per annum. As of December 31, 2023, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	<u>Total Authorized</u>	<u>Remaining at December 31, 2023</u>
Street improvements	\$ 29,435,000	\$ 6,942,496
Water	35,765,000	6,982,144
Sanitation	7,320,000	-
Safety protection	1,740,000	1,603,467
Park and recreation	7,620,000	-
Mosquito control	1,305,000	1,305,000
Television relay and translation	1,055,000	1,055,000
Transportation	260,000	260,000
Operations	500,000	235,193
Refunding	85,000,000	36,531,700
	<u>\$ 170,000,000</u>	<u>\$ 54,915,000</u>

MERIDIAN RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE 4 – LONG-TERM OBLIGATIONS (CONTINUED)

Per the service plan, the District is limited to issuing \$85,000,000 in refunding debt. In addition, the debt service mill levy for the District is capped at 50.000 mills, as adjusted for changes in the ratio of actual value to assessed value of property within the District. In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the Districts' service area.

The details of the Subdistrict's long-term obligation are as follows:

\$20,875,000 General Obligation Limited Tax Bonds, Series 2022

On December 21, 2022, the Subdistrict issued General Obligation Limited Tax Bonds (Series 2022 Bonds) in the principal amount of \$20,875,000. The Series 2022 Bonds were issued for the purpose of providing funds to (1) reimburse or pay for the costs of acquiring, constructing and installing public improvements related to development in the Subdistrict and (2) pay issuance and other costs in connection with the Series 2022 Bonds. Principal on the Series 2022 Bonds is due in varying amounts on December 1 from 2029 through 2052. The Series 2022 Bonds mature as follows: bonds totaling \$2,865,000 mature on December 1, 2037 (interest rate – 6.25%), bonds totaling \$3,310,000 mature on December 1, 2042 (interest rate – 6.50%) and the remaining bonds of \$14,700,000 mature on December 1, 2052 (interest rate of 6.75%). Interest on the Series 2022 Bonds is payable on June 1 and December 1.

The Series 2022 Bonds are subject to redemption prior to maturity beginning December 1, 2027, at the option of the Subdistrict, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities upon payment of par, accrued interest and a redemption premium equal to a percentage of the principal amount so redeemed, as follows: 3.0% prior to December 1, 2028, 2.0% prior to December 1, 2029 and 1.0% prior to December 1, 2030.

The Series 2022 Bonds are secured by and payable from pledged revenues consisting of monies derived by the District from the following sources, net of any collection costs: (1) the Required Mill Levy (as defined below), (2) the portion of the specific ownership taxes which is collected as a result of the imposition of the Required Mill Levy and (3) any other legally available monies which the Subdistrict determines to be treated as pledged revenue.

The Required Mill Levy is defined as the mill levy necessary to produce the amounts due, when combined with other pledged revenues, including any monies in the revenue fund not required to be applied to the payment of the Series 2022 Loan in the current year and reduced by the operations mill levy, to fund the bond fund for the relevant bond year and pay the Series 2022 Bonds as they become due. The operations mill levy for each year is the number of mills necessary to produce the dollar amount of the operations deduction. The operations deduction as determined by the Subdistrict for the levy year 2022 (for collection in 2023) is \$30,000 and is to be increased by 2% each levy year thereafter. The Subdistrict's current maximum mill levy is not to exceed 20 mills, subject to adjustments related to future changes in the method of calculating the Subdistrict's assessed valuation. The Subdistrict's mill levy cannot be less than 20 mills until such time as surplus funds are less than the required amounts.

**MERIDIAN RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023**

NOTE 4 – LONG-TERM OBLIGATIONS (CONTINUED)

The required maximum surplus amount is \$4,175,000 prior to the surplus fund conversion date and \$2,087,500 thereafter. Any excess pledged revenues are to be applied to the surplus fund until it reaches the required maximum surplus amount. The surplus fund conversion date is the first date on which the debt to assessed ratio is 25% or less and no amounts of principal or interest on the Series 2022 Bonds are due but unpaid. As of December 31, 2023 the surplus account balance was \$2,718,623.

Significant events of default by the Subdistrict under the Series 2022 Bonds include (i) failure to impose or collect the Required Mill Levy or apply other available pledged revenues, (ii) defaults in the performance or observance of any of the covenants, agreements or conditions in the indenture or the bond resolution and (iii) legal proceedings are filed under federal bankruptcy laws seeking to adjust the obligation represented by the Series 2022 bonds.

