

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

**FINANCIAL STATEMENTS**  
**December 31, 2019**

## TABLE OF CONTENTS

### INDEPENDENT AUDITOR’S REPORT

### BASIC FINANCIAL STATEMENTS

#### Government-wide Financial Statements

|  |      |
|--|------|
| Governmental Funds Balance Sheet / Statement of Net Position.....  | 1    |
| Statement of Governmental Fund Revenues, Expenditures and Change in<br>Fund Balances / Statement of Activities ..... | 2    |
| General Fund - Statement of Revenues, Expenditures and Change in<br>Fund Balance – Budget and Actual .....           | 3    |
| Conservation Trust Fund - Statement of Revenues, Expenditures and<br>Change in Fund Balance – Budget and Actual..... | 4    |
| Notes to Financial Statements.....   | 5-21 |

### SUPPLEMENTAL INFORMATION

|   |    |
|---|----|
| Debt Service Fund - Schedule of Revenues, Expenditures and Change<br>in Fund Balance – Budget and Actual..... | 22 |
|---|----|

### OTHER INFORMATION

|  |       |
|--|-------|
| Schedule of Debt Service Requirements to Maturity .....                    | 23-27 |
| Summary of Assessed Valuation, Mill Levy and Property Taxes Collected..... | 28    |

## **Independent Auditor's Report**

Board of Directors

### **Meridian Ranch Metropolitan District**

El Paso County, Colorado

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Meridian Ranch Metropolitan District as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Meridian Ranch Metropolitan District as of December 31, 2019, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplementary information as listed in the table of contents is presented for purposes of legal compliance and additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*L. Paul Goedecke P.C.*

L. Paul Goedecke, P.C.  
June 30, 2020

## **BASIC FINANCIAL STATEMENTS**

**MERIDIAN RANCH METROPOLITAN DISTRICT**  
**GOVERNMENTAL FUNDS BALANCE SHEET / STATEMENT OF NET POSITION**  
December 31, 2019

|   | General           | Conservation<br>Trust | Debt<br>Service     | Total<br>Governmental<br>Funds | Adjustments<br>(Note 12) | Statement of<br>Net Position |
|---|-------------------|-----------------------|---------------------|--------------------------------|--------------------------|------------------------------|
| <b>ASSETS</b>   |                   |                       |                     |                                |                          |                              |
| Cash and investments - unrestricted   | \$ 507,661        | \$ -                  | \$ -                | \$ 507,661                     | \$ -                     | \$ 507,661                   |
| Cash and investments - restricted   | 11,800            | -                     | 4,730,248           | 4,742,048                      | -                        | 4,742,048                    |
| Receivable from Meridian Service Metropolitan District                        | -                 | -                     | 208,000             | 208,000                        | -                        | 208,000                      |
| Receivable from county treasurer  | 4,217             | -                     | 14,056              | 18,273                         | -                        | 18,273                       |
| Receivable from Meridian Ranch Metropolitan<br>District 2018 Subdistrict      | 3,406             | -                     | -                   | 3,406                          | -                        | 3,406                        |
| Property taxes receivable   | 402,893           | -                     | 1,611,427           | 2,014,320                      | -                        | 2,014,320                    |
| Due from other funds  | 17,515            | -                     | -                   | 17,515                         | (17,515)                 | -                            |
| Total assets  | <u>\$ 947,492</u> | <u>\$ -</u>           | <u>\$ 6,563,731</u> | <u>\$ 7,511,223</u>            | <u>\$ (17,515)</u>       | <u>\$ 7,493,708</u>          |
| <b>LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES AND FUND BALANCES</b>       |                   |                       |                     |                                |                          |                              |
| <b>LIABILITIES</b>  |                   |                       |                     |                                |                          |                              |
| Accounts payable  | \$ 5,806          | \$ -                  | \$ -                | \$ 5,806                       | \$ -                     | \$ 5,806                     |
| Due to other funds  | -                 | -                     | 17,515              | 17,515                         | (17,515)                 | -                            |
| Interest payable  | -                 | -                     | -                   | -                              | 166,796                  | 166,796                      |
| Bonds and loans payable   |                   |                       |                     |                                |                          |                              |
| Due within one year   | -                 | -                     | -                   | -                              | 1,310,000                | 1,310,000                    |
| Due in more than one year   | -                 | -                     | -                   | -                              | 60,685,000               | 60,685,000                   |
| Total liabilities   | <u>5,806</u>      | <u>-</u>              | <u>17,515</u>       | <u>23,321</u>                  | <u>62,144,281</u>        | <u>62,167,602</u>            |
| <b>DEFERRED INFLOW OF RESOURCES</b>   |                   |                       |                     |                                |                          |                              |
| Deferred property tax revenue   | 402,893           | -                     | 1,611,428           | 2,014,321                      | -                        | 2,014,321                    |
| Total deferred inflows of resources   | <u>402,893</u>    | <u>-</u>              | <u>1,611,428</u>    | <u>2,014,321</u>               | <u>-</u>                 | <u>2,014,321</u>             |
| <b>FUND BALANCES</b>  |                   |                       |                     |                                |                          |                              |
| Nonspendable fund balance   |                   |                       |                     |                                |                          |                              |
| Restricted for:   |                   |                       |                     |                                |                          |                              |
| Emergency reserves  | 11,800            | -                     | -                   | 11,800                         | (11,800)                 | -                            |
| Debt service  | -                 | -                     | 4,934,788           | 4,934,788                      | (4,934,788)              | -                            |
| Unrestricted  | 526,993           | -                     | -                   | 526,993                        | (526,993)                | -                            |
| Total fund balances   | <u>538,793</u>    | <u>-</u>              | <u>4,934,788</u>    | <u>5,473,581</u>               | <u>(5,473,581)</u>       | <u>-</u>                     |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS<br/>OF RESOURCES AND FUND BALANCES</b> |                   |                       |                     |                                |                          |                              |
|   | <u>\$ 947,492</u> | <u>\$ -</u>           | <u>\$ 6,563,731</u> | <u>\$ 7,511,223</u>            |                          |                              |
| <b>NET POSITION</b>   |                   |                       |                     |                                |                          |                              |
| Restricted for:   |                   |                       |                     |                                |                          |                              |
| Debt service  |                   |                       |                     |                                | 4,934,788                | 4,934,788                    |
| Emergencies   |                   |                       |                     |                                | 11,800                   | 11,800                       |
| Unrestricted  |                   |                       |                     |                                | (61,634,803)             | (61,634,803)                 |
| Total net position  |                   |                       |                     |                                | <u>\$ (56,688,215)</u>   | <u>\$ (56,688,215)</u>       |

