

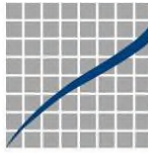
**MESA RIDGE METROPOLITAN DISTRICT NO. 1  
El Paso County, Colorado**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2021**

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**BiggsKofford**  
CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

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Board of Directors  
**Mesa Ridge Metropolitan District No. 1**  
El Paso County, Colorado

### Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Mesa Ridge Metropolitan District No. 1 ("District") as of and for the years 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 and each major fund of the District as of December 31, 2021, and the respective changes in financial position, and the budgetary comparison schedule for the general fund, and the budgetary comparison for the general fund for the year then ended in accordance with the 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 this 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 opinions.

### Responsibility 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 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. 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 information 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 20, 2022

## **BASIC FINANCIAL STATEMENTS**

**MESA RIDGE METROPOLITAN DISTRICT NO. 1**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2021**

	Governmental Activities
<b>ASSETS</b>	
Cash and Investments	\$ 3,565
Cash and Investments - Restricted	2,000
Due from Mesa Ridge MD No. 2	1,250
Prepaid Insurance	5,232
Capital Assets, Net of Depreciation	49,516
Total Assets	61,563
<b>LIABILITIES</b>	
Accounts Payable	7,147
Noncurrent Liabilities:	
Due in More Than One Year	14,677,370
Total Liabilities	14,684,517
<b>NET POSITION</b>	
Net Investment in Capital Assets	(26,662)
Restricted For:	
Emergency Reserves	2,000
Unrestricted	(14,598,292)
Total Net Position	\$ (14,622,954)

See accompanying Notes to Basic Financial Statements.

**MESA RIDGE METROPOLITAN DISTRICT NO. 1  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2021**

	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Net Revenue (Expense) and Change in Net Position
<b>FUNCTIONS/PROGRAMS</b>				
Primary Government:				
Governmental Activities:				
General Government	\$ 61,638	\$ 63,877	-	\$ 2,239
Intergovernmental Transfer to Mesa Ridge No. 1	45,250	-	-	(45,250)
Interest and Related Costs on Long-Term Debt	<u>5,795,346</u>	-	<u>3,720,000</u>	<u>(2,075,346)</u>
Total Governmental Activities	<u>\$ 5,902,234</u>	<u>\$ 63,877</u>	<u>\$ 3,720,000</u>	<u>(2,118,357)</u>
<b>GENERAL REVENUES</b>				
Net Investment Income				17
Total General Revenues				<u>17</u>
<b>CHANGE IN NET POSITION</b>				(2,118,340)
Net Position - Beginning of Year				<u>(12,504,614)</u>
<b>NET POSITION - END OF YEAR</b>				<u><u>\$ (14,622,954)</u></u>

See accompanying Notes to Basic Financial Statements.

**MESA RIDGE METROPOLITAN DISTRICT NO. 1  
BALANCE SHEET –  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2021**

	General	Capital Projects	Total Governmental Funds
<b>ASSETS</b>			
Cash and Investments	\$ 3,565	\$ -	\$ 3,565
Cash and Investments - Restricted	2,000	-	2,000
Due from Mesa Ridge MD No. 2	1,250	-	1,250
Prepaid Insurance	5,232	-	5,232
Total Assets	\$ 12,047	\$ -	\$ 12,047
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 7,147	\$ -	\$ 7,147
Total Liabilities	7,147	-	7,147
<b>FUND BALANCES</b>			
Nonspendable:			
Prepaid Expenditure	5,232	-	5,232
Restricted for:			
Emergency Reserves	2,000	-	2,000
Unassigned	(2,332)	-	(2,332)
Total Fund Balances	4,900	-	4,900
Total Liabilities and Fund Balances	\$ 12,047	\$ -	

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

Capital assets used in governmental activities are not financial resources  
Other long-term assets are not available to pay for current period expenditures  
and, therefore, are not reported in the funds.

