

RM MEAD METROPOLITAN DISTRICT

Financial Statements

Year Ended December 31, 2021

with

Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
RM Mead Metropolitan District
Weld County, Colorado

Opinions

We have audited the financial statements of the governmental activities and each major fund of RM Mead Metropolitan District (the 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 accompanying 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 thereof, and the respective 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our 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.

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 for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility 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 GAAS 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 GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk 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 judgement, 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 to those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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 opinions on the basic financial statements are not affected by this missing information.

Supplemental 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 supplemental information as identified in the table of contents is presented for the purposes of additional analysis and legal compliance and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The continuing disclosure annual financial information as listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Matters

As disclosed in Note 9 of the financial statements, the District has not yet established a revenue base sufficient to pay the District's operational expenditures. Until an independent revenue base is established, the District may be dependent upon the developer for funding continued operations.

Fiscal Focus Partners, LLC

Greenwood Village, Colorado
October 4, 2022

RM MEAD METROPOLITAN DISTRICT

BALANCE SHEET/STATEMENT OF NET POSITION

GOVERNMENTAL FUNDS

December 31, 2021

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	Statement of Net Position
ASSETS					
Cash	\$ 15,106	\$ -	\$ 15,106	\$ -	\$ 15,106
Cash - restricted	508	830,845	831,353	-	831,353
Receivable - County Treasurer	96	479	575	-	575
Receivable - Town	29	-	29	-	29
Property taxes receivable	14,921	57,389	72,310	-	72,310
A/R - Developer advances	46,331	-	46,331	(46,331)	-
Prepaid expenses	<u>2,510</u>	<u>-</u>	<u>2,510</u>	<u>-</u>	<u>2,510</u>
Total Assets	<u>\$ 79,501</u>	<u>\$ 888,713</u>	<u>\$ 968,214</u>	<u>(46,331)</u>	<u>921,883</u>
LIABILITIES					
Accounts payable	\$ 9,758	\$ -	\$ 9,758	-	9,758
Payable - Town	12,292	-	12,292	-	12,292
Accrued interest on Series 2020A Bonds	-	-	-	19,119	19,119
Long-term liabilities:					
Due in more than one year	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,650,985</u>	<u>8,650,985</u>
Total Liabilities	<u>22,050</u>	<u>-</u>	<u>22,050</u>	<u>8,670,104</u>	<u>8,692,154</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred property taxes	<u>14,921</u>	<u>57,389</u>	<u>72,310</u>	<u>-</u>	<u>72,310</u>
Total Deferred Inflows of Resources	<u>14,921</u>	<u>57,389</u>	<u>72,310</u>	<u>-</u>	<u>72,310</u>
FUND BALANCES/NET POSITION					
Fund Balances:					
Nonspendable:					
Prepays	2,510	-	2,510	(2,510)	-
Restricted:					
Emergencies	508	-	508	(508)	-
Debt service	-	831,324	831,324	(831,324)	-
Assigned:					
Subsequent years disbursements	23,723	-	23,723	(23,723)	-
Unassigned	<u>15,789</u>	<u>-</u>	<u>15,789</u>	<u>(15,789)</u>	<u>-</u>
Total Fund Balances	<u>42,530</u>	<u>831,324</u>	<u>873,854</u>	<u>(873,854)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 79,501</u>	<u>\$ 888,713</u>	<u>\$ 968,214</u>		
Net Position:					
Restricted for:					
Emergencies				508	508
Debt service				812,205	812,205
Unrestricted				<u>(8,655,294)</u>	<u>(8,655,294)</u>
Total Net Position				<u>\$ (7,842,581)</u>	<u>\$ (7,842,581)</u>

The notes to the financial statements are an integral part of these statements.

RM MEAD METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES GOVERNMENTAL FUNDS For the Year Ended December 31, 2021

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES					
Accounting and audit	\$ 8,082	\$ -	\$ 8,082	\$ -	\$ 8,082
Engineering	901	-	901	-	901
Insurance	3,231	-	3,231	-	3,231
Legal	43,953	-	43,953	-	43,953
Management fees	21,444	-	21,444	-	21,444
Miscellaneous expenses	1,060	-	1,060	-	1,060
Treasurer's fees	178	889	1,067	-	1,067
Treasurer's fees - Town	53	-	53	-	53
Water	231	-	231	-	231
Contractual - Town	3,682	-	3,682	-	3,682
Trustee fee	-	7,000	7,000	-	7,000
Bond interest expense	-	229,425	229,425	49,651	279,076
Developer advances - interest	-	-	-	262,659	262,659
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>82,815</u>	<u>237,314</u>	<u>320,129</u>	<u>312,310</u>	<u>632,439</u>
GENERAL REVENUES					
Property taxes	11,858	59,288	71,146	-	71,146
Specific ownership taxes	594	2,972	3,566	-	3,566
Property taxes - Town	3,557	-	3,557	-	3,557
Specific ownership taxes - Town	178	-	178	-	178
Interest income	38	362	400	-	400
	<u>38</u>	<u>362</u>	<u>400</u>	<u>-</u>	<u>400</u>
Total General Revenues	<u>16,225</u>	<u>62,622</u>	<u>78,847</u>	<u>-</u>	<u>78,847</u>
NET CHANGES IN FUND BALANCES	(66,590)	(174,692)	(241,282)	241,282	
CHANGE IN NET POSITION				(553,592)	(553,592)
FUND BALANCES/NET POSITION:					
BEGINNING OF YEAR	<u>109,120</u>	<u>1,006,016</u>	<u>1,115,136</u>	<u>(8,404,125)</u>	<u>(7,288,989)</u>
END OF YEAR	<u>\$ 42,530</u>	<u>\$ 831,324</u>	<u>\$ 873,854</u>	<u>\$ (8,716,435)</u>	<u>\$ (7,842,581)</u>

The notes to the financial statements are an integral part of these statements.

