

**MERIDIAN SERVICE METROPOLITAN DISTRICT**

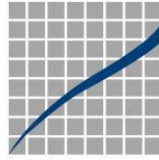
**FINANCIAL STATEMENTS**

**DECEMBER 31, 2021**

# TABLE OF CONTENTS

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<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>Government-wide financial statements</b>	
Statement of net position	5
Statement of activities	6
<b>Fund financial statements</b>	
Balance sheets - governmental funds	7
Statements of revenues, expenditures and changes in fund balances - governmental funds	8
Reconciliation of the statements of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities	10
General fund - statement of revenues, expenditures and changes in fund balance - budget and actual	11
Statements of net position - proprietary funds	12
Statements of revenues, expenses and changes in net position - proprietary funds	13
Statements of cash flows - proprietary funds	15
Notes to financial statements	16
<b>SUPPLEMENTARY INFORMATION</b>	
Parks and ground fund - schedule of revenues, expenditures and changes in fund balance - budget and actual	32
Recreation fund - schedule of revenues, expenditures and changes in fund balance - budget and actual	33
Capital projects fund - schedule of revenues, expenditures and changes in fund balance - budget and actual	34
Water fund - schedule of revenues, expenses and changes in net position - budget and actual (budgetary basis)	35
Reconciliation of budgetary basis (actual) to statement of revenues, expenses and changes in net position - water fund	37
Sewer fund - schedule of revenues, expenses and changes in net position - budget and actual (budgetary basis)	38
Reconciliation of budgetary basis (actual) to statement of revenues, expenses and changes in net position - sewer fund	40



**BiggsKofford**

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

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Board of Directors

**Meridian Service Metropolitan District**

El Paso County, Colorado

### 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 ("District"), as of and for the year ended December 31, 2021, 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 District as of December 31, 2021, and the respective changes in financial position, cash flows thereof, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

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

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America 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 auditing standards generally accepted in the United States of America, 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 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 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.

## Other Matters

### *Required Supplementary Information*

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

### *Supplementary Information*

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

*BiggsKofford P.C.*

Colorado Springs, Colorado  
July 29, 2022

## **BASIC FINANCIAL STATEMENTS**

**MERIDIAN SERVICE METROPOLITAN DISTRICT**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2021**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments	\$ 522,387	\$ 5,155,571	\$ 5,677,958
Cash and investments - restricted	737,063	5,398,218	6,135,281
Accounts receivable	321,585	1,845,120	2,166,705
Prepaid expenses	58,196	77,634	135,830
Security deposits	2,000	9,580	11,580
Capital assets not being depreciated	135,681	408,988	544,669
Capital assets, net	<u>11,982,552</u>	<u>35,837,339</u>	<u>47,819,891</u>
Total assets	<u>13,759,464</u>	<u>48,732,450</u>	<u>62,491,914</u>
<b>LIABILITIES</b>			
Accounts payable	97,982	373,614	471,596
Accrued liabilities	18,383	13,867	32,250
Arbitration payable	-	10,464,625	10,464,625
Retainage payable	-	153,212	153,212
Due to Meridian Ranch Metropolitan District	-	327,000	327,000
Loan payable, current portion	-	329,000	329,000
Noncurrent liabilities:			
Loan payable, net of current portion	-	4,347,000	4,347,000
Developer advance and accrued interest	-	22,906,953	22,906,953
Total liabilities	<u>116,365</u>	<u>38,915,271</u>	<u>39,031,636</u>
<b>NET POSITION</b>			
Net investment in capital assets	12,118,233	13,339,374	25,457,607
Restricted:			
Emergency reserve (Note 11)	8,100	-	8,100
Parks and ground	522,813	-	522,813
Recreation	541,431	-	541,431
Capital projects	370,819	-	370,819
Unrestricted	<u>81,703</u>	<u>(3,522,195)</u>	<u>(3,440,492)</u>
Total net position	<u>\$ 13,643,099</u>	<u>\$ 9,817,179</u>	<u>\$ 23,460,278</u>

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

**MERIDIAN SERVICE METROPOLITAN DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2021**

	Program Revenues			Net (Expenses) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>FUNCTIONS/PROGRAMS</b>							
<b>PRIMARY GOVERNMENT</b>							
General government	\$ 3,315,341	\$ 3,063,376	\$ -	\$ 812,356	\$ 560,391	\$ -	\$ 560,391
Interest and related costs on long-term debt	-	-	-	-	-	-	-
Total primary government	<u>\$ 3,315,341</u>	<u>\$ 3,063,376</u>	<u>\$ -</u>	<u>\$ 812,356</u>	560,391	-	560,391
<b>BUSINESS-TYPE ACTIVITIES</b>							
Water	\$ 5,126,067	\$ 3,159,640	\$ -	\$ 2,406,035	-	439,608	439,608
Sewer	16,056,092	1,794,857	-	3,812,140	-	(10,449,095)	(10,449,095)
Total business-type activities	<u>\$ 21,182,159</u>	<u>\$ 4,954,497</u>	<u>\$ -</u>	<u>\$ 6,218,175</u>	-	(10,009,487)	(10,009,487)
<b>GENERAL REVENUES</b>							
Investment income					4,080	56,615	60,695
Miscellaneous					58,575	13,114	71,689
Intergovernmental revenues					311,017	98,123	409,140
Total general revenues					<u>373,672</u>	167,852	541,524
Change in net position					934,063	(9,841,635)	(8,907,572)
Net position, beginning of year					12,709,036	19,658,814	32,367,850
Net position, end of year					<u>\$ 13,643,099</u>	<u>\$ 9,817,179</u>	<u>\$ 23,460,278</u>