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 CHANGE IN FUND BALANCES / STATEMENT OF ACTIVITIES**  
**GOVERNMENTAL FUNDS**  
**Year Ended December 31, 2019**

|   | <u>General</u>    | <u>Conservation<br/>Trust</u> | <u>Debt<br/>Service</u> | <u>Total<br/>Governmental<br/>Funds</u> | <u>Adjustments<br/>(Note 12)</u> | <u>Statement of<br/>Activities</u> |
|---|-------------------|-------------------------------|-------------------------|---|----------------------------------|------------------------------------|
| <b>EXPENDITURES/EXPENSES</b>                      |                   |                               |                         |   |                                  |                                    |
| <u>General</u>                                    |                   |                               |                         |   |                                  |                                    |
| District management and accounting                | \$ 23,995         | \$ -                          | \$ -                    | \$ 23,995                               | \$ -                             | \$ 23,995                          |
| Audit   | 9,324             | -                             | -                       | 9,324                                   | -                                | 9,324                              |
| County treasurer fees                             | 5,024             | -                             | 20,092                  | 25,116                                  | -                                | 25,116                             |
| Directors fees                                    | 6,100             | -                             | -                       | 6,100                                   | -                                | 6,100                              |
| Dues and subscriptions                            | 571               | -                             | -                       | 571                                     | -                                | 571                                |
| Insurance and bonds                               | 4,876             | -                             | -                       | 4,876                                   | -                                | 4,876                              |
| Legal   | 1,142             | -                             | -                       | 1,142                                   | -                                | 1,142                              |
| Payroll taxes                                     | 390               | -                             | -                       | 390                                     | -                                | 390                                |
| Miscellaneous                                     | 668               | -                             | 505                     | 1,173                                   | -                                | 1,173                              |
| Intergovernmental expense - Meridian Service      |                   |                               |                         |   |                                  |                                    |
| Metropolitan District                             | 220,000           | 32,730                        | -                       | 252,730                                 | -                                | 252,730                            |
| <u>Debt service</u>                               |                   |                               |                         |   |                                  |                                    |
| Bond interest - Series 2008                       | -                 | -                             | 140,000                 | 140,000                                 | (9,781)                          | 130,219                            |
| Loan interest - Series 2013                       | -                 | -                             | 892,140                 | 892,140                                 | (2,249)                          | 889,891                            |
| Loan interest - Series 2014                       | -                 | -                             | 101,606                 | 101,606                                 | (229)                            | 101,377                            |
| Loan interest - Series 2018                       | -                 | -                             | 865,127                 | 865,127                                 | (403)                            | 864,724                            |
| Loan principal - Series 2013                      | -                 | -                             | 900,000                 | 900,000                                 | (900,000)                        | -                                  |
| Loan principal - Series 2014                      | -                 | -                             | 95,000                  | 95,000                                  | (95,000)                         | -                                  |
| Loan principal - Series 2018                      | -                 | -                             | 200,000                 | 200,000                                 | (200,000)                        | -                                  |
| Paying agent fees                                 | -                 | -                             | 200                     | 200                                     | -                                | 200                                |
| <b>Total expenditures/expenses</b>                | <u>272,090</u>    | <u>32,730</u>                 | <u>3,214,670</u>        | <u>3,519,490</u>                        | <u>(1,207,662)</u>               | <u>2,311,828</u>                   |
| <b>REVENUES</b>                                   |                   |                               |                         |   |                                  |                                    |
| <u>Program revenues</u>                           |                   |                               |                         |   |                                  |                                    |
| Facilities fees transferred from Meridian Service |                   |                               |                         |   |                                  |                                    |
| Metropolitan District                             | -                 | -                             | 3,264,000               | 3,264,000                               | -                                | 3,264,000                          |
| Conservation trust funds                          | -                 | 32,730                        | -                       | 32,730                                  | -                                | 32,730                             |
| <u>General revenues</u>                           |                   |                               |                         |   |                                  |                                    |
| Property taxes                                    | 331,290           | -                             | 1,325,037               | 1,656,327                               | -                                | 1,656,327                          |
| Specific ownership taxes                          | 46,766            | -                             | 155,885                 | 202,651                                 | -                                | 202,651                            |
| Interest  | 12,259            | -                             | 17,848                  | 30,107                                  | -                                | 30,107                             |
| <b>Total revenues</b>                             | <u>390,315</u>    | <u>32,730</u>                 | <u>4,762,770</u>        | <u>5,185,815</u>                        | <u>-</u>                         | <u>5,185,815</u>                   |
| <b>NET CHANGE IN FUND BALANCES / NET POSITION</b> | 118,225           | -                             | 1,548,100               | 1,666,325                               | 1,207,662                        | 2,873,987                          |
| <b>FUND BALANCE / NET POSITION</b>                |                   |                               |                         |   |                                  |                                    |
| <b>BEGINNING OF YEAR</b>                          | 420,568           | -                             | 3,386,688               | 3,807,256                               | (63,369,458)                     | (59,562,202)                       |
| <b>END OF YEAR</b>                                | <u>\$ 538,793</u> | <u>\$ -</u>                   | <u>\$ 4,934,788</u>     | <u>\$ 5,473,581</u>                     | <u>\$ (62,161,796)</u>           | <u>\$ (56,688,215)</u>             |

