

**MERIDIAN SERVICE METROPOLITAN DISTRICT  
El Paso County, Colorado**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2023**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Meridian Service Metropolitan District

### Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Meridian Service Metropolitan District, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Meridian Service Metropolitan District, as of December 31, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof 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 the Meridian Service 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 opinions.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Meridian Service 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 the Meridian Service 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**

Accounting principles generally accepted in the United States of America require that the budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 opinions on the basic financial statements are 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 the Meridian Service 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.

*Haynie & Company*

Littleton, Colorado  
September 18, 2024

## **BASIC FINANCIAL STATEMENTS**

**MERIDIAN SERVICE METROPOLITAN DISTRICT  
STATEMENT OF NET POSITION  
DECEMBER 31, 2023**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b><u>ASSETS</u></b>			
Cash and investments	\$ 5,160,236	\$ 12,037,715	\$ 17,197,951
Cash and investments - restricted	-	1,769,548	1,769,548
Accounts receivable	434,412	632,962	1,067,374
Due from Meridian Ranch 2018 Subdistrict	443,044	45,944	488,988
Lease receivable	124,996	-	124,996
Prepaid expenses	110,821	82,311	193,132
Security deposit	3,900	12,180	16,080
Capital assets not being depreciated	520,501	6,338,137	6,858,638
Capital assets, net			
Park and recreation facilities	11,848,289	-	11,848,289
Vehicles and equipment	109,320	237,492	346,812
Water and sewer facilities	-	40,794,720	40,794,720
Right-to-use office building	55,751	-	55,751
Total assets	<u>18,811,270</u>	<u>61,951,009</u>	<u>80,762,279</u>
<b><u>LIABILITIES</u></b>			
Accounts payable	615,591	1,868,618	2,484,209
Accrued liabilities	41,707	31,971	73,678
Unearned revenue	8,197	-	8,197
Retainage payable	-	157,503	157,503
Noncurrent liabilities			
Due within one year	34,859	703,761	738,620
Due in more than one year	24,137	33,987,817	34,011,954
Total liabilities	<u>724,491</u>	<u>36,749,670</u>	<u>37,474,161</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Deferred lease inflows	120,081	-	120,081
Total deferred inflows of resources	<u>120,081</u>	<u>-</u>	<u>120,081</u>
<b><u>NET POSITION</u></b>			
Net investment in capital assets	12,474,865	43,558,505	56,033,370
Restricted			
Emergency reserve	11,000	-	11,000
Water and sewer	-	1,769,548	1,769,548
Unrestricted	5,480,833	(20,126,714)	(14,645,881)
Total net position	<u>\$ 17,966,698</u>	<u>\$ 25,201,339</u>	<u>\$ 43,168,037</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

**MERIDIAN SERVICE METROPOLITAN DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE 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	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 4,273,852	\$ 4,207,629	\$ -	\$ -	\$ (66,223)	\$ -	\$ (66,223)
Interest on debt obligations	1,595	-	-	-	(1,595)	-	(1,595)
Total governmental activities	4,275,447	4,207,629	-	-	(67,818)	-	(67,818)
<b>Business-type activities:</b>							
Water	3,312,551	3,684,604	-	3,561,412	-	3,933,465	3,933,465
Sewer	4,205,690	2,871,905	-	1,795,087	-	461,302	461,302
Total business-type activities	7,518,241	6,556,509	-	5,356,499	-	4,394,767	4,394,767
<b>Total</b>	<b>\$ 11,793,688</b>	<b>\$ 10,764,138</b>	<b>\$ -</b>	<b>\$ 5,356,499</b>	<b>(67,818)</b>	<b>4,394,767</b>	<b>4,326,949</b>
<b>General revenues:</b>							
Development inspection fees					-	42,875	42,875
Interest					885,901	82,545	968,446
Miscellaneous					23,016	39,883	62,899
Gain (loss) on disposal of assets					10,235	(2,774)	7,461
Intergovernmental revenues					855,876	4,645,603	5,501,479
Total general revenues					1,775,028	4,808,132	6,583,160
Change in net position					1,707,210	9,202,899	10,910,109
Net position - beginning of year					16,259,488	15,998,440	32,257,928
Net position - end of year					<u>\$ 17,966,698</u>	<u>\$ 25,201,339</u>	<u>\$ 43,168,037</u>

The accompanying Notes to Financial Statements are an integral part of these statements.



**MERIDIAN SERVICE METROPOLITAN DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2023**

	<u>Special Revenue</u>			<u>Capital Projects</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Parks and Grounds</u>	<u>Recreation</u>		
<b><u>ASSETS</u></b>					
Cash and investments	\$ 313,458	\$ 819,979	\$ 837,526	\$ 3,189,273	\$ 5,160,236
Accounts receivable	-	159,498	274,914	-	434,412
Due from Meridian Ranch 2018 Subdistrict	-	-	-	443,044	443,044
Lease receivable	124,996	-	-	-	124,996
Prepaid expenditures	11,616	40,460	58,745	-	110,821
Security deposit	2,300	1,300	300	-	3,900
Total assets	<u>\$ 452,370</u>	<u>\$ 1,021,237</u>	<u>\$ 1,171,485</u>	<u>\$ 3,632,317</u>	<u>\$ 6,277,409</u>
<b><u>LIABILITIES</u></b>					
Accounts payable	\$ 20,674	\$ 35,738	\$ 49,477	\$ 509,702	\$ 615,591
Accrued liabilities	2,282	5,126	34,299	-	41,707
Unearned revenue	-	-	8,197	-	8,197
Total liabilities	<u>22,956</u>	<u>40,864</u>	<u>91,973</u>	<u>509,702</u>	<u>665,495</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>					
Deferred lease inflows	120,081	-	-	-	120,081
Total deferred inflows of resources	<u>120,081</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>120,081</u>
<b><u>FUND BALANCES</u></b>					
Nonspendable:					
Prepaid expenditures	11,616	40,460	58,745	-	110,821
Security deposit	2,300	1,300	300	-	3,900
Restricted:					
Emergency reserve	11,000	-	-	-	11,000
Assigned:					
Parks and grounds	-	783,613	-	-	783,613
Recreation	-	-	850,467	-	850,467
Capital projects	-	-	-	3,122,615	3,122,615
Emergency reserve	-	145,000	160,000	-	305,000
Rate stabilization	-	10,000	10,000	-	20,000
Unassigned:					
General government	284,417	-	-	-	284,417
Total fund balances	<u>309,333</u>	<u>980,373</u>	<u>1,079,512</u>	<u>3,122,615</u>	<u>5,491,833</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 452,370</u>	<u>\$ 1,021,237</u>	<u>\$ 1,171,485</u>	<u>\$ 3,632,317</u>	

Amounts reported for 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, net 12,533,861

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Right-to-use lease liability (58,996)

Net position of governmental activities \$ 17,966,698

The accompanying Notes to Financial Statements are an integral part of these statements.

