

**SOUTH MERIDIAN METROPOLITAN
DISTRICT
Douglas County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2018

**SOUTH MERIDIAN METROPOLITAN DISTRICT
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2018**

INDEPENDENT AUDITOR’S REPORT	1
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	1
STATEMENT OF ACTIVITIES	2
FUND FINANCIAL STATEMENTS	
BALANCE SHEET – GOVERNMENTAL FUNDS	3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	4
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	5
GENERAL FUND – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	6
NOTES TO BASIC FINANCIAL STATEMENTS	7
SUPPLEMENTARY INFORMATION	
DEBT SERVICE FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	19
CAPITAL PROJECTS FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	20
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY	21
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED	22



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
South Meridian Metropolitan District
Douglas County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of South Meridian Metropolitan District (the District) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of South Meridian Metropolitan District, as of December 31, 2018, and the respective changes in financial position 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.

I

Fiscal Focus Partners, LLC

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, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The 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 basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Fiscal Focus Partners, LLC

Greenwood Village, Colorado
June 13, 2019

BASIC FINANCIAL STATEMENTS

**SOUTH MERIDIAN METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2018**

	Governmental Activities
ASSETS	
Cash and Investments	\$ 320,678
Cash and Investments - Restricted	564,238
Receivable - County Treasurer	5,894
Property Tax Receivable	577,005
Total Assets	1,467,815
LIABILITIES	
Due to Meridian Metropolitan District	356,703
Accrued Bond Interest Payable	9,788
Noncurrent Liabilities	
Due Within One Year	170,000
Due in More Than One Year	4,365,000
Total Liabilities	4,901,491
DEFERRED INFLOWS OF RESOURCES	
Deferred Property Tax Revenue	577,005
Total Property Tax Revenue	577,005
NET POSITION	
Restricted for:	
Emergency Reserves	5,700
Debt Service	518,619
Unrestricted	(4,535,000)
Total Net Position	\$ (4,010,681)

See accompanying Notes to Basic Financial Statements.

**SOUTH MERIDIAN METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018**

		Program Revenues			Net Revenues (Expenses) and Changes in Net Position
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Governmental Activities:					
General Government	\$ 217,079	\$ -	\$ -	\$ -	\$ (217,079)
Interest on Long-Term Debt and Related Costs	130,540	-	-	-	(130,540)
Total Governmental Activities	\$ 347,619	\$ -	\$ -	\$ -	(347,619)
 GENERAL REVENUES					
Property Taxes					578,746
Specific Ownership Taxes					61,600
Other Income					1,500
Net Investment Income					18,031
Total General Revenues					659,877
 CHANGE IN NET POSITION					
					312,258
Net Position - Beginning of Year					(4,322,939)
 NET POSITION - END OF YEAR					 \$ (4,010,681)

See accompanying Notes to Basic Financial Statements.

**SOUTH MERIDIAN METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 320,678	\$ -	\$ -	\$ 320,678
Cash and Investments - Restricted	5,700	527,494	31,044	564,238
Receivable - County Treasurer	1,681	4,213	-	5,894
Property Taxes Receivable	162,836	414,169	-	577,005
Total Assets	\$ 490,895	\$ 945,876	\$ 31,044	\$ 1,467,815
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Due to Meridian Metropolitan District	\$ 322,359	\$ 3,300	\$ 31,044	\$ 356,703
Total Liabilities	322,359	3,300	31,044	356,703
 DEFERRED INFLOWS OF RESOURCES				
Property Tax Revenue	162,836	414,169	-	577,005
Total Deferred Inflows of Resources	162,836	414,169	-	577,005
 FUND BALANCES				
Restricted for:				
Emergency Reserves	5,700	-	-	5,700
Debt Service	-	528,407	-	528,407
Total Fund Balances	5,700	528,407	-	534,107
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 490,895	\$ 945,876	\$ 31,044	

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

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

Accrued Bond Interest Payable	(9,788)
Bonds Payable	(4,535,000)