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, 2019**

|  | <b>Budget<br/>Amounts<br/><u>Original and Final</u></b> | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|---|---------------------------|---|
| <b>REVENUES</b>                              |   |                           |   |
| Property taxes                               | \$ 334,792  | \$ 331,290                | \$ (3,502)  |
| Specific ownership taxes                     | 33,000  | 46,766                    | 13,766  |
| Interest                                     | 500   | 12,259                    | 11,759  |
| Certified delinquent accounts - MSMD         | 11,600  | -                         | (11,600)  |
| Total revenues                               | <u>379,892</u>  | <u>390,315</u>            | <u>10,423</u>   |
| <b>EXPENDITURES</b>                          |   |                           |   |
| District management and accounting           | 30,000  | 23,995                    | 6,005   |
| Audit  | 15,000  | 9,324                     | 5,676   |
| Certified delinquent accounts - MSMD         | 11,600  | -                         | 11,600  |
| County treasurer fees                        | 5,022   | 5,024                     | (2)   |
| Directors fees                               | 6,000   | 6,100                     | (100)   |
| Dues and subscriptions                       | 1,500   | 571                       | 929   |
| Insurance and bonds                          | 5,000   | 4,876                     | 124   |
| Legal  | 28,000  | 1,142                     | 26,858  |
| Miscellaneous                                | 1,000   | 668                       | 332   |
| Payroll taxes                                | 400   | 390                       | 10  |
| Intergovernmental expense - Meridian Service |   |                           |   |
| Metropolitan District                        | 200,000   | 220,000                   | (20,000)  |
| Emergency reserve                            | 11,400  | -                         | 11,400  |
| Total expenditures                           | <u>314,922</u>  | <u>272,090</u>            | <u>42,832</u>   |
| <b>NET CHANGE IN FUND BALANCE</b>            | 64,970  | 118,225                   | 53,255  |
| <b>FUND BALANCE - BEGINNING OF YEAR</b>      | <u>370,520</u>  | <u>420,568</u>            | <u>50,048</u>   |
| <b>FUND BALANCE - END OF YEAR</b>            | <u>\$ 435,490</u>                                       | <u>\$ 538,793</u>         | <u>\$ 103,303</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, 2019**

|  | <u>Budget Amounts</u> |               | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|--|-----------------------|---------------|---------------------------|---|
|  | <u>Original</u>       | <u>Final</u>  |                           |   |
| <b>REVENUES</b>                              |                       |               |                           |   |
| Conservation trust funds                     | \$ 29,000             | \$ 33,500     | \$ 32,730                 | \$ (770)  |
| Total revenues                               | <u>29,000</u>         | <u>33,500</u> | <u>32,730</u>             | <u>(770)</u>  |
| <b>EXPENDITURES</b>                          |                       |               |                           |   |
| Intergovernmental expense - Meridian Service |                       |               |                           |   |
| Metropolitan District                        | <u>29,000</u>         | <u>41,170</u> | <u>32,730</u>             | <u>8,440</u>  |
| Total expenditures                           | <u>29,000</u>         | <u>41,170</u> | <u>32,730</u>             | <u>8,440</u>  |
| <b>NET CHANGE IN FUND BALANCE</b>            | -                     | (7,670)       | -                         | -   |
| <b>FUND BALANCE - BEGINNING OF YEAR</b>      | <u>-</u>              | <u>7,670</u>  | <u>-</u>                  | <u>-</u>  |
| <b>FUND BALANCE - END OF YEAR</b>            | <u>\$ -</u>           | <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, 2019**

**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 intended 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.

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

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 outflows of resources and liabilities plus deferred inflows of resources of the District is reported as net position.

**MERIDIAN RANCH METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

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

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

Separate financial statements are provided for the governmental funds and proprietary funds. Major individual governmental and enterprise 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 increased in assets and redemptions of bonds, notes and developer advances are recorded as reduction 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, the District considers revenues 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 by the District.

The District reports the following major governmental funds:

The General Fund is the District's 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.

**MERIDIAN RANCH METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

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

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted first, then unrestricted resources as they are needed.

**Budgets**

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

Subsequent to December 31, 2019, the District modified the appropriation from \$29,000 to \$41,170 in the Conservation Trust 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 District 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. The county treasurer remits the taxes collected monthly to the District.

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

**MERIDIAN RANCH METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

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

**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. The District has 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**

The District's governmental fund balances may consist of five classifications based on the relative strength of spending constraints:

Non-spendable fund balance – the portion of fund balance that cannot be spent because it is either not in spendable form (such as inventory) 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 District's highest level of decision making authority, 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, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds, as needed, unless the District board of directors has provided otherwise in its commitment or assignment actions.

**MERIDIAN RANCH METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019**

**NOTE 3 - CASH AND INVESTMENTS**

Cash and investments as of December 31, 2019 are classified in the accompanying financial statement as follows:

Statement of net position:

|                                     |    |              |
|-------------------------------------|----|--------------|
| Cash and investments – unrestricted | \$ | 507,661      |
| Cash and investments – restricted   |    | 4,742,048    |
|                                     |    | \$ 5,249,709 |

Cash and investments as of December 31, 2019 consist of the following:

|                                      |    |              |
|--------------------------------------|----|--------------|
| Deposits with financial institutions | \$ | 4,741,150    |
| Investments                          |    | 508,559      |
|                                      |    | \$ 5,249,709 |

**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.

At December 31, 2019, the District’s cash deposits had a bank balance of \$4,741,427 and a carrying balance of \$4,741,150.

**Investments**

**Credit Risk**

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

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

- Obligations of the United States and certain U.S. government agency securities and the World Bank
- General obligation and revenue bonds of U.S. local government entities

**MERIDIAN RANCH METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019**

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

- Bankers' acceptances of certain banks
- Commercial paper
- Certain reverse repurchase agreements
- Certain securities and lending arrangements
- Certain corporate bonds
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

The District generally limits its concentration of investments to those noted with an asterisk (\*) above, 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 of risk disclosure requirements or subject to investment custodial risk for investments that are in the possession of another party.

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.

As of December 31, 2019 the District had the following investments:

| <u>Investment</u>           | <u>Maturity</u>    | <u>Fair Value</u> |
|-----------------------------|--------------------|-------------------|
| Colorado Liquid Asset Trust | Less than one year | \$508,559         |

**COLOTRUST**

During 2019, the District invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commission administers and enforces all State statutes governing Colotrust. Colotrust operates similarly to a money market fund and each share is equal in value to \$1.00.

Colotrust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for the Colotrust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for Colotrust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by Colotrust. As of December 31, 2019, the District has \$508,559 invested in COLOTRUST PLUS+. ColoTrust is rated AAAM by S&P Global Ratings.