**MERIDIAN SERVICE METROPOLITAN DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Special Revenue</u>				<b>Total Governmental Funds</b>
	<u>General</u>	<u>Parks and Grounds</u>	<u>Recreation</u>	<u>Capital Projects</u>	
<b><u>REVENUES</u></b>					
Parks and grounds fees	\$ -	\$ 1,276,854	\$ -	\$ -	\$ 1,276,854
Street lighting fees	-	244,722	-	-	244,722
Recreation center fees	-	-	2,439,268	-	2,439,268
Fee based programming	-	-	167,556	-	167,556
Falcon Freedom Days donations	-	-	10,350	-	10,350
IGA revenue - Meridian Ranch MD	350,000	62,832	-	-	412,832
IGA revenues - Meridian Ranch 2018 Subdistrict	-	-	-	443,044	443,044
Lease revenue	16,755	-	-	-	16,755
Other revenues	-	30,078	38,801	-	68,879
Interest	280,047	1,408	-	604,446	885,901
Miscellaneous	667	3,879	4,194	-	8,740
Total revenues	<u>647,469</u>	<u>1,619,773</u>	<u>2,660,169</u>	<u>1,047,490</u>	<u>5,974,901</u>
<b><u>EXPENDITURES</u></b>					
General government	342,218	-	-	-	342,218
Parks and grounds	-	1,069,687	-	-	1,069,687
Recreation center	-	-	2,096,298	-	2,096,298
Capital expenditures	-	-	-	1,245,466	1,245,466
Total expenditures	<u>342,218</u>	<u>1,069,687</u>	<u>2,096,298</u>	<u>1,245,466</u>	<u>4,753,669</u>
Excess of revenues over (under) expenditures	<u>305,251</u>	<u>550,086</u>	<u>563,871</u>	<u>(197,976)</u>	<u>1,221,232</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>					
Proceeds from sale of assets	-	-	-	11,500	11,500
Transfer from (to) other funds	-	(307,095)	(205,857)	512,952	-
Total other financing sources (uses)	<u>-</u>	<u>(307,095)</u>	<u>(205,857)</u>	<u>524,452</u>	<u>11,500</u>
Net change in fund balances	305,251	242,991	358,014	326,476	1,232,732
Fund balances - beginning of year	4,082	737,382	721,498	2,796,139	4,259,101
Fund balances - end of year	<u>\$ 309,333</u>	<u>\$ 980,373</u>	<u>\$ 1,079,512</u>	<u>3,122,615</u>	<u>\$ 5,491,833</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

**MERIDIAN SERVICE METROPOLITAN DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2023**

A reconciliation reflecting the differences between the governmental funds net change in fund balances and change in net position reported for governmental activities in the statement of activities as follows:

Net change in fund balances - total governmental funds	\$	1,232,732
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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 and amortization expense.

Capital outlay		1,245,466
Net book value of asset disposal		(1,265)
Depreciation and amortization expense		(800,332)

Current year principal payments of long-term liabilities are shown as expenditures in the fund financials

Right-to-use lease liability		33,088
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Difference in timing of lease revenue recognized in the funds and government-wide statements based on change to corrected fund presentation of lease receivable.

		<u>(2,479)</u>
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Change in net position - governmental activities	\$	<u><u>1,707,210</u></u>
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The accompanying Notes to Financial Statements are an integral part of these statements.

**MERIDIAN SERVICE METROPOLITAN DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2023**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Current assets:			
Cash and investments	\$ 6,600,026	\$ 5,437,689	\$ 12,037,715
Cash and investments - restricted	750,373	1,019,175	1,769,548
Accounts receivable - user fees	342,725	290,237	632,962
Accounts receivable - other	21,075	24,869	45,944
Prepaid expenses	57,823	24,488	82,311
Deposits	6,090	6,090	12,180
Total current assets	<u>7,778,112</u>	<u>6,802,548</u>	<u>14,580,660</u>
Capital assets:			
Capital assets, not being depreciated	5,945,198	392,939	6,338,137
Capital assets, being depreciated	<u>26,792,794</u>	<u>14,239,418</u>	<u>41,032,212</u>
Total capital assets	<u>32,737,992</u>	<u>14,632,357</u>	<u>47,370,349</u>
Total assets	<u>\$ 40,516,104</u>	<u>\$ 21,434,905</u>	<u>\$ 61,951,009</u>
<b><u>LIABILITIES</u></b>			
Current liabilities:			
Accounts payable	\$ 1,553,970	\$ 314,648	\$ 1,868,618
Accrued liabilities	19,686	12,285	31,971
Retainage payable	144,249	13,254	157,503
Loan payable, current portion	<u>300,000</u>	<u>403,761</u>	<u>703,761</u>
Total current liabilities	<u>2,017,905</u>	<u>743,948</u>	<u>2,761,853</u>
Noncurrent liabilities :			
Loan payable, net of current portion	300,000	3,648,264	3,948,264
Due to Cherokee Metropolitan District	-	19,051,935	19,051,935
Developer advance and accrued interest	<u>10,987,618</u>	<u>-</u>	<u>10,987,618</u>
Total noncurrent liabilities	<u>11,287,618</u>	<u>22,700,199</u>	<u>33,987,817</u>
Total liabilities	<u>13,305,523</u>	<u>23,444,147</u>	<u>36,749,670</u>
<b><u>NET POSITION</u></b>			
Net investment in capital assets	21,006,125	22,552,380	43,558,505
Restricted	750,373	1,019,175	1,769,548
Unrestricted	<u>5,454,083</u>	<u>(25,580,797)</u>	<u>(20,126,714)</u>
Total net position (deficit)	<u>27,210,581</u>	<u>(2,009,242)</u>	<u>25,201,339</u>
Total liabilities and net position	<u>\$ 40,516,104</u>	<u>\$ 21,434,905</u>	<u>\$ 61,951,009</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