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



**MERIDIAN SERVICE METROPOLITAN DISTRICT  
BALANCE SHEETS  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2021**

	<u>General Fund</u>	<u>Parks and Ground</u>	<u>Recreation</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>					
Cash and investments	\$ 82,577	\$ 235,196	\$ 204,614	\$ -	\$ 522,387
Cash and investments - restricted	3,084	193,322	169,838	370,819	737,063
Accounts receivable	-	114,624	206,961	-	321,585
Prepaid expenditures	8,703	17,793	31,700	-	58,196
Security deposits	2,000	-	-	-	2,000
<b>Total assets</b>	<b>\$ 96,364</b>	<b>\$ 560,935</b>	<b>\$ 613,113</b>	<b>\$ 370,819</b>	<b>1,641,231</b>
<b><u>LIABILITIES</u></b>					
Accounts payable	\$ 4,856	\$ 35,713	\$ 57,413	\$ -	97,982
Accrued liabilities	1,705	2,409	14,269	-	18,383
<b>Total liabilities</b>	<b>6,561</b>	<b>38,122</b>	<b>71,682</b>	<b>-</b>	<b>116,365</b>
<b><u>FUND BALANCES</u></b>					
Nonspendable:					
Prepaid expenditures	8,703	17,793	31,700	-	58,196
Security deposits	2,000	-	-	-	2,000
Restricted:					
Emergency reserve (Note 11)	8,100	-	-	-	8,100
Capital projects	-	-	-	370,819	370,819
Parks and ground	-	350,016	-	-	350,016
Recreation	-	-	340,153	-	340,153
Assigned:					
Emergency reserve	-	145,004	159,578	-	304,582
Rate stabilization	-	10,000	10,000	-	20,000
Unassigned:					
General government	71,000	-	-	-	71,000
<b>Total fund balances</b>	<b>89,803</b>	<b>522,813</b>	<b>541,431</b>	<b>370,819</b>	<b>1,524,866</b>
<b>Total liabilities and fund balances</b>	<b>\$ 96,364</b>	<b>\$ 560,935</b>	<b>\$ 613,113</b>	<b>\$ 370,819</b>	

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

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

Capital assets not being depreciated	135,681
Capital assets, net	11,982,552
<b>Net position of governmental activities</b>	<b>\$ 13,643,099</b>

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

**MERIDIAN SERVICE METROPOLITAN DISTRICT**  
**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2021**

	<u>General Fund</u>	<u>Parks and Ground</u>	<u>Recreation</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Intergovernmental revenues	\$ 260,000	\$ 51,017	\$ -	\$ -	\$ 311,017
Recreation center fees	-	-	1,924,163	-	1,924,163
Parks and ground fees	-	925,920	-	-	925,920
Street lighting fees	-	179,544	-	-	179,544
Other revenues	3,599	20,825	31,025	3,126	58,575
Investment income	800	75	47	3,158	4,080
Lease revenues	24,999	-	-	-	24,999
Falcon Freedom Days	-	-	8,750	-	8,750
<b>Total revenues</b>	<b>289,398</b>	<b>1,177,381</b>	<b>1,963,985</b>	<b>6,284</b>	<b>3,437,048</b>
<b>EXPENDITURES</b>					
Accounting	18,383	22,710	38,608	-	79,701
Capital expenditures	-	-	-	1,309,014	1,309,014
Dues and subscriptions	8,913	232	2,005	-	11,150
Engineering	1,668	6,321	12,193	-	20,182
Insurance	4,343	16,737	28,002	-	49,082
Landscaping	-	363,919	-	-	363,919
Legal	86,467	117	-	-	86,584
Miscellaneous	5,075	1,145	53,489	-	59,709
Office supplies	11,360	8,159	49,012	-	68,531
Other	-	-	-	-	-
Professional services	51,932	-	-	-	51,932
Repairs and maintenance	407	21,291	165,923	-	187,621
Salaries and payroll	18,062	171,598	1,015,815	-	1,205,475
Supplies	-	435	63,614	-	64,049
Utilities	60,329	180,327	183,460	-	424,116
<b>Total expenditures</b>	<b>266,939</b>	<b>792,991</b>	<b>1,612,121</b>	<b>1,309,014</b>	<b>3,981,065</b>
Excess of revenues over (under) expenditures	22,459	384,390	351,864	(1,302,730)	(544,017)

The accompanying notes and independent auditor's report  
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**MERIDIAN SERVICE METROPOLITAN DISTRICT  
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2021**

	<u>General Fund</u>	<u>Parks and Ground</u>	<u>Recreation</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>					
Contributed assets received	-	-	-	812,356	812,356
Transfer from (to) other funds	-	(300,000)	(200,000)	500,000	-
Total other financing sources (uses)	-	(300,000)	(200,000)	1,312,356	812,356
Net change in fund balances	22,459	84,390	151,864	9,626	268,339
Fund balances, beginning of year, as previously stated	67,344	438,423	389,567	362,615	1,257,949
Correction to net position, beginning of year	-	-	-	(1,422)	(1,422)
Fund balances, end of year	<u>\$ 89,803</u>	<u>\$ 522,813</u>	<u>\$ 541,431</u>	<u>\$ 370,819</u>	<u>\$ 1,524,866</u>

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

**MERIDIAN SERVICE METROPOLITAN DISTRICT  
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2021**

Net change in fund balances - total governmental funds	\$ 268,339
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	1,309,014
Loss of disposals of assets	(4,000)
Depreciation expense	(639,290)
Change in net position of governmental activities	\$ 934,063