Upon the occurrence and continuance of an event of default, the trustee of the Series 2022 Bonds may seek receivership, file a suit for judgment or initiate other actions or special proceedings to enforce the rights of the trustee and the bondholders as outlined in the bond resolution and agreement. Due to the limited nature of the pledged revenues, failure to pay the principal or interest on the Series 2022 Bonds when due is not in itself an event of default as stated in the bond resolution. In addition, acceleration of the Series 2022 Bonds shall not be an available remedy for an event of default.

The Subdistrict’s long-term obligation will mature as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ -	\$ 1,386,463	\$ 1,386,463
2025	-	1,386,462	1,386,462
2026	-	1,386,463	1,386,463
2027	-	1,386,462	1,386,462
2028	-	1,386,463	1,386,463
2029-2033	1,125,000	6,834,811	7,959,811
2034-2038	2,295,000	6,321,062	8,616,062
2039-2043	3,595,000	5,429,900	9,024,900
2044-2048	5,505,000	3,994,989	9,499,989
2049-2052	8,355,000	1,663,537	10,018,537
	<u>\$ 20,875,000</u>	<u>\$ 31,176,612</u>	<u>\$ 52,051,612</u>

Authorized Debt

On November 6, 2018, a majority of the qualified electors of the Subdistrict authorized the issuance of indebtedness in an amount not to exceed \$189,000,000 at an interest rate not to exceed 12.00% per annum.

**MERIDIAN RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023**

NOTE 4 – LONG-TERM OBLIGATIONS (CONTINUED)

As of December 31, 2023, the Subdistrict had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Total Authorized	Remaining at December 31, 2023
Street improvements	\$ 29,435,000	\$ 6,942,496
Water	35,765,000	6,982,144
Sanitation	7,320,000	-
Safety protection	1,740,000	1,603,467
Park and recreation	7,620,000	-
Mosquito control	1,305,000	1,305,000
Television relay and translation	1,055,000	1,055,000
Transportation	260,000	260,000
Operations	500,000	235,193
Refunding	85,000,000	36,531,700
	\$ 170,000,000	\$ 54,915,000

As a component unit of the District, the Subdistrict is subject to the debt limitations and maximum debt service mill levy as set forth the service plan of the District (see Note 8 below).

NOTE 5 – FUND EQUITY

As of December 31, 2023, the classifications of fund equity are as follows:

Nonspendable fund balance

The amount of \$5,576 represents prepaid expenditures for the ensuing fiscal year and is therefore not in a spendable form.

Assigned fund balance

The assigned fund balance in the General Fund in the amount of \$48,655 is assigned for subsequent year's expenditures.

Restricted fund balances

The amount of \$4,000 in the General Fund is comprised of the emergency reserves that have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 11). The amount of \$1,123,509 in the Debt Service Fund is to be used exclusively for future payment of loan principal, interest and related costs (see Note 4).

Unassigned fund balance

The unassigned fund balance in the General Fund is \$1,184,680.

**MERIDIAN RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023**

NOTE 6 – NET POSITION (DEFICIT)

Net position consists of two components - restricted and unrestricted.

Restricted net position includes net position that is 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. Restricted net position as of December 31, 2023 are as follows:

Restricted net position:

TABOR emergency reserves (see Note 11)	\$ 4,000
	<u>\$ 4,000</u>

The District’s unrestricted net deficit as of December 31, 2023, totaled \$54,834,913. This deficit amount is primarily a result of the District being responsible for the financing and repayment of debt issued for public improvements constructed by Meridian Service pursuant to an intergovernmental agreement dated July 17, 2001.

NOTE 7 –AGREEMENTS

Pursuant to a facilities fee agreement dated January 18, 2006, entered into between the District and GTL Development, Inc., GTL Development, Inc. has agreed to guarantee the payment of any shortfall in scheduled collections of facilities fees by Meridian Service. Any shortfall not paid per the required payment date is subject to simple interest, from the due date, at a percentage rate of 12% per annum. During 2023, there were no payments received in connection with this agreement.

NOTE 8– INTERGOVERNMENTAL AGREEMENTS

2001 Intergovernmental Agreement

The District entered into an Intergovernmental Agreement with Meridian Service on July 17, 2001 (2001 IGA), as amended on March 26, 2013, to set forth rights and obligations of the Districts pursuant to their respective service plans. The Districts agreed that the facilities described in the service plans were needed by the District and that such facilities would benefit the residents and property owners in both Districts in terms of cost, quality and level of service.