**MERIDIAN RANCH METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019**

**NOTE 4 – LONG-TERM OBLIGATIONS**

The following is an analysis of changes in long-term obligations for the year ended December 31, 2019:

|  | <u>Balance at<br/>December 31,<br/>2018</u> | <u>Additions</u> | <u>Retirements</u>    | <u>Balance at<br/>December 31,<br/>2019</u> | <u>Due Within<br/>One Year</u> |
|--|---|------------------|-----------------------|---|--------------------------------|
| <b>Governmental Activities</b>                   |   |                  |                       |   |                                |
| Subordinate general obligation<br>bonds payable: |   |                  |                       |   |                                |
| Series 2008 Bonds                                | \$ 7,000,000                                | \$ -             | \$ -                  | \$ 7,000,000                                | \$ -                           |
| Loans  |   |                  |                       |   |                                |
| Series 2013                                      | 29,120,000                                  | -                | (900,000)             | 28,220,000                                  | 960,000                        |
| Series 2014                                      | 3,170,000                                   | -                | (95,000)              | 3,075,000                                   | 100,000                        |
| Series 2018                                      | 23,900,000                                  | -                | (200,000)             | 23,700,000                                  | 250,000                        |
|  | <u>\$ 63,190,000</u>                        | <u>\$ -</u>      | <u>\$ (1,195,000)</u> | <u>\$61,995,000</u>                         | <u>\$ 1,310,000</u>            |

The details of the Districts long-term obligation are as follows:

**Direct Placement Debt:**

**\$27,715,000 Subordinate General Obligation Limited Tax Refunding Bonds, Series 2008, with remaining outstanding bonds in the amount of \$7,000,000 due December 15, 2037**

On October 8, 2008, the District issued Subordinate General Obligation Limited Tax Bonds (Series 2008 Bonds) dated October 8, 2008. The Series 2008 Bonds are due December 1, 2037, with interest rates (as amended in 2012 and 2020 as discussed in Note 13 below) of 5.00% through November 30, 2015; 6.00% from December 1, 2015 through November 30, 2017; 8.00% from December 1, 2017 through March 13, 2018 and 5% from March 14, 2018 until the bond is paid in full. Interest and principal payments are due annually on December 15. The Series 2008 Bonds are subject to redemption prior to maturity, at the option of the District, on any date, without redemption premium. The Series 2008 Bonds are also subject to mandatory sinking fund redemptions on December 1, 2012 and on each December 1 thereafter, prior to the maturity of the Series 2008 Bonds.

The Series 2008 Bonds are subordinate obligations of the District secured by and payable from pledged revenue 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 capital fees, (3) the portion of the specific ownership taxes which is collected as a result of the imposition of the Required Mill Levy and (4) any other legally available monies which the District determines to be treated as pledged revenue.



**MERIDIAN RANCH METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

**NOTE 4 – LONG-TERM OBLIGATIONS (CONTINUED)**

Required Mill Levy means an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient to pay principal, premium, if any, and interest on bonds as the same become due and payable. The maximum Required Mill Levy is 50.000 mills and the minimum Mill Levy is 20.000, adjusted for changes in the ratio of actual value to assessed value of property within the District. For collection year 2019, the District levied 21.998 mills for debt service.

Significant events of default under the Series 2008 Bonds include (i) failure to impose required mill levy (ii) failure to perform any of the covenants stated in the bond resolution as described in the Series 2008 Bond agreement and default continues for sixty days after written notice is given and (iii) legal proceeding are filed under federal bankruptcy laws seeking to adjust the debt represented by the bonds.

Upon the occurrence and continuance of an event of default, the owner of any bond may proceed to protect and enforce the rights of any owner under the bond resolution as stated in the Series 2008 Bond agreement. All such proceeding shall be instituted and maintained for the equal benefit of all owners of the bonds then outstanding.

Additionally, it is acknowledged that due to the limited nature of the pledged revenue, failure to pay the principal or interest on the bonds when due is not in itself an event of default as stated in the bond resolution.

**Direct Borrowing Debt:**

**\$33,500,000 Senior Tax-Exempt Loan, Refunding and Improvement Issue, Series 2013**

On March 28, 2013, the District obtained a Tax-Free Loan Refunding and Improvement Issue, Series 2013 (Series 2013 Loan), the proceeds of which were used to cancel the Series 2009 and the Series 2011 bonds, partially pay the 2008 subordinate debt and provide new construction money.

The Series 2013 Loan is secured by and payable on a parity basis with the Series 2018 Loan 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 discussed above), (2) the portion of the specific ownership taxes which is collected as a result of the imposition of the Required Mill Levy, (3) facility fees transferred for Meridian Service (see Note 8 – Intergovernmental Agreements) and (4) any other legally available monies which the District determines to be treated as pledged revenue.

The Series 2013 Loan agreement requires a reserve fund be held and administered by the custodian as long as the loan is outstanding in whole or in part. The reserve fund constitutes a trust fund held for the benefit of the lender and the owner of the loan and the money in such fund shall be disbursed only in accordance with the loan agreement. The current reserve fund requirement is \$890,000. The balance in the reserve fund as of December 31, 2019 was \$1,410,268.

**MERIDIAN RANCH METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

**NOTE 4 – LONG-TERM OBLIGATIONS (CONTINUED)**

The Series 2013 Loan has a fixed-rate of 3.03% for ten years and assumes a 5.5% rate thereafter with a 30-year amortization. Interest is payable on June 1 and December 1. The Series 2014 Loan has a 3.17% fixed rate with interest payable on June 1 and December 1. Principal payments are due annually on December 1 with a balloon maturity on March 28, 2023.