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

**MERIDIAN SERVICE METROPOLITAN DISTRICT  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2021**

	<b>Budget</b>		<b>Actual Amounts</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental revenues	\$ 260,000	\$ 260,000	\$ 260,000	\$ -
Other revenues	4,800	405	3,599	3,194
Investment income	-	860	800	(60)
Lease revenues	22,110	24,997	24,999	2
<b>Total revenues</b>	<b>286,910</b>	<b>286,262</b>	<b>289,398</b>	<b>3,136</b>
<b>EXPENDITURES</b>				
Accounting	15,600	20,100	18,383	1,717
Dues and subscriptions	13,700	9,750	8,913	837
Engineering	700	1,700	1,668	32
Insurance	3,500	4,415	4,343	72
Legal	30,000	95,000	86,467	8,533
Miscellaneous	8,200	5,780	5,075	705
Office supplies	19,905	16,200	11,360	4,840
Professional services	43,800	49,000	51,932	(2,932)
Repairs and maintenance	-	650	407	243
Salaries and payroll	23,215	18,850	18,062	788
Utilities	90,120	61,350	60,329	1,021
<b>Total expenditures</b>	<b>248,740</b>	<b>282,795</b>	<b>266,939</b>	<b>15,856</b>
<b>Net change in fund balance</b>	<b>\$ 38,170</b>	<b>\$ 3,467</b>	<b>22,459</b>	<b>\$ 18,992</b>
Fund balance, beginning of year			67,344	
Fund balance, end of year			<b>\$ 89,803</b>	

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

**MERIDIAN SERVICE METROPOLITAN DISTRICT**  
**STATEMENTS OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2021**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Current assets:			
Cash and investments	\$ 3,556,487	\$ 1,599,084	\$ 5,155,571
Cash and investments - restricted	1,967,725	3,430,493	5,398,218
Accounts receivable - user fees	265,326	1,579,794	1,845,120
Prepaid expenses	42,852	34,782	77,634
Deposits	4,790	4,790	9,580
<b>Total current assets</b>	<b>5,837,180</b>	<b>6,648,943</b>	<b>12,486,123</b>
Capital assets:			
Capital assets not being depreciated	408,988	-	408,988
Capital assets, net	23,515,730	12,321,609	35,837,339
<b>Total capital assets</b>	<b>23,924,718</b>	<b>12,321,609</b>	<b>36,246,327</b>
<b>Total assets</b>	<b>\$ 29,761,898</b>	<b>\$ 18,970,552</b>	<b>\$ 48,732,450</b>
<b><u>LIABILITIES</u></b>			
Current liabilities:			
Accounts payable	\$ 203,122	\$ 170,492	\$ 373,614
Accrued liabilities	8,027	5,840	13,867
Due to Cherokee Metropolitan District	-	10,464,625	10,464,625
Retainage payable	153,212	-	153,212
Facility fees payable - Meridian Ranch Metropolitan District	163,500	163,500	327,000
Loan payable, current portion	-	329,000	329,000
<b>Total current liabilities</b>	<b>527,861</b>	<b>11,133,457</b>	<b>11,661,318</b>
Noncurrent liabilities:			
Loan payable, net of current portion	-	4,347,000	4,347,000
Developer advance and accrued interest	20,848,417	2,058,536	22,906,953
<b>Total noncurrent liabilities</b>	<b>20,848,417</b>	<b>6,405,536</b>	<b>27,253,953</b>
<b>Total liabilities</b>	<b>21,376,278</b>	<b>17,538,993</b>	<b>38,915,271</b>
<b><u>NET POSITION</u></b>			
Net investment in capital assets	3,076,301	10,263,073	13,339,374
Unrestricted	5,309,319	(8,831,514)	(3,522,195)
<b>Total net position</b>	<b>8,385,620</b>	<b>1,431,559</b>	<b>9,817,179</b>
<b>Total liabilities and net position</b>	<b>\$ 29,761,898</b>	<b>\$ 18,970,552</b>	<b>\$ 48,732,450</b>

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

**MERIDIAN SERVICE METROPOLITAN DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN**  
**NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2021**

	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Total</b>
<b><u>OPERATING REVENUES</u></b>			
Service charges	\$ 3,000,790	\$ 1,794,857	\$ 4,795,647
Meter services	158,850	-	158,850
Total operating revenues	3,159,640	1,794,857	4,954,497
<b><u>OPERATING EXPENSES</u></b>			
Cost of services:			
Operations	285,557	523,988	809,545
Engineering	107,899	95,528	203,427
Payroll	380,276	424,622	804,898
Repairs and maintenance	71,177	89,855	161,032
Administrative and general expenses:			
Accounting and management	52,238	37,848	90,086
Depreciation	1,161,814	618,383	1,780,197
Dues and subscriptions	2,701	2,367	5,068
Insurance	38,629	27,202	65,831
Interest expense	465,774	-	465,774
Legal	27,294	395,532	422,826
Cost of debt issuance	-	115,785	115,785
Miscellaneous	13,671	7,986	21,657
Office	16,815	13,199	30,014
Utilities	519,972	85,761	605,733
Total operating expenses	3,143,817	2,438,056	5,581,873
Operating income (loss)	15,823	(643,199)	(627,376)
<b><u>NONOPERATING REVENUES (EXPENSES)</u></b>			
Facility fees	2,264,250	3,648,890	5,913,140
Miscellaneous income	6,845	6,269	13,114
Investment income	63	56,552	56,615
Fees transferred to Meridian Ranch Metropolitan District	(1,982,250)	(1,982,250)	(3,964,500)
Net nonoperating revenues (expenses)	288,908	1,729,461	2,018,369
Income (loss) before other financing sources (uses)	304,731	1,086,262	1,390,993