Each of the Districts agreed that Meridian Service would own (subject to potential transfer to other governmental entities or authorities) operate, maintain and construct facilities benefiting both Districts and that the District would contribute to the costs of construction, operation and maintenance of such facilities through the issuance of bonds or a pledge of its ad valorem tax revenues. During 2023, the District transferred \$4,645,603 to Meridian Service for the costs of constructing and maintaining certain facilities and repayment of developer advances.

MERIDIAN RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE 8 –INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

The District issued limited tax general obligation bonds to meet its obligations as required under the 2001 IGA, the proceeds of which were transferred to Meridian Service. To assist in the repayment of the District's debt, Meridian Service is required to transfer revenue collected from facilities fees and/or user fees to the District (except for Latigo Trails tap fees). Under the 2001 IGA, such fees were established by Meridian Service. The 2013 amendment to the 2001 IGA allows each of the Districts to establish, revise, impose and collect fees and charges as permitted by Colorado Law for payment of debt obligations and facilities, operations and maintenance services. During 2023, the District recorded a transfer of \$1,000,000 from Meridian Service to assist in the repayment of debt issued by the District. The District also agreed to transfer Conservation Trust Fund collections to Meridian Service to be used by Meridian Service for eligible projects. During 2023, The District transferred \$62,832 to Meridian Service as required under the 2001 IGA.

2019 Intergovernmental Agreement Between Meridian Service Metropolitan District, Meridian Ranch Metropolitan District and Meridian Ranch Metropolitan District 2018 Subdistrict Regarding Subdistrict Infrastructure and Administrative Services

The District, Meridian Service and the Subdistrict entered into an intergovernmental agreement dated May 8, 2019 (2019 IGA) to provide Meridian Service with the responsibility for the construction, operation and maintenance of public improvements within the Subdistrict. The Subdistrict's responsibility was to obtain the financing for such improvements (the Subdistrict issued bonds in 2022 - see Note 4). Upon completion of construction, the Subdistrict is to convey all of the public improvements to Meridian Service and Meridian Service will be solely responsible for the operation, maintenance, insurance and repair of the improvements following the conveyance. As an additional consideration for the financing to be provided by the Subdistrict for the improvements, and the conveyance thereof, Meridian Service will provide administrative services as provided for in the 2019 IGA at no cost to the Subdistrict.

Intergovernmental Agreement Regarding Maximum Debt Service Mill Levy and Additional Debt Obligations

The District and Subdistrict entered into an intergovernmental agreement dated December 14, 2022 (2022 IGA) in order to 1) limit the number of mills that the District and the Subdistrict may impose for the payment of general obligation indebtedness, 2) facilitate the 2022 issuance of debt obligations by District and the Subdistrict and any additional general obligations of either such party in the future (payable from the debt service mill levy) and 3) limit the issuance of additional indebtedness by the District and the Subdistrict.

In accordance with the service plan, the ad valorem property taxes imposed by the District and the Subdistrict for the payment of debt obligations may not exceed, in the aggregate, the maximum mill levy cap as defined in the service plan. As a result, the number of mills available to be pledged by the District and Subdistrict for payment of the District's Series 2022 Loan and Subdistrict Series 2022 Bonds is limited to 70.07 mills, subject to adjustment as described in the service plan.

MERIDIAN RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE 8 – INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

The 2022 IGA provides that the District may issue a Series 2022 Note and the Subdistrict may issue Series 2022 Bonds and neither district may issue any refunding obligations thereof without the prior written consent of the other district. Each of the districts covenant that for so long as the 2022 debt obligations or any refunding obligations of either district is outstanding, it will not issue or incur any additional debt obligations without the consent of the other district, provided, however, that the districts may issue additional debt obligations without the prior written consent of the other district so long as the maximum debt service mill levy pledged for the repayment of such additional debt obligations is equal to or less than 48 mills for the District and equal to or less than 20 mills for the Subdistrict (as adjusted for changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut or abatement, as of collection year 2023, at which such time the residential assessment rate is 6.95%), provided however, that if, on or after collection year 2023, there are further changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut or abatement, the maximum mill levy provided will be increased or decreased to reflect such changes, such increases or decreases are to be determined by the District’s board of directors in good faith (such determination to be binding and final) 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. For purposes of the foregoing, a change in the ratio of actual valuation to assessed valuation shall be deemed to be a change in the method of calculating assessed valuation.

The effective date of the 2022 IGA commenced on the date of the issuance of the Subdistrict’s Series 2022 Bonds (December 21, 2022) and ends on the date upon which all debt obligations issued by the Subdistrict have been defeased or paid in full.