Significant events of default under the Series 2013 Loan include (i) failure to impose required mill levy and apply pledged revenue, (ii) failure to pay principal and interest when due, (iii) failure to meet financial or custodial agreement covenants, (iv) misrepresentation of facts on financial documents furnished to the lender, (v) failure to pay principle and interest when due on any financial obligations, (vi) failure to enforce collection of pledged revenue, (vii) failure to vacate any judgements above insurance coverage by more than \$50,000, (viii) significant changes in financial or operating conditions that would adversely impact the ability to generate pledge revenue to cover its obligations, (ix) legal proceedings including bankruptcy, insolvency, reorganization, etc. as described in the Series 2013 Loan agreement, (x) financial documentation that ceases to be valid and binding or is declared null and void, (xi) qualified audit opinion with respect to the District's status as an on-going concern, (xii) funds or investments on deposit subject to any writ, judgement, warrant, attachment, execution, or similar process, (xiii) interest payable on the loan becomes includable in the gross income of the lender pursuant to Section 103(b) of the Internal Revenue Code by changes made in the Constitution or laws of the United States of America, and (xiv) reserve funds are less than the required amount for a period of time exceeding twelve months.

Immediately upon the occurrence of an event of default or the failure of the lender to receive any payment of principal or interest on the due date thereof, the Series 2013 Loan balance shall bear interest at the default rate of the sum of the base rate plus 4.5%.

Additionally, all amounts constituting collateral will be applied to the unpaid principal of the Series 2013 Loan and all interest accrued and unpaid thereon, in any order of priority determined by the lender.

**\$3,500,000 Senior Tax-Exempt Loan, Series 2014**

On November 18, 2014, the District obtained an additional loan of \$3,500,000 (Series 2014 Loan).

The Series 2014 Loan is secured by and payable on a parity basis with the Series 2018 Loan 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 discussed above), (2) the portion of the specific ownership taxes which is collected as a result of the imposition of the Required Mill Levy, (3) facility fees transferred for Meridian Service (see Note 8 – Intergovernmental Agreements) and (4) any other legally available monies which the District determines to be treated as pledged revenue.

The Series 2014 Loan agreement requires a reserve fund be held and administered by the custodian as long as the loan is outstanding in whole or in part. The reserve fund constitutes a trust fund held for the benefit of the lender and the owner of the loan and the money in such fund shall be disbursed only in accordance with the loan agreement. The current reserve fund requirement is \$890,000. The balance in the reserve fund as of December 31, 2019 was \$1,410,268.

**MERIDIAN RANCH METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

**NOTE 4 – LONG-TERM OBLIGATIONS (CONTINUED)**

The Series 2014 Loan has a 3.17% fixed rate with interest payable on June 1 and December 1. Principal payments are due annually on December 1 with a balloon maturity on March 28, 2023.

Significant events of default under the Series 2014 Loan include (i) failure to impose required mill levy and apply pledged revenue, (ii) failure to pay principal and interest when due, (iii) failure to meet financial or custodial agreement covenants, (iv) misrepresentation of facts on financial documents furnished to the lender, (v) failure to pay principle and interest when due on any financial obligations, (vi) failure to enforce collection of pledged revenue, (vii) failure to vacate any judgements above insurance coverage by more than \$50,000, (viii) significant changes in financial or operating conditions that would adversely impact the ability to generate pledge revenue to cover its obligations, (ix) legal proceedings including bankruptcy, insolvency, reorganization, etc. as described in the Series 2014 Loan agreement, (x) financial documentation that ceases to be valid and binding or is declared null and void, (xi) qualified audit opinion with respect to the District's status as an on-going concern, (xii) funds or investments on deposit subject to any writ, judgement, warrant, attachment, execution, or similar process, (xiii) interest payable on the loan becomes includable in the gross income of the lender pursuant to Section 103(b) of the Internal Revenue Code by changes made in the Constitution or laws of the United States of America, and (xiv) reserve funds are less than the required amount for a period of time exceeding twelve months.

Immediately upon the occurrence of an event of default or the failure of the lender to receive any payment of principal or interest on the due date thereof, the Series 2014 Loans balance shall bear interest at the default rate of the sum of the base rate plus 4.5%.

Additionally, all amounts constituting collateral will be applied to the unpaid principal of the Series 2014 Loan and all interest accrued and unpaid thereon, in any order of priority determined by the lender.

**\$24,000,000 Meridian Ranch Metropolitan District Tax-Exempt Promissory Note, Series 2018**

On April 17, 2018, the District obtained a Tax-Exempt Promissory Note, Series 2018 (Series 2018 Loan), the net proceeds of which were transferred to Meridian Service Metropolitan District to pay and reimburse the costs of public improvements and pay issuance and other costs in connection with the Loan for the District.

The Series 2018 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 discussed above), (2) the portion of the specific ownership taxes which is collected as a result of the imposition of the Required Mill Levy, (3) facility fees transferred for Meridian Service (see Note 8 – Intergovernmental Agreements) and (4) any other legally available monies which the District determines to be treated as pledged revenue.

**MERIDIAN RANCH METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

**NOTE 4 – LONG-TERM OBLIGATIONS (CONTINUED)**

The custodian is required to apply pledged revenues and other collateral in the following order of priority: (1) to the credit of the loan payment fund, (2) to the credit of the reserve fund, (3) to the credit of such fund or account as may be designated by the lender and (4) to the credit of any other fund or account as may be designated by the District. The custodian is to hold and administer the loan payment fund, a trust fund held for the benefit of the owners of the loans, and the money in such fund is to be disbursed only in accordance with the custodial agreement. After making the required 2019 debt payments, the balance in the loan payment fund at December 31, 2019 was \$3,319,980.

The Series 2018 Loan agreement requires a reserve fund be held and administered by the custodian as long as the loan is outstanding in whole or in part. The reserve fund constitutes a trust fund held for the benefit of the lender and the owner of the loan and the money in such fund shall be disbursed only in accordance with the loan agreement. The current reserve fund requirement is \$1,400,000. The balance in the reserve fund as of December 31, 2019 was \$1,410,268.

The Series 2018 Loan has a fixed-rate of 3.58% continuing through and including the maturity date. Interest is payable on June 1 and December 1. Principal payments are due annually on December 1 with a balloon maturity on April 17, 2030.