**MERIDIAN SERVICE METROPOLITAN DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION (DEFICIT)**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b><u>OPERATING REVENUES</u></b>			
Service charges	\$ 3,706,041	\$ 2,893,343	\$ 6,599,384
Total operating revenues	<u>3,706,041</u>	<u>2,893,343</u>	<u>6,599,384</u>
<b><u>OPERATING EXPENSES</u></b>			
Cost of services			
Operations	734,777	1,077,184	1,811,961
Engineering	47,129	13,633	60,762
Payroll	617,455	436,593	1,054,048
Repairs and maintenance	133,540	67,671	201,211
Administrative and general expenses			
Accounting and management	68,761	56,359	125,120
Depreciation	1,414,412	736,151	2,150,563
Insurance	42,160	34,736	76,896
Legal	16,327	6,420	22,747
Miscellaneous	4,120	6,495	10,615
Office expense	24,605	23,615	48,220
Total operating expenses	<u>3,103,286</u>	<u>2,458,857</u>	<u>5,562,143</u>
Operating income	<u>602,755</u>	<u>434,486</u>	<u>1,037,241</u>
<b><u>NONOPERATING REVENUES AND (EXPENSES)</u></b>			
Facilities fees	1,309,000	1,085,500	2,394,500
Fees transferred to Meridian Ranch	-	(1,000,000)	(1,000,000)
Loss on disposal of assets	-	(2,774)	(2,774)
Miscellaneous revenue	35,343	4,540	39,883
Interest expense	(209,265)	(746,833)	(956,098)
Interest income	16,873	65,672	82,545
Net nonoperating revenues and (expenses)	<u>1,151,951</u>	<u>(593,895)</u>	<u>558,056</u>
Income (loss) before other financing sources	<u>1,754,706</u>	<u>(159,409)</u>	<u>1,595,297</u>
<b><u>OTHER FINANCING SOURCES</u></b>			
Contributed assets	1,052,412	709,587	1,761,999
Debt forgiveness	1,200,000	-	1,200,000
Intergovernmental revenues	4,645,603	-	4,645,603
Net other financing sources	<u>6,898,015</u>	<u>709,587</u>	<u>7,607,602</u>
<b>CHANGE IN NET POSITION</b>	8,652,721	550,178	9,202,899
<b>NET POSITION (DEFICIT) - BEGINNING OF YEAR</b>	<u>18,557,860</u>	<u>(2,559,420)</u>	<u>15,998,440</u>
<b>NET POSITION (DEFICIT) - END OF YEAR</b>	<u>\$ 27,210,581</u>	<u>\$ (2,009,242)</u>	<u>\$ 25,201,339</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

**MERIDIAN SERVICE METROPOLITAN DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 3,677,752	\$ 2,857,318	\$ 6,535,070
Payments to vendors	<u>(396,250)</u>	<u>(1,534,227)</u>	<u>(1,930,477)</u>
Net cash provided by operating activities	<u>3,281,502</u>	<u>1,323,091</u>	<u>4,604,593</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Interest expense	-	(746,833)	(746,833)
Repayment of Cherokee liability	-	(63,086)	(63,086)
Repayments on loan	<u>(300,000)</u>	<u>(345,334)</u>	<u>(645,334)</u>
Net cash used in non-capital financing activities	<u>(300,000)</u>	<u>(1,155,253)</u>	<u>(1,455,253)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of capital assets	(5,097,463)	(450,608)	(5,548,071)
Interest income	16,873	65,672	82,545
Miscellaneous income	35,343	9,040	44,383
Facilities fees received	1,309,000	1,085,500	2,394,500
Facilities fees paid - IGA MRMD	-	(1,000,000)	(1,000,000)
Intergovernmental revenues	4,645,603	-	4,645,603
Developer reimbursement	<u>(1,200,000)</u>	<u>-</u>	<u>(1,200,000)</u>
Net cash flows used in capital and related financing activities	<u>(290,644)</u>	<u>(290,396)</u>	<u>(581,040)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	2,690,858	(122,558)	2,568,300
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>4,659,541</u>	<u>6,579,422</u>	<u>11,238,963</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 7,350,399</u>	<u>\$ 6,456,864</u>	<u>\$ 13,807,263</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income from operations	\$ 602,755	\$ 434,486	\$ 1,037,241
Adjustments to reconcile net income from operations to net cash provided by operating activities:			
Depreciation	1,414,412	736,151	2,150,563
Effects of changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	(28,289)	(36,025)	(64,314)
(Increase) decrease in prepaid expenses	(7,276)	17,120	9,844
Increase (decrease) in accounts payable	1,209,614	156,526	1,366,140
Increase (decrease) in retainage payable	88,159	13,254	101,413
Increase (decrease) in accrued liabilities	<u>2,127</u>	<u>1,579</u>	<u>3,706</u>
Net cash provided by operating activities	<u>\$ 3,281,502</u>	<u>\$ 1,323,091</u>	<u>\$ 4,604,593</u>

**NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES**

During 2023, the Developers forgave \$1,200,000 of accrued interest owed on developer advances.

The accompanying Notes to Financial Statements are an integral part of these statements.

**MERIDIAN SERVICE METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

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**NOTE 1 - DEFINITION OF REPORTING ENTITY**

Meridian Service Metropolitan District (District), 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's service area is located within El Paso County. 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, 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.

**NOTE 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. For the most part, 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 plus deferred inflows of resources and liabilities plus deferred outflows of resources 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. 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.

**MERIDIAN SERVICE METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

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**NOTE 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 grounds fund* - The parks and ground fund is a special revenue fund used to account for parks operations.

*Recreation fund* - The recreation fund is a special revenue fund used to account for 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 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.



**MERIDIAN SERVICE METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

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**NOTE 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. For the year ended December 31, 2023, supplementary appropriations approved by the District's board of directors modified the appropriations in the Recreation Fund, Water Fund and Sewer Fund.

Pooled cash and investments

The District follows the practice of pooling cash and investments of 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 original maturities of three months or fewer to be cash equivalents.