Net Position of Governmental Activities

\$ (4,010,681)

**SOUTH MERIDIAN METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2018**

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
Property Taxes	\$ 164,330	\$ 414,416	\$ -	\$ 578,746
Specific Ownership Taxes	17,566	44,034	-	61,600
Reimbursed Expenditures	-	1,500	-	1,500
Net Investment Income	5,337	12,555	139	18,031
Total Revenues	<u>187,233</u>	<u>472,505</u>	<u>139</u>	<u>659,877</u>
EXPENDITURES				
Current:				
County Treasurer's Fees	2,470	6,222	-	8,692
Board Support	4,500	-	-	4,500
Miscellaneous	102	-	-	102
Operating and Maintenance Expenses	178,517	-	-	178,517
Payroll Tax Expense	344	-	-	344
Debt Service:				
Bond Interest - Series 2016	-	121,342	-	121,342
Bond Principal - Series 2016	-	150,000	-	150,000
Paying Agent Fees	-	3,300	-	3,300
Capital Projects:				
Miscellaneous Expenses	-	-	102	102
Capital Expenditures	-	-	31,044	31,044
Total Expenditures	<u>185,933</u>	<u>280,864</u>	<u>31,146</u>	<u>497,943</u>
NET CHANGE IN FUND BALANCES	1,300	191,641	(31,007)	161,934
Fund Balances - Beginning of Year	<u>4,400</u>	<u>336,766</u>	<u>31,007</u>	<u>372,173</u>
FUND BALANCES - END OF YEAR	<u>\$ 5,700</u>	<u>\$ 528,407</u>	<u>\$ -</u>	<u>\$ 534,107</u>

See accompanying Notes to Basic Financial Statements.

**SOUTH MERIDIAN METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018**

Net Change in Fund Balances - Governmental Funds \$ 161,934

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

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Current Year Bond Principal Payment - Series 2016 150,000

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued Bond Interest - Change in Liability 324

Change in Net Position of Governmental Activities \$ 312,258

**SOUTH MERIDIAN METROPOLITAN DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 166,109	\$ 164,330	\$ (1,779)
Specific Ownership Taxes	18,272	17,566	(706)
Net Investment Income	500	5,337	4,837
Other Revenue	4,000	-	(4,000)
Total Revenues	<u>188,881</u>	<u>187,233</u>	<u>(1,648)</u>
EXPENDITURES			
Current:			
Country Treasurer's Fees	2,492	2,470	22
Board Support	6,500	4,500	2,000
Miscellaneous	250	102	148
Operating and Maintenance Expenses	173,942	178,517	(4,575)
Payroll Taxes	497	344	153
Contingency	4,000	-	4,000
Total Expenditures	<u>187,681</u>	<u>185,933</u>	<u>1,748</u>
NET CHANGE IN FUND BALANCES	1,200	1,300	100
Fund Balances - Beginning of Year	<u>4,400</u>	<u>4,400</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 5,600</u></u>	<u><u>\$ 5,700</u></u>	<u><u>\$ 100</u></u>

See accompanying Notes to Basic Financial Statements.

**SOUTH MERIDIAN METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 1 DEFINITION OF REPORTING ENTITY

South Meridian Metropolitan District (the District), a quasi-municipal corporation and political sub-division of the State of Colorado, was organized by order and decree of the District Court for Douglas County on November 12, 1999, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in Douglas County, Colorado. The District was organized to assist in the funding, integration, and coordination of metropolitan district services and facilities within and without its boundaries, which consist of approximately 200 acres. The basic charge of the District is to pay debt and fund operations per the Regional Facilities Agreement (see Note 9). It will derive its revenue principally from general property taxes.

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.

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

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 except for the fiduciary activities. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

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

**SOUTH MERIDIAN METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide and Fund Financial Statements (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 governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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 both 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 government considers revenues to be available if they are collected 60 days after the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

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

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

**SOUTH MERIDIAN METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with the 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 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.