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

**MERIDIAN SERVICE METROPOLITAN DISTRICT  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN  
NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2021**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Contributed assets	\$ 141,785	\$ 163,250	\$ 305,035
Contributions to Cherokee Metropolitan District	-	(11,635,786)	(11,635,786)
Intergovernmental revenues	14,154	83,969	98,123
Net other financing sources (uses)	<u>155,939</u>	<u>(11,388,567)</u>	<u>(11,232,628)</u>
Change in net position	460,670	(10,302,305)	(9,841,635)
Net position, beginning of year	<u>7,924,950</u>	<u>11,733,864</u>	<u>19,658,814</u>
Net position, end of year	<u>\$ 8,385,620</u>	<u>\$ 1,431,559</u>	<u>\$ 9,817,179</u>

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



**MERIDIAN SERVICE METROPOLITAN DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2021**

	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Total</b>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Receipts from customers	\$ 3,196,522	\$ 1,706,739	\$ 4,903,261
Payments to vendors	(1,776,146)	(2,583,196)	(4,359,342)
Net cash flows from operating activities	1,420,376	(876,457)	543,919
<b><u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u></b>			
Loan proceeds	-	6,530,439	6,530,439
Repayments on loan	-	(1,854,648)	(1,854,648)
Net cash flows from non-capital financing activities	-	4,675,791	4,675,791
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>			
Acquisition of capital assets	(3,930,045)	(455,985)	(4,386,030)
Investment income	63	56,552	56,615
Miscellaneous income	7,054	6,269	13,323
Facility fees	2,264,250	3,648,890	5,913,140
Fees transferred to Meridian Ranch Metropolitan District	(1,982,250)	(1,982,250)	(3,964,500)
Transfers to other governments	-	(3,964,661)	(3,964,661)
Intergovernmental revenues	14,154	83,969	98,123
Net cash flows from capital and related financing activities	(3,626,774)	(2,607,216)	(6,233,990)
Net change in cash and investments	(2,206,398)	1,192,118	(1,014,280)
Cash and investments, beginning balance	7,730,610	3,837,459	11,568,069
Cash and investments, ending balance	<u>\$ 5,524,212</u>	<u>\$ 5,029,577</u>	<u>\$ 10,553,789</u>
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Operating income (loss)	\$ 15,823	\$ (643,199)	\$ (627,376)
Depreciation	1,161,814	618,383	1,780,197
Changes in operating assets and liabilities:			
Accounts receivable	195,732	(88,118)	107,614
Prepaid expenses and deposits	4,656	(1,029)	3,627
Accounts payable	(426,410)	(442,560)	(868,970)
Retainage payable	153,212	-	153,212
Accrued liabilities	(150,225)	(127,505)	(277,730)
Due to Cherokee Metropolitan District	-	(192,429)	(192,429)
Accrued interest on developer advances	465,774	-	465,774
Net cash flows from operating activities	<u>\$ 1,420,376</u>	<u>\$ (876,457)</u>	<u>\$ 543,919</u>

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

**MERIDIAN SERVICE METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**1. DEFINITION OF REPORTING ENTITY**

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

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

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

Government-wide and fund financial statements

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

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

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

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

See independent auditor's report.

**MERIDIAN SERVICE METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Measurement focus, basis of accounting and financial statement position

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current period. The material source of revenue subject to accrual is investment income. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

The District reports the following major governmental funds:

*General fund* - The general fund is used to account for all financial resources of the District except those required to be accounted for in another fund.

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

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

The District reports the following major proprietary funds:

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

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

Use of estimates

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

See independent auditor's report.

**MERIDIAN SERVICE METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Budgets

In accordance with state budget law, the District's board of directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures and other financing uses level and lapses at year end. The District's board of directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

The District incurred expenses in excess of appropriations for the year ended December 31, 2021 in the sewer fund primarily due to amounts contributed to Cherokee Metropolitan District. The District plans to amend the budget accordingly.

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.

Capital assets

Capital assets, which include property, equipment and infrastructure assets (e.g., roads, sidewalks and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and a useful life greater than one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

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

See independent auditor's report.

**MERIDIAN SERVICE METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 when a building permit is issued.

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.

See independent auditor's report.

**MERIDIAN SERVICE METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

**3. CASH AND INVESTMENTS**

Cash and investments as of December 31, 2021 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$ 5,677,958
Cash and investments - restricted	<u>6,135,281</u>
Total cash and investments	<u><u>\$ 11,813,239</u></u>

Cash and investments as of December 31, 2021 consist of the following:

Deposits with financial institutions	\$ 2,970,250
Investments	<u>8,842,989</u>
	<u><u>\$ 11,813,239</u></u>

Deposits with financial institutions

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

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

As of December 31, 2021, the District's cash deposits had a bank balance of \$2,907,431 and a book balance of \$2,970,250.

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.

See independent auditor's report.

**MERIDIAN SERVICE METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**3. CASH AND INVESTMENTS (CONTINUED)**

Investments (continued)

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 requirements.

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, 2021, the District had the following in investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Liquid Asset Trust	Weighted average under one year	<u>\$ 8,842,989</u>

Colostrust

During 2020, 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. Colostrust operates similarly to a money market fund and each share is equal in value to \$1.

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

See independent auditor's report.