Accounts receivable

Accounts receivable include amounts due from customers for services provided and are reported, if necessary, net of an allowance for doubtful accounts.

Unearned revenues

The District reports unearned revenue in the government-wide statement of net position and in the fund financial statements. Unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the District before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liabilities for unearned revenue is removed from the statement of net position and revenue is recognized.

Leases

Lessor

The District entered into a lease agreement related to telecommunication equipment located on District property. The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental financial statements. At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

**MERIDIAN SERVICE METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Lessee

The District is a lessee for a noncancellable lease of office space. The District recognizes a lease liability reported with long-term debt and a right-to-use lease asset, reported with other capital assets, in the government-wide financial statements. At the commencement of a lease, the District measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. Lease assets are initially recorded at the initial measurement of the liability, plus lease payments made at or before commencement of the lease term. Subsequently, lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Key estimates and judgments for leases

A key estimate for leases is the discount rate used to discount the expected lease payments to present value. When this rate is not provided, the District uses its estimated incremental borrowing rate as the discount rate. The lease term includes the noncancellable period of the lease as well as the option renewals that are reasonably certain to be exercised.

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.

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

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.

Facility fees

A water tap fee and a sewer tap fee per single family equivalent unit are charged against properties within the District. Facility fees are due prior to issuance of a building permit.

**MERIDIAN SERVICE METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 balances*

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.

**MERIDIAN SERVICE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

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**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	\$ 17,197,951
Cash and investments - restricted	<u>1,769,548</u>
Total cash and investments	<u>\$ 18,967,499</u>

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

Deposits with financial institutions	\$ 1,638,441
Investments	<u>17,329,058</u>
	<u>\$ 18,967,499</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, 2023, the District's cash deposits had a bank balance of \$1,527,898 and a book balance of \$1,638,441.

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 requirement.

**MERIDIAN SERVICE METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

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**NOTE 3 - CASH AND 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, 2023, the District had the following in investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Colorado Local Liquid Asset Trust	Weighted average under 60 days	<u>\$17,329,058</u>

Colostrust

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 commission 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 AA Af/S1 by Fitch Ratings.

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 SERVICE METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

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**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 - LEASE RECEIVABLE**

The District receives payments under a long-term lease related to telecommunication equipment located on District property. The lease receivable is recorded in an amount equal to the present value of the expected future minimum lease payments received, discounted by an applicable interest rate of 3.25%. The lease expires on February 1, 2031. The lease is amortized as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 14,791	\$ 3,843	\$ 18,634
2025	15,279	3,355	18,634
2026	16,962	2,837	19,799
2027	17,761	2,271	20,032
2028	18,347	1,685	20,032
2029-2031	41,856	1,548	43,404
	<u>\$ 124,996</u>	<u>\$ 15,539</u>	<u>\$ 140,535</u>

**MERIDIAN SERVICE METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 5 - CAPITAL ASSETS**

An analysis of the changes in capital assets for governmental activities for the year ended December 31, 2023 follows:

	<b>Balance at December 31, 2022</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance at December 31, 2023</b>
<b>Governmental activities:</b>				
Capital assets being depreciated:				
Park and recreation facilities	\$ 17,536,086	\$ 662,013	\$ (9,687)	\$ 18,188,412
Vehicles and equipment	176,553	62,952	(43,129)	196,376
Right-to-use lease building	121,708	-	-	121,708
Total capital assets being depreciated	<u>17,834,347</u>	<u>724,965</u>	<u>(52,816)</u>	<u>18,506,496</u>
Less accumulated depreciation for:				
Park and recreation facilities	(5,616,093)	(733,715)	9,685	(6,340,123)
Vehicles and equipment	(95,756)	(33,166)	41,866	(87,056)
Right-to-use lease building	(32,506)	(33,451)	-	(65,957)
Total accumulated depreciation	<u>(5,744,355)</u>	<u>(800,332)</u>	<u>51,551</u>	<u>(6,493,136)</u>
Total capital assets being depreciated, net	<u>12,089,992</u>	<u>(75,367)</u>	<u>(1,265)</u>	<u>12,013,360</u>
Capital assets not being depreciated:				
Construction in progress	-	520,501	-	520,501
Total capital assets, not being depreciated	<u>-</u>	<u>520,501</u>	<u>-</u>	<u>520,501</u>
Governmental activities capital assets, net	<u>\$ 12,089,992</u>	<u>\$ 445,134</u>	<u>\$ (1,265)</u>	<u>\$ 12,533,861</u>

An analysis of the changes in capital assets for business-type activities for the year ended December 31, 2023 follows:

	<b>Balance at December 31, 2022</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance at December 31, 2023</b>
<b>Business-type activities:</b>				
Capital assets being depreciated:				
Water system facilities	\$ 41,298,780	\$ 2,942,239	\$ (9,098)	\$ 44,231,921
Sewer system facilities	21,726,527	743,296	-	22,469,823
Vehicles and equipment - Water	160,860	39,033	-	199,893
Vehicles and equipment - Sewer	259,111	59,733	(16,974)	301,870
Total capital assets being depreciated	<u>63,445,278</u>	<u>3,784,301</u>	<u>(26,072)</u>	<u>67,203,507</u>
Less accumulated depreciation for:				
Water system facilities	(16,160,911)	(1,379,598)	9,098	(17,531,411)
Sewer system facilities	(7,688,020)	(687,593)	-	(8,375,613)
Vehicles and equipment - Water	(72,795)	(34,814)	-	(107,609)
Vehicles and equipment - Sewer	(117,804)	(48,558)	9,700	(156,662)
Total accumulated depreciation	<u>(24,039,530)</u>	<u>(2,150,563)</u>	<u>18,798</u>	<u>(26,171,295)</u>
Total capital assets being depreciated, net	<u>39,405,748</u>	<u>1,633,738</u>	<u>(7,274)</u>	<u>41,032,212</u>
Capital assets not being depreciated:				
Water rights	257,085	-	-	257,085
Construction in progress - Water	2,519,510	5,058,430	(1,889,827)	5,688,113
Construction in progress - Sewer	22,519	404,129	(33,709)	392,939
Total capital assets not being depreciated	<u>2,799,114</u>	<u>5,462,559</u>	<u>(1,923,536)</u>	<u>6,338,137</u>
Business-type activities capital assets, net	<u>\$ 42,204,862</u>	<u>\$ 7,096,297</u>	<u>\$ (1,930,810)</u>	<u>\$ 47,370,349</u>