Capital Assets, Being Depreciated	49,516
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Long-term liabilities are not due and payable in the current period and, therefore, are not in the funds:

Developer Advance Payable	(12,543,361)
Accrued Interest on Developer Advance	(2,134,009)

Net Position of Governmental Activities	\$ (14,622,954)
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See accompanying Notes to Basic Financial Statements.

**MESA RIDGE METROPOLITAN DISTRICT NO. 1**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2021**

	General	Capital Projects	Total Governmental Funds
<b>REVENUES</b>			
Net Investment Income	\$ 17	\$ -	\$ 17
Intergovernmental Revenue from Mesa Ridge MD No. 2	63,877	3,720,000	3,783,877
Total Revenues	63,894	3,720,000	3,783,894
<b>EXPENDITURES</b>			
Current:			
Accounting	22,191	-	22,191
District Management	12,585	-	12,585
Legal Services	10,065	-	10,065
Miscellaneous	547	-	547
Intergovernmental Expenditures - Mesa Ridge MD No. 2	23,172	22,078	45,250
Auditing	4,900	-	4,900
Dues and Licenses	720	-	720
Insurance and Bonds	5,062	-	5,062
Utilities	1,759	-	1,759
Developer Advance Interest	-	3,682,500	3,682,500
Total Expenditures	81,001	3,704,578	3,785,579
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(17,107)	15,422	(1,685)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers (to) from Other Funds	15,422	(15,422)	-
Total Other Financing Sources (Uses)	15,422	(15,422)	-
<b>NET CHANGE IN FUND BALANCE</b>	(1,685)	-	(1,685)
Fund Balances - Beginning of Year	6,585	-	6,585
<b>FUND BALANCES - END OF YEAR</b>	\$ 4,900	\$ -	\$ 4,900

See accompanying Notes to Basic Financial Statements.

**MESA RIDGE METROPOLITAN DISTRICT NO. 1  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2021**

Net Change in Fund Balances - Governmental Funds	\$ (1,685)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. In the statement of activities capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset.	
Depreciation	(3,809)
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 Interest on Developer Advance - Change in Liability	<u>(2,112,846)</u>
Changes in Net Position of Governmental Activities	<u>\$ (2,118,340)</u>

*See accompanying Notes to Basic Financial Statements.*

**MESA RIDGE METROPOLITAN DISTRICT NO. 1  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2021**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental Revenue from Mesa				
Ridge MD No. 2	\$ 61,456	\$ 63,877	\$ 63,877	\$ -
Net Investment Income	-	17	17	-
Total Revenues	<u>61,456</u>	<u>63,894</u>	<u>63,894</u>	<u>-</u>
<b>EXPENDITURES</b>				
General and Administrative:				
Accounting	22,000	22,191	22,191	-
District Management	7,000	12,585	12,585	-
Legal Services	7,500	10,065	10,065	-
Miscellaneous	750	547	547	-
Intergovernmental Expenditures - Mesa				
Ridge MD No. 2	-	23,172	23,172	-
Auditing	6,000	4,900	4,900	-
Dues and Licenses	1,000	720	720	-
Election expense	2,500	-	-	-
Insurance and Bonds	6,000	5,062	5,062	-
Landscape maintenance	13,000	-	-	-
Utilities	2,000	1,759	1,759	-
Contingency	2,250	1,999	-	1,999
Total Expenditures	<u>70,000</u>	<u>83,000</u>	<u>81,001</u>	<u>1,999</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(8,544)	(19,106)	(17,107)	1,999
<b>OTHER FINANCING SOURCES (USES)</b>				
Developer Advance	13,000	13,000	-	(13,000)
Transfers (to) from Other Funds	-	15,422	15,422	-
Total Other Financing Sources (Uses)	<u>13,000</u>	<u>28,422</u>	<u>15,422</u>	<u>(13,000)</u>
<b>NET CHANGE IN FUND BALANCES</b>	4,456	9,316	(1,685)	(11,001)
Fund Balance - Beginning of Year	<u>1,880</u>	<u>6,585</u>	<u>6,585</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 6,336</u>	<u>\$ 15,901</u>	<u>\$ 4,900</u>	<u>\$ (11,001)</u>

See accompanying Notes to Basic Financial Statements.