**MERIDIAN SERVICE METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**4. CAPITAL ASSETS**

An analysis of the changes in capital assets for governmental activities for the year ended December 31, 2021 follows:

	Balance 1/1/2021	Additions/ Reclass- ifications	Dispositions/ Reclass- ifications	Balance 12/31/2021
<b>Governmental activities</b>				
Capital assets not being depreciated:				
Construction in progress	\$ 7,743	\$ 427,938	\$ (300,000)	\$ 135,681
Total capital assets not being depreciated	7,743	427,938	(300,000)	135,681
Capital assets being depreciated:				
Parks and recreation facilities	15,709,050	1,112,355	-	16,821,405
Vehicles and equipment	137,589	68,721	(27,507)	178,803
Total capital assets being depreciated	15,846,639	1,181,076	(27,507)	17,000,208
Less accumulated depreciation	(4,401,873)	(639,290)	23,507	(5,017,656)
Total capital assets being depreciated, net	11,444,766	541,786	(4,000)	11,982,552
Governmental activities capital assets, net	\$ 11,452,509	\$ 969,724	\$ (304,000)	\$ 12,118,233

Depreciation expense for governmental activities for the year ended December 31, 2021 totaled \$639,290.

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

	Capital Projects Fund
Total cash outlay	\$ 496,658
Construction in progress reclassifications	300,000
Contributed capital assets	812,356
Total additions	\$ 1,609,014

See independent auditor's report.



**MERIDIAN SERVICE METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**4. CAPITAL ASSETS (CONTINUED)**

An analysis of the changes in capital assets for business-type activities for the year ended December 31, 2021 follows:

	Balance 1/1/2021	Additions/ Reclass- ifications	Dispositions/ Reclass- ifications	Balance 12/31/2021
<b>Business-type activities</b>				
Capital assets not being depreciated:				
Water rights	\$ 257,085	\$ -	\$ -	\$ 257,085
Construction in progress	898,626	4,308,517	(5,055,240)	151,903
Total capital assets not being depreciated	<u>1,155,711</u>	<u>4,308,517</u>	<u>(5,055,240)</u>	<u>408,988</u>
Capital assets being depreciated:				
Water system facilities	33,868,502	4,425,063	-	38,293,565
Sewer system facilities	18,336,908	867,879	-	19,204,787
Vehicles - water	93,049	46,609	-	139,658
Vehicles - sewer	139,673	98,237	-	237,910
Total capital assets being depreciated	52,438,132	5,437,788	-	57,875,920
Less accumulated depreciation	<u>(20,258,384)</u>	<u>(1,780,197)</u>	<u>-</u>	<u>(22,038,581)</u>
Total capital assets being depreciated, net	<u>32,179,748</u>	<u>3,657,591</u>	<u>-</u>	<u>35,837,339</u>
Business-type activities capital assets, net	<u>\$ 33,335,459</u>	<u>\$ 7,966,108</u>	<u>\$ (5,055,240)</u>	<u>\$ 36,246,327</u>

Depreciation expense for business-type activities for the year ended December 31, 2021 totaled \$1,780,197.

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

	Water Fund	Sewer Fund	Total
Total cash outlay	\$ 3,930,045	\$ 455,985	\$ 4,386,030
Construction in progress reclassifications	4,265,617	789,623	5,055,240
Contributed capital assets	141,785	163,250	305,035
Total additions	<u>\$ 8,337,447</u>	<u>\$ 1,408,858</u>	<u>\$ 9,746,305</u>

See independent auditor's report.

**MERIDIAN SERVICE METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**5. LONG-TERM OBLIGATIONS**

An analysis of changes in the District's long-term obligations for the year ended December 31, 2021 is as follows:

	Balance 1/1/2021	Additions	Repayments	Balance 12/31/2021	Due within one year
<u>Direct placements</u>					
Series 2021 Loan	\$ -	\$ 4,676,000	\$ -	\$ 4,676,000	\$ 329,000
Promissory note	-	1,854,439	(1,854,439)	-	-
Total direct placements	-	6,530,439	(1,854,439)	4,676,000	329,000
<u>Developer advances</u>					
Developer advances	9,315,476	-	-	9,315,476	-
Developer advances - accrued interest	13,125,703	465,774	-	13,591,477	-
Total developer advances	22,441,179	465,774	-	22,906,953	-
	<u>\$ 22,441,179</u>	<u>\$ 6,996,213</u>	<u>\$ (1,854,439)</u>	<u>\$ 27,582,953</u>	<u>\$ 329,000</u>

Promissory note

On August 11, 2021, the District entered into a Promissory note ("Note") with a private lender in the amount of \$1,854,439 to fund payments due to Cherokee Metropolitan District pursuant to the wastewater arbitration judgment (Note 6). This was repaid during the year ended December 31, 2021.

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 the costs of acquiring, constructing, and installing a portion of the wastewater system, including reimbursing amounts previously paid to Cherokee Metropolitan District pursuant to the wastewater arbitration judgment (Note 6); (b) funding an additional payment due to Cherokee Metropolitan District; (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, beginning in 2022. The Loan matures on December 1, 2033.

See independent auditor's report.

**MERIDIAN SERVICE METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**5. LONG-TERM OBLIGATIONS (CONTINUED)**

Series 2021 Loan Agreement and Promissory Note (continued)

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>
2022	\$ 329,000	\$ 98,021	\$ 427,021
2023	344,000	93,461	437,461
2024	352,000	86,064	438,064
2025	359,000	78,496	437,496
2026	367,000	70,778	437,778
2027-2031	1,957,000	232,071	2,189,071
2032-2033	968,000	32,659	1,000,659
	<u>\$ 4,676,000</u>	<u>\$ 691,550</u>	<u>\$ 5,367,550</u>

*Events of default*

Events of default occur if: (a) the District fails to apply the pledge 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 (Note 6).

See independent auditor's report.

**MERIDIAN SERVICE METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**5. LONG-TERM OBLIGATIONS (CONTINUED)**

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.