**MERIDIAN SERVICE METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 5 - CAPITAL ASSETS (CONTINUED)**

A reconciliation of cash and non-cash activity is as follows:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Total cash outlay	\$ 5,097,463	\$ 463,862	\$ 5,561,325
Construction in progress reclassifications	1,889,827	33,709	1,923,536
Contributed capital assets	1,052,412	709,587	1,761,999
Total additions	<u>\$ 8,039,702</u>	<u>\$ 1,207,158</u>	<u>\$ 9,246,860</u>

**NOTE 6 - LONG-TERM OBLIGATIONS**

An analysis of changes in the District's long-term obligations for the year ended December 31, 2023 is as follows:

	<u>Balance at December 31, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at December 31, 2023</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Right-to-use lease liability	\$ 92,084	\$ -	\$ (33,088)	\$ 58,996	\$ 34,859
Total governmental activities	<u>92,084</u>	<u>-</u>	<u>(33,088)</u>	<u>58,996</u>	<u>34,859</u>
<b>Business-type activities:</b>					
Cherokee arbitration loan	\$ 19,339,205	\$ -	\$ (56,584)	\$ 19,282,621	\$ 58,513
Cherokee arbitration loan - credit of issuance contra liability	(185,677)	-	6,752	(178,925)	(6,752)
Series 2021 loan	4,345,598	-	(345,334)	4,000,264	352,000
GTL development loan	900,000	-	(300,000)	600,000	300,000
Developer advances	4,254,341	-	(1,200,000)	3,054,341	-
Accrued interest - developer advances	8,924,012	209,265	(1,200,000)	7,933,277	-
Total business-type activities	<u>37,577,479</u>	<u>209,265</u>	<u>(3,095,166)</u>	<u>34,691,578</u>	<u>703,761</u>
	<u>\$ 37,669,563</u>	<u>\$ 209,265</u>	<u>\$ (3,128,254)</u>	<u>\$ 34,750,574</u>	<u>\$ 738,620</u>

Right-to-Use Lease Liability

The District entered into a lease agreement as lessee for the use of office space. The lease expires on August 25, 2025 with the option to extend through August 2032. At the commencement of the lease, the District measured the lease liability at the present value of payments expected to be made during the lease term using an interest rate of 3.25%.

The District's long-term obligations related to the right-to-use liability are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 34,859	\$ 865	\$ 35,724
2025	24,137	151	24,288
	<u>\$ 58,996</u>	<u>\$ 1,016</u>	<u>\$ 60,012</u>



**MERIDIAN SERVICE METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)**

Cherokee Arbitration Loan

Pursuant to an arbitration judgment payable related to the Chico Basin Wastewater Treatment Facility and Black Squirrel Basin Recharge Facility Intergovernmental Agreement (Arbitration Award) with Cherokee Metropolitan District (Cherokee), 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. The District's portion of these upgrades are expected to total approximately \$19,694,000.

On June 24, 2022, the District entered into an intergovernmental agreement with Cherokee under which the District agreed to fund its portion of the costs due to Cherokee under the Arbitration Award in payments equal to 45.8% of the payments due under Cherokee's Water and Wastewater Enterprise Revenue Bonds Series 2020 (Cherokee Bond). The District overpaid costs related to the issuance of the Cherokee Bond in the amount of \$195,905. The District is recovering this credit through reduced payments spread evenly over the term of the agreement. This agreement implies an interest rate of 3.3575%, annually. Semi-annual mandatory principal and interest payments are due on June 30 and December 31 and the agreement matures on June 1, 2050.

The District's portion of future payments under this agreement are expected to be as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 58,513	\$ 651,479	\$ 709,992
2025	60,508	649,483	709,991
2026	62,571	647,420	709,991
2027	64,705	645,287	709,992
2028	66,911	643,081	709,992
2029-2033	370,373	3,179,586	3,549,959
2034-2038	4,432,141	2,782,734	7,214,875
2039-2043	5,228,152	1,967,073	7,195,225
2044-2048	6,169,459	1,004,743	7,174,202
2049-2050	2,769,288	94,495	2,863,783
	<u>\$ 19,282,621</u>	<u>\$ 12,265,381</u>	<u>\$ 31,548,002</u>

Series 2021 Loan Agreement and Promissory Note

On December 10, 2021, the District entered into the Series 2021 Loan Agreement and Promissory Note (Loan) with a bank in the amount of \$4,676,000 for the purposes of: (a) paying or reimbursing Cherokee the costs of improvements to their wastewater system that the District has the right to 45.8% capacity of, including reimbursing amounts previously paid to Cherokee pursuant to the wastewater arbitration judgment; (b) funding an additional payment due to Cherokee for same; (c) funding a debt service reserve fund; and (d) paying costs incurred in connection with the Loan. The Loan bears interest at 2.15% per annum, payable semi-annually on June 1 and December 1, beginning in 2022. Annual mandatory principal payments are due on December 1 and the Loan matures on December 1, 2033. The auditors have tested the debt service coverage ratio covenant, and it meets the 110% requirement.

The District's long-term obligations related to the Loan are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 352,000	\$ 87,499	\$ 439,499
2025	359,000	79,587	438,587
2026	367,000	71,761	438,761
2027	375,000	63,761	438,761
2028	383,000	55,739	438,739
2029-2033	2,164,264	149,116	2,313,380
	<u>\$ 4,000,264</u>	<u>\$ 507,463</u>	<u>\$ 4,507,727</u>

**MERIDIAN SERVICE METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

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**NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)**

*Events of default*

Events of default occur if: (a) the District fails to apply the pledged revenue as required by the loan agreement or custodial agreement; (b) the District fails to observe or perform any of the covenants, agreements, or conditions; (c) any representation or warranty made by the District proves to be untrue or incomplete; (d) the occurrence and continuance of an event of default or an event of nonperformance under the custodial agreement or any of the other financing documents after the expiration of any grace period; (e) default in the payment of principal or interest when due on any financial obligation of the District; (f) the pledge revenue or any other security interest created fails to be fully enforceable with the priority required thereunder; (g) any judgment or court order for the payment of money exceeding any applicable insurance coverage by more than \$50,000 in 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; (h) a change occurs in the financial or operating conditions of the District that, in the lender's reasonable judgment, will have a materially adverse impact on the ability of the District to generate pledge revenue; (i) the District commences bankruptcy, insolvency or liquidation; (j) the loan agreement ceases to be valid; (k) the District's auditor delivers a qualified opinion with respect to the District's status as a going concern; (l) any funds or investments on deposit in any of the accounts established under the Loan shall become subject to any writ, judgment, warrant, attachment, execution or similar process.