Significant events of default under the Series 2018 Loan include (i) failure to impose required mill levy and apply pledged revenue, (ii) failure to pay principal and interest when due, (iii) failure to meet financial or custodial agreement covenants, (iv) misrepresentation of facts on financial documents furnished to the lender, (v) failure to pay principle and interest when due on any financial obligations except subordinate debt as permitted by the Series 2018 Loan agreement, (vi) failure to enforce collection of pledged revenue, (vii) failure to vacate any judgements above insurance coverage by more than \$50,000, (viii) significant changes in financial or operating conditions that would adversely impact the ability to generate pledge revenue to cover its obligations, (ix) legal proceedings including bankruptcy, insolvency, reorganization, etc. as described in the Series 2018 Loan agreement, (x) financial documentation that ceases to be valid and binding or is declared null and void, (xi) qualified audit opinion with respect to the District's status as an on-going concern, (xii) funds or investments on deposit subject to any writ, judgement, warrant, attachment, execution, or similar process, (xiii) interest payable on the loan becomes includable in the gross income of the lender pursuant to Section 103(b) of the Internal Revenue Code by changes made in the Constitution or laws of the United States of America, and (xiv) reserve funds are less than the required amount for a period of time exceeding twelve months.

Immediately upon the occurrence of an event of default or the failure of the lender to receive any payment of principal or interest on the due date thereof, the Series 2018 Loan balance shall bear interest at the default rate of the sum of the base rate plus 4.5%.

Additionally, all amounts constituting collateral will be applied to the unpaid principal of the Series 2018 Loan and all interest accrued and unpaid thereon, in any order of priority determined by the lender.

**MERIDIAN RANCH METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019**

**NOTE 4 – LONG-TERM OBLIGATIONS (CONTINUED)**

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

|           | <u>Principal</u>     | <u>Interest</u>      | <u>Total</u>         |
|-----------|----------------------|----------------------|----------------------|
| 2020      | \$ 1,310,000         | \$ 2,181,020         | \$ 3,491,020         |
| 2021      | 1,395,000            | 2,134,237            | 3,529,237            |
| 2022      | 1,520,000            | 2,089,560            | 3,609,560            |
| 2023      | 4,035,000            | 2,409,446            | 6,444,446            |
| 2024      | 1,190,000            | 2,528,848            | 3,718,848            |
| 2025-2029 | 8,815,000            | 11,603,993           | 20,418,993           |
| 2030-2034 | 26,635,000           | 6,375,973            | 33,010,973           |
| 2035-2039 | 10,245,000           | 3,522,577            | 13,767,577           |
| 2040-2042 | 6,850,000            | 824,121              | 7,674,121            |
|           | <u>\$ 61,995,000</u> | <u>\$ 33,669,775</u> | <u>\$ 95,664,775</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. At December 31, 2019, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

|                                  | <u>Total<br/>Authorized</u> | <u>Remaining at<br/>December 31,<br/>2019</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, 2019**

**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, with a minimum 16.345 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.

**NOTE 5 – FUND EQUITY**

At December 31, 2019, the District reported the following classifications of fund equity.

**Restricted Fund Balance**

The restricted fund balance in the General Fund in the amount of \$11,800 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 restricted fund balance of \$4,934,788 in the Debt Service Fund is to be used exclusively for future payment of bond and loan principal, interest and related costs (see Note 4).

**Unrestricted Fund Balance**

The unrestricted fund balance in the General Fund is \$526,993.

**NOTE 6 – NET POSITION**

The District's net position consists of two components - restricted and unrestricted.

Restricted assets include net assets that are restricted for use either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net assets as of December 31, 2019 as follows:

|  |                     |
|--|---------------------|
| Restricted net position:               |                     |
| TABOR emergency reserves (see Note 11) | \$ 11,800           |
| Debt service (see Note 4)              | <u>4,934,788</u>    |
| Total restricted net position          | <u>\$ 4,946,588</u> |

**MERIDIAN RANCH METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

**NOTE 6 – NET POSITION (CONTINUED)**

The District's unrestricted net deficit as of December 31, 2019, totaled \$61,634,803. This deficit amount is primarily as result of the District being responsible for the financing and repayment of bonds 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. (the Land Owner), the Land Owner 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 2019, there were no payments received in connection with this agreement.

**NOTE 8 – INTERGOVERNMENTAL AGREEMENTS**

The District entered into an Intergovernmental Agreement with Meridian Service 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 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.

In this regard, the District agreed to issue limited tax general obligation bonds, or if bonds were not issued, the District 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). Bonds were issued and the District paid the proceeds of the bonds to Meridian Service. Any and all bond proceeds received by Meridian Service was to be applied to the payment of public infrastructure costs or was to be utilized to pay all or a portion of Meridian Service's outstanding debt.

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).

During 2019, the District recorded a transfer of \$3,264,000 (204 taps at \$16,000 each) 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.

**MERIDIAN RANCH METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

**NOTE 9 – 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.

**NOTE 10 – RISK MANAGEMENT**

Except as provided in the Colorado Governmental Immunity Act, the District may be exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets, errors or omissions, injuries to employees or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). 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.

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. Settled claims have not exceeded this coverage in any of the past three fiscal years.

**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.



**MERIDIAN RANCH METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019**

**NOTE 11 – TAX, SPENDING AND DEBT LIMITATION (CONTINUED)**

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

**NOTE 12 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**Explanation of differences between the Governmental Funds Balance Sheet and the Government-wide Statement of Net Position**

The Governmental Funds Balance Sheet and the Government-wide Statement of Net Position includes a reconciling column. Explanation of the adjustments included in the reconciling column is as follows:

|                                  |               |
|----------------------------------|---------------|
| Bonds and loans payable          | \$ 61,995,000 |
| Bonds and loans interest payable | \$ 166,796    |

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Interest is reflected on the accrual basis on the Statement of Net Position.

**Explanation of differences between the Governmental Funds Statement of Revenues, Expenditures and Change in Fund Balances and the Government-wide Statement of Activities**

The Governmental Funds Statement of Revenues, Expenditures and Change in Fund Balances and the Government-wide Statement of Activities include a reconciling column. Explanation of the adjustments included in the reconciling column is as follows:

|                           |             |
|---------------------------|-------------|
| Bonds and loans principal | \$1,195,000 |
| Bonds and loans interest  | \$12,662    |

Governmental funds report principal payments as expenditures and loan proceeds as revenue. However in the Statement of Activities, principal payments are reflected as reduction of bonds and loans payable. Bonds and loans interest reflects the net change in interest accrual and loan proceeds are an increase in debt.

|                         |            |
|-------------------------|------------|
| Due to/from other funds | (\$17,515) |
|-------------------------|------------|

Interfund receivables and payables have been eliminated in the Statement of Net Position.