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, 2021, 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>

See independent auditor's report.

**MERIDIAN SERVICE METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**6. COMMITMENTS**

Wastewater arbitration judgment

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 \$19,465,000. As of December 31, 2021, the District's portion of costs incurred totaled \$10,464,625.

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"). During the year ended December 31, 2021, total payments of \$901,864 were made under this agreement, all of which represent financing costs (i.e., interest on the underlying Cherokee bond).

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

<u>Year Ending December 31,</u>	<u>Cost Component</u>	<u>Financing Component</u>	<u>Total</u>
2022	\$ -	\$ 354,996	\$ 354,996
2023	-	709,992	709,992
2024	-	709,992	709,992
2025	-	709,992	709,992
2026	-	709,992	709,992
2027-2031	-	3,549,960	3,549,960
2032-2036	2,338,090	3,458,908	5,796,998
2037-2041	4,563,970	2,731,420	7,295,390
2041-2046	5,550,960	1,742,872	7,293,832
2047-2050	5,296,770	540,074	5,836,844
	<u>\$ 17,749,790</u>	<u>\$ 15,218,198</u>	<u>\$ 32,967,988</u>

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 ICMA Retirement Corporation. The Plan is a defined contribution plan with the District contributing an amount equal to 6.2% of each participant's compensation for the year. Each full-time employee 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 \$53,964 to the Plan during the year ended December 31, 2021.

See independent auditor's report.

**MERIDIAN SERVICE METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**7. 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.

As of December 31, 2021, the District had net investment in capital assets as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net investment in capital assets:			
Capital assets, net	\$ 12,118,233	\$ 36,246,327	\$ 48,364,560
Long-term obligations	-	(22,906,953)	(22,906,953)
Net investment in capital assets	<u>\$ 12,118,233</u>	<u>\$ 13,339,374</u>	<u>\$ 25,457,607</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, 2021, as follows:

Restricted net position:		
Emergency reserve (Note 11)		\$ 8,100
Parks and ground		522,813
Recreation		541,431
Capital projects		370,819
		<u>\$ 1,443,163</u>

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

**8. INTERGOVERNMENTAL AGREEMENTS**

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

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

See independent auditor's report.

**MERIDIAN SERVICE METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**8. INTERGOVERNMENTAL AGREEMENTS (CONTINUED)**

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

During the year ended December 31, 2021, the District transferred a total of \$3,964,500 to Meridian Ranch to assist in the repayment of the subordinate bonds issued by Meridian Ranch.

During the year ended December 31, 2021, the District received a total of \$311,017 from Meridian Ranch for the costs of constructing and maintaining certain facilities.

The District entered into an intergovernmental agreement with Cherokee under which the District will pay for its portion of the wastewater treatment costs incurred by Cherokee. Total amount paid to Cherokee as of and for the year ended December 31, 2021 was \$317,315, and 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 Districts for operations on a sewer lift station that directs sewage to the Black Squirrel Waste Water Treatment Facility. The District will own and be responsible for the operation, maintenance, and repair of the life station and invoice WHMD on a monthly basis for its share of the costs of operations, maintenance, and repairs. During the year ended December 31, 2021, the District collected \$98,123 under this agreement.

On September 11, 2014, the District entered into an intergovernmental agreement with Sterling Ranch Metropolitan District No. 1 ("Sterling Ranch") under which the District will treat and deliver Sterling Ranch wastewater to the CM plant from the District's sewer lift station and Sterling Ranch will pay the District a connection fee prior to service, a monthly wastewater services fee, and ongoing tap sewer tap fees through 2024. With regards to this agreement, no fees were collect during 2021.

**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 of directors.

**10. 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.

See independent auditor's report.

**MERIDIAN SERVICE METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**10. 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.

**11. 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.

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See independent auditor's report.



## **SUPPLEMENTARY INFORMATION**

**MERIDIAN SERVICE METROPOLITAN DISTRICT  
PARKS AND GROUND FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2021**

	<b>Original and Final Budget</b>	<b>Actual Amounts</b>	<b>Variance</b>
<b><u>REVENUES</u></b>			
Intergovernmental revenues	\$ 35,000	\$ 51,017	\$ 16,017
Parks and ground fees	927,150	925,920	(1,230)
Street lighting fees	180,025	179,544	(481)
Other revenues	17,850	20,825	2,975
Investment income	-	75	75
<b>Total revenues</b>	<b>1,160,025</b>	<b>1,177,381</b>	<b>17,356</b>
<b><u>EXPENDITURES</u></b>			
Accounting	15,590	22,710	(7,120)
Dues and subscriptions	500	232	268
Engineering	3,500	6,321	(2,821)
Insurance	12,360	16,737	(4,377)
Landscaping	364,500	363,919	581
Legal	2,500	117	2,383
Miscellaneous	500	1,145	(645)
Office supplies	6,900	8,159	(1,259)
Repairs and maintenance	78,000	21,291	56,709
Salaries and payroll	246,875	171,598	75,277
Supplies	2,000	435	1,565
Utilities	171,350	180,327	(8,977)
<b>Total expenditures</b>	<b>904,575</b>	<b>792,991</b>	<b>111,584</b>
Excess of revenues over (under) expenditures	255,450	384,390	128,940
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Transfer from (to) other funds	(300,000)	(300,000)	-
<b>Total other financing sources (uses)</b>	<b>(300,000)</b>	<b>(300,000)</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>\$ (44,550)</b>	<b>84,390</b>	<b>\$ 128,940</b>
Fund balance, beginning of year		438,423	
<b>Fund balance, end of year</b>		<b>\$ 522,813</b>	

See independent auditor's report.