*Remedies on occurrence of events of default for the loan*

Upon the occurrence and continuance of an event of default, the lender has the following rights and remedies: (a) exercise any and all remedies available under the custodial agreement; (b) exercise the lender's right of set-off to the extent necessary to satisfy any past-due obligation of the District on the loan; (c) take any other action or remedy available under the other financing documents or any other document, or at law or in equity, including without limitation injunctive relief and/or specific performance if the District has failed to impose sewer surcharge fees sufficient to pay operating expenses and pay the debt service due and owing on the loan and the District's share of the wastewater arbitration judgment.

GTL Development Loan

On July 13, 2022 the District entered into a sale and financing agreement with GTL Development, Inc. (Developer) to purchase, for \$900,000, the Developers 50% interest in the Tamlin Water System, including 50% capacity of the system, a 12" underground water distribution pipeline and water booster pump station along Tamlin Road in El Paso County to deliver water from Cherokee water tank to Woodmen Hills Metropolitan District (WHMD and the Tamlin Water System). The Tamlin Water System is to be operated by WHMD and the District is responsible for a proportionate share of the maintenance based on the direct annual proportion of usage. Interest free payments to the Developer is due in three equal payments of \$300,000 on February 1 each year in 2023, 2024 and 2025.

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. During 2023, the District repaid a portion of the outstanding obligation due to the Developer in the amount of \$1,200,000. The Developer agreed to reduce the accrued interest outstanding on the debt by the same amount as the principal payment made by the District. As a result, the transaction resulted in the forgiveness of debt in the amount of \$1,200,000.

**MERIDIAN SERVICE METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

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**NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)**

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, 2023, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	<u>Authorized</u>	<u>Issued</u>	<u>Remaining</u>
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 relay and translation	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>\$ -</u>	<u>\$170,000,000</u>

**NOTE 7 – COMMITMENTS**

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

The District adopted an employees' qualified money purchase plan and trust ("Plan") in accordance with Internal Revenue Code Section 401(a). The Plan is administered by Mission Square 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 aged 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 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 \$172,546 to the Plan during the year ended December 31, 2023.

**NOTE 8 - NET POSITION**

The District has a net position consisting of three components: net investment in capital assets, restricted and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of long-term obligations that are attributable to the acquisition, construction, or improvement of those assets.

**MERIDIAN SERVICE METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 8 - NET POSITION (CONTINUED)**

As of December 31, 2023, the District had net investment in capital assets as follows:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Net investment in capital assets:			
Capital assets, net	\$ 12,533,861	\$ 47,370,349	\$ 59,904,210
Retainage payable	-	(157,503)	(157,503)
Long-term obligations	(58,996)	(10,387,618)	(10,446,614)
Net investment in capital assets	<u>\$ 12,474,865</u>	<u>\$ 36,825,228</u>	<u>\$ 49,300,093</u>

Restricted net position includes balances with 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, 2023, as follows:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Restricted net position:			
Emergency reserve (Note 12)	\$ 11,000	\$ -	\$ 11,000
Sewer Fund	-	1,019,175	1,019,175
Water Fund	-	750,373	750,373
Restricted net position	<u>\$ 11,000</u>	<u>\$ 1,769,548</u>	<u>\$ 1,780,548</u>

Unrestricted net deficit of \$14,645,881 consists of net assets that do not meet the definition of net investment in capital assets or restricted net assets.

The Sewer Fund's unrestricted net deficit as of December 31, 2023 totaled \$25,580,797. This deficit amount is primarily a result of the District's obligation to repay Cherokee for the cost of improvements to the Cherokee wastewater treatment plant that does not have a corresponding asset. Repayment of the outstanding obligation plus accrued interest is to be made each year until the obligation is fully satisfied using revenues from the Sewer Fund including service charges and other available Sewer Fund revenues.

**NOTE 9 - INTERGOVERNMENTAL AGREEMENTS**

The District entered into an intergovernmental agreement with Meridian Ranch on July 17, 2001, as amended on March 26, 2013, 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.

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 were applied to the payment of public infrastructure costs or were utilized to pay all or a portion of Meridian Ranch's outstanding bonds. To assist in the repayment of Meridian Ranch's outstanding debt obligations, the District is required to transfer revenue collected from facility fees and/or user fees to Meridian Ranch. The water taps from Latigo Trails are not included in fees transferred to Meridian Ranch.

**MERIDIAN SERVICE METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

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**NOTE 9 - INTERGOVERNMENTAL AGREEMENTS (CONTINUED)**

During the year ended December 31, 2023, the District transferred a total of \$1,000,000 to Meridian Ranch to assist in the repayment of the debt obligations issued by Meridian Ranch.

During the year ended December 31, 2023, the District received a total of \$4,645,603 from Meridian Ranch for the costs of constructing and maintaining certain facilities and repayment of developer advances.

The District, Meridian Ranch and the Meridian Ranch Metropolitan District 2018 Subdistrict (Subdistrict) entered into an intergovernmental agreement dated May 8, 2019 to provide the District with the responsibility for the construction, operation and maintenance of public improvements within the Subdistrict. The Subdistrict issued bonds in 2022 to provide funds for such improvements. Upon completion of construction, the District will be solely responsible for the operation, maintenance, insurance and repair of the improvements. As an additional consideration for the financing provided by the Subdistrict for the improvements, the District will provide administrative services as provided for in the agreement at no cost to the Subdistrict.

The District entered into an intergovernmental agreement with Cherokee under which the District is to pay for its portion of the wastewater treatment costs incurred by Cherokee. The total amount paid to Cherokee in 2023 was \$794,066, which is included in sewer fund operations.