**MESA RIDGE METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 1 DEFINITION OF REPORTING ENTITY**

Mesa Ridge Metro District No. 1 (the District), a quasi-municipal corporation and political subdivision of the state of Colorado was organized by order and decree of the District Court of El Paso County on September 20, 2004, concurrently with Mesa Ridge Metropolitan District No. 2 (District No. 2) (collectively, the Districts). The Districts were formed under a Joint Service Plan approved by the city of Fountain (the City) and are governed pursuant to provisions of the Colorado Special Districts Act (Title 32, Article 1, Colorado Revised Statutes). The Districts' service area is located entirely within the City. The District is responsible for managing the design, construction, and operation of the public facilities and improvements and will be deemed to be the "Managing District." District No. 2 is responsible for providing funding to support costs related to services and improvements utilizing the tax base, fees, and charges and will be deemed to be the "Financing District" in order to generate the necessary revenues. Under the Service Plan, the Districts provide the following services: water, wastewater, street improvements, safety protection, parks and recreation, mosquito control, television relay and translation, transportation, and drainage.

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. 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.

**MESA RIDGE METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**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 the governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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 District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and specific ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than 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 Capital Project Fund was established to account for financial resources to be used for the acquisition and construction of capital infrastructure and facilities.

**MESA RIDGE METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**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.

The District amended its annual budget for the year ended December 31, 2021.

**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.

**Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, 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. 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.

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 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 the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

Parks and Recreation

20 Years

**MESA RIDGE METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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

**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.

*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.

**MESA RIDGE METROPOLITAN DISTRICT NO. 1  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 3 CASH AND INVESTMENTS**

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

Statement of Net Assets:	
Cash and Investments	\$ 3,565
Cash and Investments - Restricted	2,000
Total Cash and Investments	\$ 5,565

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

Deposits with Financial Institutions	\$ 5,565
Total Cash and Investments	\$ 5,565

**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.

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, 2021, the District's cash deposits had a bank balance of \$9,065 and a carrying balance of \$5,565.

**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 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.

**MESA RIDGE METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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

**Investments (Continued)**

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, 2021, the District had no investments.

**NOTE 4 CAPITAL ASSETS**

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

	Balance - December 31, 2020	Increases	Decreases	Balance - December 31, 2021
Capital Assets Being Depreciated:				
Parks and Recreation	\$ 76,178	\$ -	\$ -	\$ 76,178
Total Capital Assets, Being Depreciated	76,178	-	-	76,178
Less Accumulated Depreciation For:				
Parks and Recreation	22,853	3,809	-	26,662
Total Accumulated Depreciation	22,853	3,809	-	26,662
Governmental Activities - Capital Assets, Net	<u>\$ 53,325</u>	<u>\$ (3,809)</u>	<u>\$ -</u>	<u>\$ 49,516</u>

Depreciation expense was charged to functions/programs of the District as follows:

**Government Activities:**

General Government	\$ 3,809
Total Depreciation Expense Governmental Activities	<u>\$ 3,809</u>

**MESA RIDGE METROPOLITAN DISTRICT NO. 1  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 5 LONG-TERM OBLIGATIONS**

The following is an analysis of the changes in long-term obligations for the year ended December 31, 2021:

	Balance - December 31, 2020	Increases	Decreases	Balance - December 31, 2021	Due within One Year
Developer Advance					
Operations	\$ 316,609	\$ -	\$ -	\$ 316,609	\$ -
Capital	12,226,752	-	-	12,226,752	-
Developer Advances - Interest					
Operations	-	224,156	-	224,156	-
Capital	21,163	5,571,190	3,682,500	1,909,853	-
Total	<u>\$ 12,564,524</u>	<u>\$ 5,795,346</u>	<u>\$ 3,682,500</u>	<u>\$ 14,677,370</u>	<u>\$ -</u>

**Developer Advances**

**Operations and Capital Funding Reimbursement Agreement**

The District has entered into a Financing and Reimbursement Agreement with the Developer to repay advances made by the Developer for operation and maintenance and capital improvement costs. The District agrees to repay the Developer along with accrued interest of 7% from the first day of the following year in which the advances were made. The District's repayment obligation pursuant to this agreement is subject to annual appropriation. As of December 31, 2021, outstanding Developer advances totaled \$12,543,361 and accrued interest totaled \$2,134,009.