**MERIDIAN RANCH METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

**NOTE 13 – SUBSEQUENT EVENT**

On March 4, 2020, the District signed an agreement with the holder of the Series 2008 Bonds. The agreement reduces the interest rate on the 2008 Series Bonds from 8% to 5% effective March 18, 2018 for the duration of the debt.

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

## **SUPPLEMENTAL INFORMATION**

**MERIDIAN RANCH METROPOLITAN DISTRICT  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
Year Ended December 31, 2019**

|   | <b>Budget<br/>Amounts</b> | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|---|---------------------------|---------------------------|---|
|   | <b>Original and Final</b> | <b>Amounts</b>            | <b>(Negative)</b>   |
| <b>REVENUES</b>                                   |                           |                           |   |
| Property taxes                                    | \$ 1,339,045              | \$ 1,325,037              | \$ (14,008)   |
| Specific ownership taxes                          | 110,000                   | 155,885                   | 45,885  |
| Facilities fees transferred from Meridian Service | 3,600,000                 | 3,264,000                 | (336,000)   |
| Interest  | 500                       | 17,848                    | 17,348  |
| Total revenues                                    | <u>5,049,545</u>          | <u>4,762,770</u>          | <u>(286,775)</u>  |
| <b>EXPENDITURES</b>                               |                           |                           |   |
| <u>General</u>                                    |                           |                           |   |
| County treasurer fees                             | 20,086                    | 20,092                    | (6)   |
| Miscellaneous                                     | 1,000                     | 505                       | 495   |
| <u>Debt Service</u>                               |                           |                           |   |
| Bond interest - Series 2008                       | 560,000                   | 140,000                   | 420,000   |
| Loan interest - Series 2013                       | 921,011                   | 892,140                   | 28,871  |
| Loan interest - Series 2014                       | 104,777                   | 101,606                   | 3,171   |
| Loan interest - Series 2018                       | 867,504                   | 865,127                   | 2,377   |
| Loan principal - Series 2013                      | 860,000                   | 900,000                   | (40,000)  |
| Loan principal - Series 2014                      | 90,000                    | 95,000                    | (5,000)   |
| Loan principal - Series 2018                      | 200,000                   | 200,000                   | -   |
| Paying agent fees                                 | 1,000                     | 200                       | 800   |
| IGA - Meridian Service                            | 750,000                   | -                         | 750,000   |
| Total expenditures                                | <u>4,375,378</u>          | <u>3,214,670</u>          | <u>1,160,708</u>  |
| <b>NET CHANGE IN FUND BALANCE</b>                 | 674,167                   | 1,548,100                 | 873,933   |
| <b>FUND BALANCE - BEGINNING OF YEAR</b>           | <u>4,628,399</u>          | <u>3,386,688</u>          | <u>(1,241,711)</u>  |
| <b>FUND BALANCE - END OF YEAR</b>                 | <u>\$ 5,302,566</u>       | <u>\$ 4,934,788</u>       | <u>\$ (367,778)</u>   |

## **OTHER INFORMATION**

**MERIDIAN RANCH METROPOLITAN DISTRICT  
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY  
December 31, 2019**

**\$7,000,000 Series 2008  
General Obligation Bonds  
Dated October 1, 2008  
Interest Rate of 5.00%  
Principal and Interest Due December 15**

|      | <u>Principal</u>    | <u>Interest</u>     | <u>Total</u>         |
|------|---------------------|---------------------|----------------------|
| 2020 | \$ -                | \$ 350,000          | \$ 350,000           |
| 2021 | -                   | 350,000             | 350,000              |
| 2022 | -                   | 350,000             | 350,000              |
| 2023 | -                   | 350,000             | 350,000              |
| 2024 | -                   | 350,000             | 350,000              |
| 2025 | 40,000              | 350,000             | 390,000              |
| 2026 | 330,000             | 348,000             | 678,000              |
| 2027 | 360,000             | 331,500             | 691,500              |
| 2028 | 400,000             | 313,500             | 713,500              |
| 2029 | 435,000             | 293,500             | 728,500              |
| 2030 | 485,000             | 271,750             | 756,750              |
| 2031 | 530,000             | 247,500             | 777,500              |
| 2032 | 585,000             | 221,000             | 806,000              |
| 2033 | 635,000             | 191,750             | 826,750              |
| 2034 | 700,000             | 160,000             | 860,000              |
| 2035 | 760,000             | 125,000             | 885,000              |
| 2036 | 835,000             | 87,000              | 922,000              |
| 2037 | 905,000             | 45,250              | 950,250              |
|      | <u>\$ 7,000,000</u> | <u>\$ 4,735,750</u> | <u>\$ 11,735,750</u> |

**MERIDIAN RANCH METROPOLITAN DISTRICT  
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY  
December 31, 2019**

**\$33,500,000**

**Refunding and Improvement Issue, Series 2013**

**Dated March 28, 2013**

**Interest Rate 3.03% Fixed for 10 years**

**Assumes 5.5% Thereafter**

**Interest Due June 1 and December 1**

**Principal Due December 1**

|      | <u>Principal</u>     | <u>Interest</u>      | <u>Total</u>         |
|------|----------------------|----------------------|----------------------|
| 2020 | \$ 960,000           | \$ 869,317           | \$ 1,829,317         |
| 2021 | 990,000              | 837,450              | 1,827,450            |
| 2022 | 1,060,000            | 807,036              | 1,867,036            |
| 2023 | 730,000              | 1,203,434            | 1,933,434            |
| 2024 | 600,000              | 1,368,840            | 1,968,840            |
| 2025 | 635,000              | 1,331,642            | 1,966,642            |
| 2026 | 710,000              | 1,296,231            | 2,006,231            |
| 2027 | 750,000              | 1,256,639            | 2,006,639            |
| 2028 | 820,000              | 1,218,145            | 2,038,145            |
| 2029 | 870,000              | 1,169,090            | 2,039,090            |
| 2030 | 955,000              | 1,120,575            | 2,075,575            |
| 2031 | 1,010,000            | 1,067,321            | 2,077,321            |
| 2032 | 1,100,000            | 1,013,769            | 2,113,769            |
| 2033 | 1,165,000            | 949,659              | 2,114,659            |
| 2034 | 1,270,000            | 884,694              | 2,154,694            |
| 2035 | 1,340,000            | 813,874              | 2,153,874            |
| 2036 | 1,455,000            | 741,175              | 2,196,175            |
| 2037 | 1,535,000            | 658,014              | 2,193,014            |
| 2038 | 1,660,000            | 572,416              | 2,232,416            |
| 2039 | 1,755,000            | 479,848              | 2,234,848            |
| 2040 | 1,895,000            | 383,029              | 2,278,029            |
| 2041 | 2,000,000            | 276,310              | 2,276,310            |
| 2042 | 2,955,000            | 164,782              | 3,119,782            |
|      | <u>\$ 28,220,000</u> | <u>\$ 20,483,290</u> | <u>\$ 48,703,290</u> |