**MERIDIAN SERVICE METROPOLITAN DISTRICT  
RECREATION FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2021**

	<b>Budget</b>		<b>Actual Amounts</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Recreation center fees	\$ 1,864,450	\$ 1,914,450	\$ 1,924,163	\$ 9,713
Other revenues	22,650	21,437	31,025	9,588
Investment income	-	25	47	22
Falcon Freedom Days	20,000	8,750	8,750	-
<b>Total revenues</b>	<b>1,907,100</b>	<b>1,944,662</b>	<b>1,963,985</b>	<b>19,323</b>
<b>EXPENDITURES</b>				
Accounting	25,300	39,500	38,608	892
Dues and subscriptions	1,000	1,600	2,005	(405)
Engineering	5,000	14,000	12,193	1,807
Insurance	18,823	28,100	28,002	98
Legal	5,000	5,000	-	5,000
Office supplies	46,200	50,000	49,012	988
Other	75,650	52,282	53,489	(1,207)
Repairs and maintenance	257,500	257,500	165,923	91,577
Salaries and payroll	970,200	1,012,300	1,015,815	(3,515)
Supplies	63,500	59,000	63,614	(4,614)
Utilities	182,100	177,500	183,460	(5,960)
<b>Total expenditures</b>	<b>1,650,273</b>	<b>1,696,782</b>	<b>1,612,121</b>	<b>84,661</b>
Excess of revenues over (under) expenditures	256,827	247,880	351,864	103,984
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer from (to) other funds	(200,000)	(200,000)	(200,000)	-
<b>Total other financing sources (uses)</b>	<b>(200,000)</b>	<b>(200,000)</b>	<b>(200,000)</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>\$ 56,827</b>	<b>\$ 47,880</b>	151,864	<b>\$ 103,984</b>
Fund balance, beginning of year			389,567	
Fund balance, end of year			<b>\$ 541,431</b>	

See independent auditor's report.

**MERIDIAN SERVICE METROPOLITAN DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2021**

	<b>Budget</b>		<b>Actual Amounts</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Grant revenue	\$ -	\$ 25,000	\$ -	\$ (25,000)
Other revenues	-	-	3,126	3,126
Investment income	-	2,050	3,158	1,108
<b>Total revenues</b>	<b>-</b>	<b>27,050</b>	<b>6,284</b>	<b>(20,766)</b>
<b>EXPENDITURES</b>				
Capital expenditures	1,588,900	498,300	496,658	1,642
Legal	10,000	-	-	-
<b>Total expenditures</b>	<b>1,598,900</b>	<b>498,300</b>	<b>496,658</b>	<b>1,642</b>
Excess of revenues over (under) expenditures	(1,598,900)	(471,250)	(490,374)	(19,124)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from Meridian Ranch Metro District	750,000	-	-	-
Repayments to developer	(750,000)	-	-	-
Transfer from (to) other funds	500,000	500,000	500,000	-
<b>Total other financing sources (uses)</b>	<b>500,000</b>	<b>500,000</b>	<b>500,000</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>\$ (1,098,900)</b>	<b>\$ 28,750</b>	<b>9,626</b>	<b>\$ (19,124)</b>
Fund balance, beginning of year			362,615	
Correction to net position, beginning of year			(1,422)	
<b>Fund balance, end of year</b>			<b>\$ 370,819</b>	

See independent auditor's report.

**MERIDIAN SERVICE METROPOLITAN DISTRICT  
WATER FUND  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
YEAR ENDED DECEMBER 31, 2021**

	Budget		Actual Amounts	Variance
	Original	Final		
<b>REVENUES</b>				
Service charges	\$ 2,955,350	\$ 2,946,163	\$ 3,000,790	\$ 54,627
Meter services	187,500	100,000	158,850	58,850
Total revenues	3,142,850	3,046,163	3,159,640	113,477
<b>EXPENSES</b>				
Cost of services:				
Operations	401,010	308,000	285,557	22,443
Engineering	50,000	118,000	107,899	10,101
Payroll	576,825	410,541	380,276	30,265
Repairs and maintenance	112,000	51,100	71,177	(20,077)
Administrative and general expenses:				
Accounting and management	54,000	51,000	52,238	(1,238)
Capital outlay	6,151,500	4,004,115	3,930,045	74,070
Dues and subscriptions	2,500	4,000	2,701	1,299
Insurance	65,000	38,650	38,629	21
Legal	30,000	22,000	27,294	(5,294)
Miscellaneous	17,925	15,305	13,671	1,634
Office	15,375	19,450	16,815	2,635
Utilities	499,700	507,700	519,972	(12,272)
Total operating expenses	7,975,835	5,549,861	5,446,274	103,587
Operating income (loss)	(4,832,985)	(2,503,698)	(2,286,634)	217,064
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Facility fees	1,800,000	2,167,250	2,264,250	97,000
Miscellaneous income	-	3,990	6,845	2,855
Investment income	-	-	63	63
Fees transferred to Meridian Ranch Metropolitan District	(1,800,000)	(1,892,500)	(1,982,250)	(89,750)
Net nonoperating revenues (expenses)	-	278,740	288,908	10,168
Income (loss) before other financing sources (uses)	(4,832,985)	(2,224,958)	(1,997,726)	227,232

See independent auditor's report.

**MERIDIAN SERVICE METROPOLITAN DISTRICT  
WATER FUND  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
YEAR ENDED DECEMBER 31, 2021**

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	<u>Budget</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Intergovernmental revenues	\$ 25,000	\$ 15,284	\$ 14,154	\$ (1,130)
Net other financing sources (uses)	25,000	15,284	14,154	(1,130)
Change in net position	<u>\$ (4,807,985)</u>	<u>\$ (2,209,674)</u>	(1,983,572)	<u>\$ 226,102</u>
Net position, beginning of year, as previously stated			8,542,092	
Correction to net position, beginning of year			84,442	
Net position, end of year			<u>\$ 6,642,962</u>	

See independent auditor's report.