Pooled Cash and Investments

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

Property Taxes

Property taxes are levied by the District's 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 put the tax lien on 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 if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are 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 inflow of resources in the year they are levied and measurable. The unearned property tax revenues are recorded as revenue in the year they are available or collected.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items) are reported by the District. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

**SOUTH MERIDIAN METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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 net investment in capital assets.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation expense, if any, is computed using the straight-line method over the estimated economic useful lives.

Deferred Inflow of Resources

In addition to liabilities, the statement of net position reports 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 and so will not be recognized as an inflow of resources (revenue) until that time. 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.

Equity

Net Position

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

Fund Balance

Fund balance for governmental funds should be 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 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.

**SOUTH MERIDIAN METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

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

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

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

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

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2018, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 320,678
Cash and Investments - Restricted	564,238
Total Cash and Investments	<u>\$ 884,916</u>

Cash and investments as of December 31, 2018, consist of the following:

Deposits with Financial Institutions	\$ 27,460
Investments	857,456
Total Cash and Investments	<u>\$ 884,916</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. 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.

**SOUTH MERIDIAN METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Deposits with Financial Institutions (Continued)

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, 2018, the District's cash deposits had a bank and carrying balance of \$27,461.

Investments

The District has adopted a formal investment policy which follows state statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (*) 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 or investment custodial risk disclosure requirements 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.

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

- . Obligations of the United States, certain U.S. government agency securities and securities of the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Certain certificates of participation
- . Certain securities lending agreements
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- * Local government investment pools

As of December 31, 2018, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Colorado Local Government Liquid Asset Trust (Colotrust)	Weighted average under 60 days	<u>\$ 857,456</u>

**SOUTH MERIDIAN METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust 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 any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust'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 the Trust. COLOTRUST is rated AAAM by Standard & Poor's. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

NOTE 4 LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2018:

	Balance at December 31, 2017	Additions	Reductions	Balance at December 31, 2018	Due Within One Year
Governmental Activities:					
General Obligation Bonds Payable					
2016 Bonds	\$ 4,685,000	\$ -	\$ 150,000	\$ 4,535,000	\$ 170,000
Total Bonds Payable	<u>\$ 4,685,000</u>	<u>\$ -</u>	<u>\$ 150,000</u>	<u>\$ 4,535,000</u>	<u>\$ 170,000</u>

General Obligation Bonds

\$4,980,000 General Obligation Refunding Bonds, dated July 18, 2016, with interest of 2.59%, due annually through 2036. The Bonds have been issued by the District for the purpose of providing funds for refunding of the Series 2003B Bonds and Series 2004 Bonds. The Bonds are subject to redemption on any date prior to December 1, 2026, at the option of the District, in whole or in part, at a redemption price equal to the par amount thereof, plus a Prepayment Fee, plus accrued interest to the redemption date.

**SOUTH MERIDIAN METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

General Obligation Bonds (Continued)

The estimated annual requirement to amortize the remaining bonds is as follows:

<u>For Year Ending December 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 170,000	\$ 117,457	\$ 287,457
2020	185,000	113,054	298,054
2021	190,000	108,262	298,262
2022	200,000	103,341	303,341
2023	210,000	98,161	308,161
2024-2028	1,180,000	404,818	1,584,818
2029-2033	1,415,000	240,353	1,655,353
2034-2036	985,000	51,542	1,036,542
Total	<u>\$ 4,535,000</u>	<u>\$ 1,236,988</u>	<u>\$ 5,771,988</u>