**Authorized Debt**

On November 2, 2004, the District's electorate authorized the issuance of indebtedness in an amount not to exceed \$17,250,000 for infrastructure improvements and operations and maintenance at an interest rate not to exceed 16% and \$20,000,000 for refunding the District's debt or other obligations. At December 31, 2021, the District had authorized but unissued indebtedness in the following amounts and allocated for the following purposes:

	Authorized November 2, 2004 Election	Authorization Used	Remaining at December 31, 2021
Streets	\$ 7,000,000	\$ -	\$ 7,000,000
Water	2,000,000	-	2,000,000
Sanitary Sewer and Storm Drainage	2,000,000	-	2,000,000
Traffic and Safety Controls	1,000,000	-	1,000,000
Parks and Recreation	3,000,000	-	3,000,000
Mosquito Control	1,000,000	-	1,000,000
Television Relay and Translation	1,000,000	-	1,000,000
Public Transportation	250,000	-	250,000
Operations and Maintenance	500,000	-	500,000
Refunding of Debt	20,000,000	-	20,000,000
Total	<u>\$ 37,750,000</u>	<u>\$ -</u>	<u>\$ 37,750,000</u>

**MESA RIDGE METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)**

**Authorized Debt (Continued)**

Pursuant to the Joint Service Plan, the Districts can issue bond indebtedness of up to \$35,000,000. In addition, the maximum debt service mill levy for the Districts is 50.000 mills, as adjusted for changes in the ratio of actual value to assessed value of property within the Districts. As of December 31, 2021, the calculated adjusted debt service mill levy was 0.000 mills of which the District levied 0.000 mills for collection in 2022.

In the future, the District may issue a portion or all of the authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the Districts' service area.

**NOTE 6 NET POSITION**

The District has 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 bonds, mortgages, notes, or other borrowings 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 calculated as follows:

Net Investment in Capital Assets:

Capital Assets, Net	\$ 49,516
Noncurrent Portion of Long-Term Obligations	<u>(76,178)</u>
Net Investment in Capital Assets	<u><u>\$ (26,662)</u></u>

Restricted net position includes assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2021, as follows:

Restricted Net Position:

Emergency Reserves (see Note 11)	\$ 2,000
Total Restricted Net Position	<u><u>\$ 2,000</u></u>

The District has a deficit unrestricted net position. This deficit amount is the result of the District being responsible for the repayment of bonds issued for public improvements, a portion of which will be conveyed to other governments, and for the repayment of Developer advances for operations.

**MESA RIDGE METROPOLITAN DISTRICT NO. 1**  
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**NOTE 7 RELATED PARTIES**

The Developer of the property which constitutes the District is Nor'wood Development Group. The members of the Board of Directors are officers of, employees of, or associated with the Developer and may have conflicts of interest in dealing with the District. See Note 5 concerning advances made by the Developer.

**NOTE 8 INTERGOVERNMENTAL AGREEMENT**

**Regional Park Intergovernmental Agreement**

The District entered into a Regional Park Intergovernmental Agreement (IGA) with Cross Creek Metropolitan District. The IGA provides that the District is to participate in the design and construction of the Cross Creek Regional Park by contributing up to \$2,500,000, or the amount of actual park fees collected by the District. In addition to the design and construction costs, the District will make an annual payment, beginning on January 2, 2012, to Cross Creek to assist with the costs of operating and maintaining the Regional Park, plus an annual Tax Equivalent Maintenance Fee.