The District entered into an intergovernmental agreement with Woodmen Hills Metropolitan District (WHMD) on September 21, 2009, to set forth the rights and obligations of the District and WHMD for the operation of a sewer lift station that directs sewage to the Black Squirrel Wastewater Treatment Facility. The District owns and is responsible for the operation, maintenance and repair of the lift station and invoices WHMD monthly for its share of the costs of operations, maintenance and repairs. During the year ended December 31, 2023, the District collected \$101,367 under this agreement.

On September 11, 2014, as amended in 2020 and 2021, the District entered into an intergovernmental agreement with Sterling Ranch Metropolitan District No. 1 (Sterling Ranch) under which the District agreed to treat and deliver Sterling Ranch wastewater to the Cherokee plant from the District's sewer lift station and Sterling Ranch agreed to pay the District a connection fee prior to service, a monthly wastewater services fee, clean water fee and ongoing sewer tap fees through 2024. On May 31, 2022, Sterling Ranch assigned all of the rights, terms, conditions, obligations, title and interest in, to and under the agreement to Falcon Area Water and Wastewater Authority and the District accepted such assignment. During the year ended December 31, 2023, the District collected \$72,716 under this agreement.

**NOTE 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. In addition, one of the District's board members is also a board member of Meridian Ranch and Subdistrict.

**NOTE 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.

**MERIDIAN SERVICE METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

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**NOTE 11- RISK MANAGEMENT (CONTINUED)**

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.

**NOTE 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.

**REQUIRED SUPPLEMENTARY INFORMATION**

**MERIDIAN SERVICE METROPOLITAN DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<b>Original and Final Budget</b>	<b>Actual Amounts</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>			
IGA revenue - Meridian Ranch MD	\$ 350,000	\$ 350,000	\$ -
Lease revenue	18,650	16,755	(1,895)
Interest	-	280,047	280,047
Miscellaneous	150	667	517
Total revenues	<u>368,800</u>	<u>647,469</u>	<u>278,669</u>
<b>EXPENDITURES</b>			
<u>General and administrative</u>			
Accounting	1,000	2,387	(1,387)
Audit	24,000	44,085	(20,085)
Director fees	12,000	6,100	5,900
Dues, memberships and subscriptions	3,500	1,111	2,389
Election	6,000	1,580	4,420
Engineering and consulting	2,000	1,578	422
Insurance	5,400	5,268	132
Legal	80,000	62,139	17,861
Meals and travel	10,750	5,591	5,159
Miscellaneous	1,500	389	1,111
Payroll and related services	63,720	76,769	(13,049)
Personnel	21,400	21,146	254
2018 Subdistrict IGA expense	30,000	30,000	-
Emergency reserve 3%	11,060	-	11,060
<u>Operations and maintenance</u>			
Administrative	16,500	7,736	8,764
Repairs and maintenance	9,350	9,780	(430)
Office rental and utilities	66,100	66,559	(459)
Total expenditures	<u>364,280</u>	<u>342,218</u>	<u>22,062</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 4,520</u>	305,251	<u>\$ 300,731</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>		<u>4,082</u>	
<b>FUND BALANCE - END OF YEAR</b>		<u>\$ 309,333</u>	

The accompanying Notes to Financial Statements are an integral part of these statements.



**MERIDIAN SERVICE METROPOLITAN DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
PARKS AND GROUNDS FUND  
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<b>Original and Final Budget</b>	<b>Actual Amounts</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>			
Parks and grounds fees	\$ 1,224,640	\$ 1,276,854	\$ 52,214
Street lighting fees	237,710	244,722	7,012
IGA revenue - Meridian Ranch (CTF)	58,000	62,832	4,832
Other revenues	18,000	30,078	12,078
Interest	-	1,408	1,408
Miscellaneous	-	3,879	3,879
Total revenues	<u>1,538,350</u>	<u>1,619,773</u>	<u>81,423</u>
<b>EXPENDITURES</b>			
<u>General and administrative</u>			
Accounting	1,000	1,000	-
Customer billing	26,400	32,258	(5,858)
Engineering and consulting	7,700	6,030	1,670
Legal	2,500	-	2,500
Office expense	12,500	8,982	3,518
Payroll	257,880	230,822	27,058
Training, licenses and certification	4,500	1,878	2,622
Meals and travel	3,000	504	2,496
Miscellaneous	2,100	-	2,100
<u>Operations and maintenance</u>			
Landscape repair and maintenance	531,500	465,128	66,372
Hardscape repair and maintenance	26,000	2,429	23,571
Park maintenance	26,500	14,395	12,105
Pond maintenance	10,000	4,266	5,734
Planting replacements and seeding	105,000	72,073	32,927
Snow removal	10,000	4,012	5,988
Utilities	201,300	193,730	7,570
Insurance	18,100	20,282	(2,182)
Vandalism cost of repairs	1,000	779	221
Vehicle repair and maintenance	17,000	11,119	5,881
Total expenditures	<u>1,263,980</u>	<u>1,069,687</u>	<u>194,293</u>
Excess of revenues over expenditures	<u>274,370</u>	<u>550,086</u>	<u>275,716</u>
<b>OTHER FINANCING USES</b>			
Transfer to Capital Projects Fund	<u>(327,000)</u>	<u>(307,095)</u>	<u>19,905</u>
Total other financing uses	<u>(327,000)</u>	<u>(307,095)</u>	<u>19,905</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (52,630)</u>	<u>242,991</u>	<u>\$ 295,621</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>		<u>737,382</u>	
<b>FUND BALANCE - END OF YEAR</b>		<u>\$ 980,373</u>	

The accompanying Notes to Financial Statements are an integral part of these statements.