Authorized Debt

On November 2, 1999, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$40,000,000 at a maximum net effective interest rate not to exceed 15% per annum. At December 31, 2018, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	<u>Authorized</u>	<u>Authorization Used</u>					<u>Authorization Remaining</u>
	<u>November 2, 1999</u>	<u>Series 1999 Bonds</u>	<u>Series 2000 Bonds</u>	<u>Series 2003A & 2003B Bonds</u>	<u>Series 2004 Bonds</u>	<u>Series 2016 Bonds</u>	
Street Improvements	\$ 7,000,000	\$ 1,200,000	\$ 3,214,000	\$ -	\$ 1,278,220	\$ -	\$ 1,307,780
Parks and Recreation	3,000,000	500,000	1,265,000	-	658,420	-	576,580
Sewer	3,000,000	600,000	761,000	-	474,294	-	1,164,706
Water	3,000,000	600,000	1,230,000	-	389,066	-	780,934
Transportation	7,000,000	100,000	530,000	-	-	-	6,370,000
TV Relay	2,000,000	-	-	-	-	-	2,000,000
Refunding	15,000,000	-	-	265,000	-	4,980,000	9,755,000
	<u>\$ 40,000,000</u>	<u>\$ 3,000,000</u>	<u>\$ 7,000,000</u>	<u>\$ 265,000</u>	<u>\$ 2,800,000</u>	<u>\$ 4,980,000</u>	<u>\$ 21,955,000</u>

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 District's service area.

**SOUTH MERIDIAN METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 5 NET POSITION

The District has net position consisting of two components - restricted and unrestricted.

Restricted assets include net position 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 position as of December 31, 2018, as follows:

Restricted Net Position:	
Emergency Reserves	\$ 5,700
Debt Service	518,619
Total Restricted Net Position	<u>\$ 524,319</u>

The District has a deficit in unrestricted net position. This deficit amount is a result of the District being responsible for the repayment of bonds issued for public improvements which were conveyed to other governmental entities and which costs were removed from the District's financial records.

NOTE 6 RELATED PARTY TRANSACTIONS

The Developer of the property within the District is Shea Colorado, LLC and its affiliates (Shea or Developer). Three of the five Board members of the District are employed by or provide services to a business or businesses that are involved with, may become involved with, or are directly and substantially affected by the activities of the District, and all Board members own real property that is located in the District. These relationships and ownerships, in certain circumstances, may give the appearance that conflicting interests could affect their official activities as Board members but as a general matter they do not disqualify them to serve as Board members. As and when required by law, each affected Board member files a written disclosure of any potential conflicts of interest with the District and the Colorado Secretary of State, and they refrain from voting on affected matters unless allowed by law.

The Developer, through various related entities, may perform certain maintenance and management functions for the District. The District did not incur any related costs directly to the Developer during 2018. However, amounts were paid to Meridian Metropolitan District pursuant to the Regional Facilities Agreement. Meridian Metropolitan District has contracted with the Developer to provide certain management and maintenance functions.

**SOUTH MERIDIAN METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 7 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 personnel; or natural disasters.

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

The District pays annual premiums to the Pool for liability, property, public officials' liability, and workers compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 8 REGIONAL FACILITIES AGREEMENT

The District entered into a Regional Facilities Agreement, dated January 1, 1999, with Meridian Metropolitan District (Meridian). The agreement calls for Meridian to provide operation and maintenance services to the District for all facilities as described in the agreement, as well as construction and administrative services for the District. The District pays Meridian for the services according to terms outlined in the agreement. Also, according to the terms of the agreement, Meridian shall assume ownership of these facilities upon completion. The agreement remains in full force and effect until terminated by either party upon the provision of one year's written notice, provided however that the District remains liable for obligations of the District existing at the time of termination. The amount due to Meridian as of December 31, 2018, was \$356,703.

NOTE 9 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 which apply to the State of Colorado and all local governments.

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.

**SOUTH MERIDIAN METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 9 TAX, SPENDING, AND DEBT LIMITATION (CONTINUED)

On November 2, 1999, a majority of the District's electors authorized the District to collect and spend or retain in a reserve \$1,000,000 in property taxes as adjusted for inflation and local growth plus other revenue of the District, including specific ownership taxes, interest income, tap fees, and grants, without regard to any limitations under TABOR.

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 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 will require judicial interpretation.