The occurrence or existence of any one or more of the following events shall be an event of default under the 2022 IGA and includes 1) untrue or incomplete representations made by either party that would have a material adverse effect upon the other party, 2) failure in the performance of any other of the covenants in the 2022 IGA that continues for sixty days after written notice and 3) commencement of any case, proceeding or other actions as outlined in the 2022 IGA.

Upon the occurrence and continuance of an event of default, any party may proceed to protect and enforce its rights against the party causing the event of default through suit, action or other proceedings in equity or at law as outlined in the 2022 IGA.

NOTE 9 – RELATED PARTIES

Some of the members of the District’s 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. In addition, the District and Subdistrict have the same board members.

MERIDIAN RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE 10 – RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, the District and Subdistrict 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). 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 at a cost that is considered economically appropriate. 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 for both the District and the Subdistrict. 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 11 – TAX, SPENDING AND DEBT LIMITATION

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, except Enterprises.

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.

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 revenues annually from any revenue sources other than ad valorem taxes of the District with regard to any limitations under TABOR. On November 6, 2018, a majority of the Subdistrict’s electors authorized the Subdistrict to collect and spend or retain in a reserve any and all revenues annually from any revenue sources other than ad valorem taxes of the Subdistrict with regard to any limitations under TABOR.

The management of both the District and the Subdistrict believe they are 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 and qualifications as an Enterprise will require judicial interpretation.

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

SUPPLEMENTARY INFORMATION

**MERIDIAN RANCH METROPOLITAN DISTRICT
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended December 31, 2023**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 2,683,809	\$ 2,683,809	\$ 2,685,442	\$ 1,633
Specific ownership taxes	230,926	281,000	281,000	-
Interest	15,000	96,000	96,561	561
Total revenues	<u>2,929,735</u>	<u>3,060,809</u>	<u>3,063,003</u>	<u>2,194</u>
EXPENDITURES				
<u>General</u>				
County treasurer fees	40,257	40,257	40,311	(54)
Miscellaneous	1,000	1,600	1,601	(1)
<u>Debt service</u>				
G.O. refunding loan 2022 - principal	235,000	235,000	235,000	-
G.O. refunding loan 2022 - interest	2,756,481	2,756,481	2,756,481	-
Paying agent fees	1,000	4,500	4,406	94
Total expenditures	<u>3,033,738</u>	<u>3,037,838</u>	<u>3,037,799</u>	<u>39</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(104,003)</u>	<u>22,971</u>	<u>25,204</u>	<u>2,233</u>
OTHER FINANCING SOURCES (USES)				
Intergovernmental revenues - Meridian Service Metropolitan District	1,000,000	1,000,000	1,000,000	-
Intergovernmental expenditures - Meridian Service Metropolitan District	<u>(4,500,000)</u>	<u>(4,650,000)</u>	<u>(4,645,603)</u>	<u>4,397</u>
Total other financing sources (uses)	<u>(3,500,000)</u>	<u>(3,650,000)</u>	<u>(3,645,603)</u>	<u>4,397</u>
NET CHANGE IN FUND BALANCE	(3,604,003)	(3,627,029)	(3,620,399)	6,630
FUND BALANCE - BEGINNING OF YEAR	<u>6,464,495</u>	<u>4,743,908</u>	<u>4,743,908</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 2,860,492</u>	<u>\$ 1,116,879</u>	<u>\$ 1,123,509</u>	<u>\$ 6,630</u>

OTHER INFORMATION

**MERIDIAN RANCH METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2023**

**\$57,195,000 Series 2022
Limited Tax General Obligation Loan
Dated December 14, 2022
Interest Rate of 5.00%
12/1/32 Balloon Maturity
Interest Due June 1 and December 1
Principal Due December 1**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 470,000	\$ 2,848,000	\$ 3,318,000
2025	500,000	2,824,500	3,324,500
2026	585,000	2,799,500	3,384,500
2027	615,000	2,770,250	3,385,250
2028	710,000	2,739,500	3,449,500
2029	745,000	2,704,000	3,449,000
2030	850,000	2,666,750	3,516,750
2031	890,000	2,624,250	3,514,250
2032	51,595,000	2,579,750	54,174,750
	<u>\$ 56,960,000</u>	<u>\$ 24,556,500</u>	<u>\$ 81,516,500</u>

**MERIDIAN RANCH METROPOLITAN DISTRICT
 MERIDIAN RANCH METROPOLITAN DISTRICT 2018 SUBDISTRICT
 SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**