**MERIDIAN RANCH METROPOLITAN DISTRICT  
 SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY  
 December 31, 2019**

**\$3,500,000**

**Senior Tax-Exempt Loan, Series 2014**

**Dated November 18, 2014**

**Interest Rate 3.17% Fixed Throughout**

**3/28/2023 Balloon Maturity**

**Interest Due June 1 and December 1**

**Principal Due December 1**

|      | <b>Principal</b> | <b>Interest</b> | <b>Total</b> |
|------|------------------|-----------------|--------------|
| 2020 | \$ 100,000       | \$ 99,102       | \$ 199,102   |
| 2021 | 105,000          | 95,617          | 200,617      |
| 2022 | 110,000          | 92,243          | 202,243      |
| 2023 | 2,760,000        | 28,435          | 2,788,435    |
|      | \$ 3,075,000     | \$ 315,397      | \$ 3,390,397 |



**MERIDIAN RANCH METROPOLITAN DISTRICT  
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY  
December 31, 2019**

**\$24,000,000**

**Tax-Free Loan Issue, Series 2018A**

**Dated April 17, 2018**

**Interest Rate 3.58%**

**Term Loan Due 4/17/2030**

**Interest Due June 1 and December 1**

**Principal Due December 1**

|      | <u>Principal</u>     | <u>Interest</u>     | <u>Total</u>         |
|------|----------------------|---------------------|----------------------|
| 2020 | \$ 250,000           | \$ 862,601          | \$ 1,112,601         |
| 2021 | 300,000              | 851,170             | 1,151,170            |
| 2022 | 350,000              | 840,281             | 1,190,281            |
| 2023 | 545,000              | 827,577             | 1,372,577            |
| 2024 | 590,000              | 810,008             | 1,400,008            |
| 2025 | 615,000              | 786,379             | 1,401,379            |
| 2026 | 665,000              | 764,057             | 1,429,057            |
| 2027 | 685,000              | 739,919             | 1,424,919            |
| 2028 | 735,000              | 717,014             | 1,452,014            |
| 2029 | 765,000              | 688,377             | 1,453,377            |
| 2030 | 18,200,000           | 247,955             | 18,447,955           |
|      | <u>\$ 23,700,000</u> | <u>\$ 8,135,338</u> | <u>\$ 31,835,338</u> |

**MERIDIAN RANCH METROPOLITAN DISTRICT**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
**December 31, 2019**

|      | <u>Principal</u>     | <u>Interest</u>      | <u>Total</u>         |
|------|----------------------|----------------------|----------------------|
| 2020 | \$ 1,310,000         | \$ 2,181,020         | \$ 3,491,020         |
| 2021 | 1,395,000            | 2,134,237            | 3,529,237            |
| 2022 | 1,520,000            | 2,089,560            | 3,609,560            |
| 2023 | 4,035,000            | 2,409,446            | 6,444,446            |
| 2024 | 1,190,000            | 2,528,848            | 3,718,848            |
| 2025 | 1,290,000            | 2,468,021            | 3,758,021            |
| 2026 | 1,705,000            | 2,408,288            | 4,113,288            |
| 2027 | 1,795,000            | 2,328,058            | 4,123,058            |
| 2028 | 1,955,000            | 2,248,659            | 4,203,659            |
| 2029 | 2,070,000            | 2,150,967            | 4,220,967            |
| 2030 | 19,640,000           | 1,640,280            | 21,280,280           |
| 2031 | 1,540,000            | 1,314,821            | 2,854,821            |
| 2032 | 1,685,000            | 1,234,769            | 2,919,769            |
| 2033 | 1,800,000            | 1,141,409            | 2,941,409            |
| 2034 | 1,970,000            | 1,044,694            | 3,014,694            |
| 2035 | 2,100,000            | 938,874              | 3,038,874            |
| 2036 | 2,290,000            | 828,175              | 3,118,175            |
| 2037 | 2,440,000            | 703,264              | 3,143,264            |
| 2038 | 1,660,000            | 572,416              | 2,232,416            |
| 2039 | 1,755,000            | 479,848              | 2,234,848            |
| 2040 | 1,895,000            | 383,029              | 2,278,029            |
| 2041 | 2,000,000            | 276,310              | 2,276,310            |
| 2042 | 2,955,000            | 164,782              | 3,119,782            |
|      | <u>\$ 61,995,000</u> | <u>\$ 33,669,775</u> | <u>\$ 95,664,775</u> |

**MERIDIAN RANCH METROPOLITAN DISTRICT  
SUMMARY OF ASSESSED VALUATION,  
MILL LEVY AND PROPERTY TAXES COLLECTED  
December 31, 2019**

| <b>Year Ended<br/>December 31,</b>                       | <b>Prior<br/>Year Assessed<br/>Valuation<br/>for Current<br/>Year Property<br/>Tax Levy</b> | <b>Mills Levied for</b> |                     | <b>Total Property Taxes</b> |                  | <b>Percentage<br/>Collected<br/>to Levied</b> |
|--|---|-------------------------|---------------------|-----------------------------|------------------|---|
|  |   | <b>General</b>          | <b>Debt Service</b> | <b>Levied</b>               | <b>Collected</b> |   |
| 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%  |
| Estimated for<br>the year ending<br>December 31,<br>2020 | \$ 73,253,360   | 5.500                   | 21.998              | \$ 2,014,320                |                  |   |

**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.