SUPPLEMENTARY INFORMATION

**SOUTH MERIDIAN METROPOLITAN DISTRICT
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 416,393	\$ 414,416	\$ (1,977)
Specific Ownership Taxes	45,803	44,034	(1,769)
Reimbursed Expenditures	-	1,500	1,500
Net Investment Income	1,500	12,555	11,055
Total Revenues	<u>463,696</u>	<u>472,505</u>	<u>8,809</u>
EXPENDITURES			
Current:			
County Treasurer's Fees	6,246	6,222	24
Debt Service:			
Bond Interest - Series 2016	121,341	121,342	(1)
Bond Principal - Series 2016	150,000	150,000	-
Bond - Prepayment	200,000	-	200,000
Paying Agent Fees	4,500	3,300	1,200
Total Expenditures	<u>482,087</u>	<u>280,864</u>	<u>201,223</u>
NET CHANGE IN FUND BALANCES	(18,391)	191,641	210,032
Fund Balances - Beginning of Year	<u>336,893</u>	<u>336,766</u>	<u>(127)</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 318,502</u></u>	<u><u>\$ 528,407</u></u>	<u><u>\$ 209,905</u></u>

**SOUTH MERIDIAN METROPOLITAN DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Net Investment Income	\$ 500	\$ 139	\$ (361)
Total Revenues	<u>500</u>	<u>139</u>	<u>(361)</u>
EXPENDITURES			
Miscellaneous	-	102	(102)
Capital Expenditures	31,591	31,044	547
Total Expenditures	<u>31,591</u>	<u>31,146</u>	<u>445</u>
NET CHANGE IN FUND BALANCES	(31,091)	(31,007)	84
Fund Balances - Beginning of Year	<u>31,091</u>	<u>31,007</u>	<u>(84)</u>
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**SOUTH MERIDIAN METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2018**

Bonds and Interest Maturing in the Year Ending December 31,	\$ 4,980,000 General Obligation Refunding Tax-Free Loan Issue - Series 2016 Dated July 20, 2016 Interest Rate - 2.59% Interest Payable June 1 and December 1 Principal Payable December 1		
	Principal	Interest	Total
2019	\$ 170,000	\$ 117,457	\$ 287,457
2020	185,000	113,054	298,054
2021	190,000	108,262	298,262
2022	200,000	103,341	303,341
2023	210,000	98,161	308,161
2024	220,000	92,722	312,722
2025	225,000	87,024	312,024
2026	235,000	81,197	316,197
2027	245,000	75,110	320,110
2028	255,000	68,765	323,765
2029	260,000	62,160	322,160
2030	275,000	55,426	330,426
2031	280,000	48,304	328,304
2032	295,000	41,052	336,052
2033	305,000	33,411	338,411
2034	320,000	25,512	345,512
2035	325,000	17,224	342,224
2036	340,000	8,806	348,806
Total	<u>\$ 4,535,000</u>	<u>\$ 1,236,988</u>	<u>\$ 5,771,988</u>

**SOUTH MERIDIAN METROPOLITAN DISTRICT
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2018**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy		Mills Levied		Total Property Taxes		Percent Collected to Levied
	General Fund	Debt Service Fund	General Fund	Debt Service Fund	Levied	Collected	
2014	\$ 12,566,436	\$ 33,120,872	7.000	39.000	\$ 1,129,557	\$ 1,116,028	98.80 %
2015	12,217,400	32,812,520	9.000	40.000	1,166,477	1,166,159	99.97
2016	14,725,030	39,725,680	9.000	10.000	451,141	451,153	100.00
2017	14,699,950	41,239,460	9.000	10.000	463,159	445,791	96.25
2018	17,303,040	48,176,600	9.600	10.667	582,502	578,746	99.36
Estimated for calendar year ending December 31, 2019	\$ 16,962,040	\$ 47,968,310	9.600	10.667	\$ 577,005		

NOTE:

Property taxes collected in any one year may include collection of delinquent property taxes levied in prior years.

The general and debt service mill levies are not levied equally against all taxable assessed values included above and may vary among taxing jurisdictions. The percent collected to levied is net of property tax abatements charged to the District which are attributable to previous years collections.