December 31, 2023

\$20,875,000 Series 2022

General Obligation Limited Tax Bonds

Dated December 21, 2022

Interest Rates 6.25% - 6.75%

Interest Due June 1 and December 1

Principal Due December 1

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ -	\$ 1,386,463	\$ 1,386,463
2025	-	1,386,462	1,386,462
2026	-	1,386,463	1,386,463
2027	-	1,386,462	1,386,462
2028	-	1,386,463	1,386,463
2029	40,000	1,386,462	1,426,462
2030	190,000	1,383,963	1,573,963
2031	260,000	1,372,087	1,632,087
2032	310,000	1,355,837	1,665,837
2033	325,000	1,336,462	1,661,462
2034	380,000	1,316,150	1,696,150
2035	405,000	1,292,400	1,697,400
2036	465,000	1,267,087	1,732,087
2037	490,000	1,238,025	1,728,025
2038	555,000	1,207,400	1,762,400
2039	590,000	1,171,325	1,761,325
2040	665,000	1,132,975	1,797,975
2041	710,000	1,089,750	1,799,750
2042	790,000	1,043,600	1,833,600
2043	840,000	992,250	1,832,250
2044	935,000	935,550	1,870,550
2045	1,000,000	872,438	1,872,438
2046	1,100,000	804,938	1,904,938
2047	1,175,000	730,688	1,905,688
2048	1,295,000	651,375	1,946,375
2049	1,380,000	563,962	1,943,962
2050	1,510,000	470,812	1,980,812
2051	1,615,000	368,888	1,983,888
2052	3,850,000	259,875	4,109,875
	<u>\$ 20,875,000</u>	<u>\$ 31,176,612</u>	<u>\$ 52,051,612</u>

**MERIDIAN RANCH METROPOLITAN DISTRICT
SUMMARY OF ASSESSED VALUATION,
MILL LEVY AND PROPERTY TAXES COLLECTED
December 31, 2023**

Primary Government

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied for		Total Property Taxes		Percentage Collected to Levied
		General	Debt Service	Levied	Collected	
2013	\$ 29,753,280	5.000	20.000	\$ 743,832	\$ 743,742	99.99%
2014	\$ 31,142,120	5.000	20.000	\$ 778,553	\$ 778,385	99.98%
2015	\$ 34,296,400	5.000	20.000	\$ 857,410	\$ 855,766	99.81%
2016	\$ 40,482,280	5.000	20.000	\$ 1,012,057	\$ 1,011,847	99.98%
2017	\$ 46,161,800	5.000	20.000	\$ 1,154,045	\$ 1,152,815	99.89%
2018	\$ 51,952,220	5.500	21.998	\$ 1,428,582	\$ 1,428,881	100.02%
2019	\$ 60,871,200	5.500	21.998	\$ 1,673,836	\$ 1,656,327	98.95%
2020	\$ 73,253,360	5.500	21.998	\$ 2,014,321	\$ 2,014,059	99.99%
2021	\$ 78,587,920	5.500	21.998	\$ 2,161,011	\$ 2,160,734	99.99%
2022	\$ 97,902,950	5.500	21.998	\$ 2,692,135	\$ 2,691,724	99.98%
2023	\$ 103,231,360	5.500	25.998	\$ 3,251,581	\$ 3,253,503	100.06%
Estimated for the year ending December 31, 2024	\$ 139,002,330	4.315	26.519	\$ 4,285,998		

Component Unit

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied for		Total Property Taxes		Percentage Collected to Levied
		General	Debt Service	Levied	Collected	
2018	\$ -	0.000	0.000	\$ -	\$ -	0.00%
2019	\$ 605,750	10.000	0.000	\$ 6,058	\$ 6,058	100.00%
2020	\$ 2,535,620	10.000	0.000	\$ 25,356	\$ 25,360	100.02%
2021	\$ 5,714,660	10.000	0.000	\$ 57,147	\$ 57,022	99.78%
2022	\$ 14,594,460	10.000	0.000	\$ 145,944	\$ 145,944	100.00%
2023	\$ 21,102,010	0.000	20.000	\$ 422,040	\$ 422,041	100.00%
Estimated for the year ending December 31, 2024	\$ 35,268,070	0.000	20.000	\$ 705,361		

NOTE:

Property taxes collected in any one year include collection of delinquent property taxes assessed in prior years, as well as reductions for property tax refunds or abatements. Information received from the County Treasurer does not permit identification of specific year of assessment.