**MERIDIAN SERVICE METROPOLITAN DISTRICT  
RECONCILIATION OF BUDGETARY BASIS (ACTUAL) TO STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN NET POSITION  
WATER FUND  
YEAR ENDED DECEMBER 31, 2021**

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The accompanying schedule of revenues, expenses and changes in net position - budget and actual presents comparisons of the legally adopted budget with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with US GAAP, a reconciliation of differences for the year ended December 31, 2021 is presented below.

Revenues - budgetary basis	\$ 5,444,952
Contributed assets	141,785
Revenues per statement of revenues, expenses, and changes in net position	\$ 5,586,737
Expenditures - budgetary basis	\$ 7,428,524
Depreciation	1,161,814
Capital outlay	(3,930,045)
Interest expense	465,774
Change in net assets per statement of revenues, expenses and changes in net position	\$ 5,126,067

See independent auditor's report.

**MERIDIAN SERVICE METROPOLITAN DISTRICT**  
**SEWER FUND**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**YEAR ENDED DECEMBER 31, 2021**

	<u>Budget</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Service charges	\$ 1,771,200	\$ 1,803,663	\$ 1,794,857	\$ (8,806)
Total revenues	<u>1,771,200</u>	<u>1,803,663</u>	<u>1,794,857</u>	<u>(8,806)</u>
<b>EXPENDITURES</b>				
Cost of services:				
Operations	584,100	595,000	523,988	71,012
Engineering	75,000	74,250	95,528	(21,278)
Payroll	536,525	484,175	424,622	59,553
Repairs and maintenance	99,900	119,900	89,855	30,045
Administrative and general expenses:				
Accounting and management	51,000	38,000	37,848	152
Dues and subscriptions	3,000	5,000	2,367	2,633
Insurance	50,000	27,276	27,202	74
Legal	170,000	382,250	395,532	(13,282)
Cost of debt issuance	-	205,000	115,785	89,215
Miscellaneous	7,300	11,325	7,986	3,339
Office	16,750	16,000	13,199	2,801
Utilities	34,700	88,400	85,761	2,639
Capital outlay	1,331,500	852,500	455,985	396,515
Total operating expenses	<u>2,959,775</u>	<u>2,899,076</u>	<u>2,275,658</u>	<u>623,418</u>
Operating income (loss)	<u>(1,188,575)</u>	<u>(1,095,413)</u>	<u>(480,801)</u>	<u>614,612</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Facility fees	2,951,175	3,569,890	3,648,890	79,000
Miscellaneous income	-	4,335	6,269	1,934
Investment income	-	56,500	56,552	52
Fees transferred to Meridian Ranch				
Metropolitan District	<u>(1,700,000)</u>	<u>(1,892,500)</u>	<u>(1,982,250)</u>	<u>(89,750)</u>
Net nonoperating revenues (expenses)	<u>1,251,175</u>	<u>1,738,225</u>	<u>1,729,461</u>	<u>(8,764)</u>
Income (loss) before other financing sources (uses)	<u>62,600</u>	<u>642,812</u>	<u>1,248,660</u>	<u>605,848</u>

See independent auditor's report.



**MERIDIAN SERVICE METROPOLITAN DISTRICT  
SEWER FUND  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
YEAR ENDED DECEMBER 31, 2021**

	Budget		Actual Amounts	Variance
	Original	Final		
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Proceeds from loan issuance	\$ -	\$ 4,775,000	\$ 6,530,439	\$ 1,755,439
Repayments on loans	-	-	(1,854,439)	(1,854,439)
Transfer from Meridian Ranch Metropolitan District	750,000	-	-	-
Repay developer advances	(750,000)	-	-	-
Contributions to Cherokee Metropolitan District	-	(1,024,540)	(979,213)	45,327
Intergovernmental revenues	103,000	229,000	83,969	(145,031)
Net other financing sources (uses)	<u>103,000</u>	<u>3,979,460</u>	<u>3,780,756</u>	<u>(198,704)</u>
Change in net position	<u>\$ 165,600</u>	<u>\$ 4,622,272</u>	5,029,416	<u>\$ 407,144</u>
Net position, beginning of year, as previously stated			1,471,852	
Correction to net position, beginning of year			<u>(1,332,430)</u>	
Net position, end of year			<u>\$ 5,168,838</u>	

See independent auditor's report.

**MERIDIAN SERVICE METROPOLITAN DISTRICT  
RECONCILIATION OF BUDGETARY BASIS (ACTUAL) TO STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN NET POSITION  
SEWER FUND  
YEAR ENDED DECEMBER 31, 2021**

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The accompanying schedule of revenues, expenses and changes in net position - budget and actual presents comparisons of the legally adopted budget with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with US GAAP, a reconciliation of differences for the year ended December 31, 2021 is presented below.

Revenues - budgetary basis	\$ 12,120,976
Loan proceeds	(6,530,439)
Contributed assets	163,250
Revenues per statement of revenues, expenses, and changes in net position	\$ 5,753,787
Expenditures - budgetary basis	\$ 7,091,560
Depreciation	618,383
Repayment of loan proceeds	(1,854,439)
Contributions to Cherokee Metropolitan District	10,656,573
Capital outlay	(455,985)
Change in net assets per statement of revenues, expenses and changes in net position	\$ 16,056,092

See independent auditor's report.