**MERIDIAN SERVICE METROPOLITAN DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
RECREATION FUND  
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES</u></b>				
Recreation center fees	\$ 2,387,780	\$ 2,439,000	\$ 2,439,268	\$ 268
Fee based programming	119,000	165,000	167,556	2,556
Falcon Freedom Days donations	11,000	10,000	10,350	350
Other revenues	23,500	36,000	38,801	2,801
Miscellaneous	-	4,000	4,194	194
Total revenues	<u>2,541,280</u>	<u>2,654,000</u>	<u>2,660,169</u>	<u>6,169</u>
<b><u>EXPENDITURES</u></b>				
<u>General and administrative</u>				
Accounting	1,000	1,000	1,000	-
Customer billing	37,800	54,000	53,069	931
Engineering and consulting	10,000	11,000	10,342	658
Legal	1,000	-	-	-
Office expense	45,500	39,000	38,127	873
Payroll	1,265,721	1,394,000	1,393,169	831
Training, licenses and certificates	2,000	2,000	1,826	174
Meals and travel	500	1,200	1,145	55
Credit card fees	8,500	8,500	8,401	99
Miscellaneous	2,500	-	-	-
<u>Events</u>				
District events	15,000	15,000	14,625	375
Falcon Freedom Days	35,000	36,000	35,650	350
<u>Operations and maintenance</u>				
Programming supplies	72,000	84,000	83,819	181
Repairs and maintenance	290,000	207,000	206,522	478
Security	14,000	5,000	4,014	986
Utilities	232,417	210,000	209,733	267
Mileage reimbursement	500	500	231	269
Insurance	31,725	33,000	32,900	100
Miscellaneous	-	1,100	1,071	29
Vehicle repair and maintenance	6,000	700	654	46
Total expenditures	<u>2,071,163</u>	<u>2,103,000</u>	<u>2,096,298</u>	<u>6,702</u>
Excess of revenues over expenditures	<u>470,117</u>	<u>551,000</u>	<u>563,871</u>	<u>12,871</u>
<b><u>OTHER FINANCING USES</u></b>				
Transfer to Capital Projects Fund	(200,000)	(206,000)	(205,857)	143
Total other financing uses	<u>(200,000)</u>	<u>(206,000)</u>	<u>(205,857)</u>	<u>143</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 270,117</u>	<u>\$ 345,000</u>	358,014	<u>\$ 13,014</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>			<u>721,498</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 1,079,512</u>	

The accompanying Notes to Financial Statements are an integral part of these statements.

## **SUPPLEMENTARY INFORMATION**

**MERIDIAN SERVICE METROPOLITAN DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>			
IGA revenue from MRMD 2018 Subdistrict	\$ 1,900,000	\$ 443,044	\$ (1,456,956)
Interest	-	604,446	604,446
Total revenues	<u>1,900,000</u>	<u>1,047,490</u>	<u>(852,510)</u>
<b>EXPENDITURES</b>			
Parks and grounds	364,722	319,814	44,908
Recreation	1,900,000	925,652	974,348
Other projects	200,000	-	200,000
Total expenditures	<u>2,464,722</u>	<u>1,245,466</u>	<u>1,219,256</u>
Excess of expenditures over revenues	<u>(564,722)</u>	<u>(197,976)</u>	<u>366,746</u>
<b>OTHER FINANCING SOURCES</b>			
Proceeds from sale of assets	-	11,500	11,500
Transfer from Parks and Grounds Fund	327,000	307,095	(19,905)
Transfer from Recreation Fund	200,000	205,857	5,857
Total other financing sources	<u>527,000</u>	<u>524,452</u>	<u>(2,548)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (37,722)</u>	326,476	<u>\$ 364,198</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>		<u>2,796,139</u>	
<b>FUND BALANCE - END OF YEAR</b>		<u>\$ 3,122,615</u>	

**MERIDIAN SERVICE METROPOLITAN DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUNDS AVAILABLE**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**WATER FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	Budget Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b><u>REVENUES</u></b>				
Water fees	\$ 3,676,480	\$ 3,692,900	\$ 3,672,859	\$ (20,041)
Development inspection fees	16,350	21,500	21,437	(63)
Reimbursed expenditures - IGA	72,500	16,650	11,745	(4,905)
Other revenues	18,000	30,000	35,343	5,343
Interest	-	13,000	16,873	3,873
Total revenues	3,783,330	3,774,050	3,758,257	(15,793)
<b><u>EXPENDITURES</u></b>				
<b><u>General and administrative</u></b>				
Accounting and management	62,600	62,600	68,761	(6,161)
Engineering/consulting	50,000	50,000	47,129	2,871
Legal	15,000	21,000	16,327	4,673
Meals and travel	2,300	1,000	126	874
Miscellaneous	2,000	2,000	-	2,000
Office expense	30,000	16,000	14,427	1,573
Office rent and utilities	11,850	10,800	10,178	622
Payroll	525,000	580,000	617,455	(37,455)
Training, licenses and certification	8,000	6,000	3,994	2,006
<b><u>Operations and maintenance</u></b>				
Insurance	52,200	43,000	42,160	840
Repairs and maintenance	145,000	135,500	133,540	1,960
Utilities	572,600	572,600	546,290	26,310
Water operations	731,250	239,700	188,487	51,213
<b><u>Capital</u></b>				
Capital outlay	9,340,000	9,002,100	5,097,463	3,904,637
Total expenditures	11,547,800	10,742,300	6,786,337	3,955,963
Excess of revenues over (under) expenditures	(7,764,470)	(6,968,250)	(3,028,080)	3,940,170
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Facility fees	1,150,000	1,150,000	1,309,000	159,000
Transfer from Meridian Ranch - IGA	4,500,000	4,500,000	4,645,603	145,603
Developer reimbursements	(880,000)	(1,500,000)	(1,500,000)	-
Total other financing sources (uses)	4,770,000	4,150,000	4,454,603	304,603
<b>NET CHANGE IN FUNDS AVAILABLE</b>	<b>\$ (2,994,470)</b>	<b>\$ (2,818,250)</b>	<b>1,426,523</b>	<b>\$ 4,244,773</b>
<b>FUNDS AVAILABLE - BEGINNING OF YEAR, as restated</b>			<b>4,633,684</b>	
<b>FUNDS AVAILABLE - END OF YEAR</b>			<b>\$ 6,060,207</b>	
<b>Funds available are defined as follows:</b>				
Current assets			\$ 7,778,112	
Less current liabilities			(1,717,905)	
Funds available			<b>\$ 6,060,207</b>	
<b>Reconciling difference between budgetary basis and generally accepted accounting principles (GAAP):</b>				
Net change in funds available			\$ 1,426,523	
Capital outlay			5,097,463	
Depreciation			(1,414,412)	
Developer reimbursement			1,500,000	
Forgiveness of interest on developer advances			1,200,000	
Contributed assets			1,052,412	
Interest expense			(209,265)	
Change in net position (GAAP Basis)			<b>\$ 8,652,721</b>	