**Joint Financing and Reimbursement Agreement**

On March 30, 2011, the District entered into a Joint Financing and Reimbursement Agreement (the Agreement) with the District and the Developer. Under the Agreement, any advances made by the Developer shall be made payable to the District, which is coordinating the planning, design, acquisition, construction, installation, relocation, redevelopment, and financing of public improvements. All advances made to the District shall bear simple interest at the rate of seven percent (7%) per annum, calculated from January 1 of the year immediately following the year in which the advances were made. During 2015, District No. 2 issued \$4,000,000 of Limited Tax General Obligation Bonds and transferred \$3,942,500 to the District. During 2021, District No. 2 issued \$3,720,000 of Limited Tax General Obligation Bonds and transferred \$3,720,000 to the District. under the Agreement.

**NOTE 9 INTERFUND AND OPERATING TRANSFERS**

The transfer of \$15,422 from the Capital Project Fund to the General Fund was for the purpose of providing additional funding for operational administrative expenditures not covered by Developer advances.

**NOTE 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 employees; or acts of God.

**MESA RIDGE METROPOLITAN DISTRICT NO. 1**  
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**NOTE 10 RISK MANAGEMENT (CONTINUED)**

The District is a member of the Colorado Special Districts Property and Liability Pool (the 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 and public officials' liability 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 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.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. Pursuant to provisions in the Joint Service Plan, the District transfers all available General Fund revenue to District No. 1. Therefore, no Emergency Reserve related to this revenue stream is captured in the District but is instead accounted for in District No. 1.

On November 2, 2004, the District's voters authorized the District to increase property taxes \$500,000 annually, without limitation of rate and without regard to any spending, revenue raising or other limitations contained within Article X, Section 20 of the Colorado Constitutions (TABOR) or Section 29-1-301, C.R.S., to pay the District's operations, maintenance and other expenses.

Additionally, the District's electors authorized the District to collect, spend or retain all revenue without regard to any limitations under TABOR.

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.

**MESA RIDGE METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 12 RESTATEMENT**

In the prior years, the District has filed applications for audit exemption and did not record depreciation expense related to the capital outlay. The statement of net position as of December 31, 2020 overstated capital assets by \$22,859. The statement of activities for the year ended December 31, 2020 understated the general government expense by \$22,859. There was no impact to the governmental fund financial statements. The effects of the correction on the government-wide financial statements as of and for the year ended December 31, 2021 are as follows:

Net Position - December 31, 2020, as Originally Stated	\$ (12,481,761)
Restatement	<u>(22,853)</u>
Net Position - December 31, 2020, as Restated	<u><u>\$ (12,504,614)</u></u>

## **SUPPLEMENTARY INFORMATION**

**MESA RIDGE METROPOLITAN DISTRICT NO. 1  
CAPITAL PROJECT FUND –  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2021**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental Revenue - Mesa Ridge No. 2	\$ 3,050,000	\$ 3,720,000	\$ 3,720,000	\$ -
Total Revenues	<u>3,050,000</u>	<u>3,720,000</u>	<u>3,720,000</u>	<u>-</u>
<b>EXPENDITURES</b>				
Capital Projects:				
Developer Advance Interest	3,050,000	3,682,500	3,682,500	-
Intergovernmental Expenditures - Mesa Ridge No. 2	-	22,078	22,078	-
Capital Outlay	100,000	100,000	-	100,000
Total Expenditures	<u>3,150,000</u>	<u>3,804,578</u>	<u>3,704,578</u>	<u>100,000</u>
<b>NET CHANGE IN FUND BALANCE</b>	(100,000)	(84,578)	15,422	100,000
<b>OTHER FINANCING SOURCES (USES)</b>				
Developer Advance	100,000	100,000	-	(100,000)
Transfers (to) from Other Funds	-	(15,422)	(15,422)	-
Total Other Financing Sources (Uses)	<u>100,000</u>	<u>84,578</u>	<u>(15,422)</u>	<u>(100,000)</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-	-
Fund Balance - Beginning of Year	-	-	-	-
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>