RM MEAD METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2021

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 11,862	\$ 11,858	\$ (4)
Specific ownership taxes	1,832	594	(1,238)
Property taxes - Town	3,559	3,557	(2)
Specific ownership taxes - Town	214	178	(36)
Interest income	-	38	38
Total Revenues	<u>17,467</u>	<u>16,225</u>	<u>(1,242)</u>
EXPENDITURES			
Accounting and audit	11,500	8,082	3,418
Insurance	3,000	3,231	(231)
Legal	20,000	43,953	(23,953)
Management fees	-	21,444	(21,444)
Miscellaneous expenses	-	1,060	(1,060)
Engineering costs	-	901	(901)
Treasurer's fees	178	178	-
Treasurer's fees - Town	53	53	-
Contractual - Town	3,720	3,682	38
Utilities	-	231	(231)
Contingency	53,529	-	53,529
Emergency reserve	<u>1,152</u>	<u>-</u>	<u>1,152</u>
Total Expenditures	<u>93,132</u>	<u>82,815</u>	<u>10,317</u>
NET CHANGE IN FUND BALANCE	(75,665)	(66,590)	9,075
FUND BALANCE:			
BEGINNING OF YEAR	<u>75,665</u>	<u>109,120</u>	<u>33,455</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 42,530</u>	<u>\$ 42,530</u>

The notes to the financial statements are an integral part of these statements.

RM MEAD METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

Note 1: Summary of Significant Accounting Policies

The accounting policies of the RM Mead Metropolitan District, located in the Town of Mead, Weld County, Colorado, conform to the accounting principles generally accepted in the United States of America ("GAAP") as applicable to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District was organized on November 20, 2019, as a quasi-municipal corporation and political subdivision of the State of Colorado established under the State of Colorado Special District Act. The District was established to finance and construct certain public infrastructure improvements that benefit the property owners and taxpayers of the District. The District's primary revenues are property taxes and developer advances. The District is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets 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 pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

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

Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 - Special Purpose Governments.

RM MEAD METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the governmental funds statement of revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

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*.

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 the related cash flows. Property taxes are recognized as revenues in the year for which they are collected.

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 material sources of revenue subject to accrual are property taxes and interest. 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 the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

RM MEAD METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

Debt Service Fund – The Debt Service Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs.

Budgetary Accounting

In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The 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 appropriation is at the total fund expenditures level and lapses at year end.

Assets, Liabilities and Net Position

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2021, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and investments

The District's cash and cash equivalents are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition.

The District follows the practice of pooling cash of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a minimum number of bank accounts. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility.

Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualify for reporting in this category.

RM MEAD METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

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 columns 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 an estimated useful life in excess of three years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets 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 using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. During 2020 all of the capital improvements were conveyed to other governments.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

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 taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected monthly to the District.

RM MEAD METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

Fund Equity

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact. The nonspendable fund balance in the General Fund in the amount of \$2,510 represents prepaid expenditures.

Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$508 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of \$831,324 is restricted for the payment of the debt service costs associated with the Series 2020A and Series2020B Bonds (see Note 3).

Committed Fund Balance

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by a 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

Assigned fund balance includes amounts the District intends to use for a specific purpose. Intent can be expressed by the District's Board of Directors or by an official or body to which the Board of Directors delegates the authority.

The assigned fund balance in the General Fund in the amount of \$23,723 represents the amount appropriated for use in the budget for the year ending December 31, 2022.

RM MEAD METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund all other funds can report negative amounts.

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District can report three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District will use the most restrictive net position first.

The District has a deficit in unrestricted net position as of December 31, 2021. This deficit amount is the result of the District being responsible for the payment of debt issued for public improvements that were conveyed to other governmental entities and which costs were removed from the District's financial records.

Note 2: Cash and Investments

As of December 31, 2021, cash is classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 15,106
Cash and Investments – Restricted	<u>831,353</u>
Total	<u>\$ 846,459</u>

RM MEAD METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

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

Deposits with financial institutions	\$ 2,644
Investments – COLOTRUST	<u>843,815</u>
	<u>\$ 846,459</u>

Deposits

Custodial Credit Risk

The Colorado Public Deposit Protection Act, (“PDPA”) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. 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 is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 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.

The District does not have a formal policy for deposits. None of the District’s deposits were exposed to custodial credit risk.

Investments

Investment Valuation

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District’s investment is not required to be categorized within the fair value hierarchy. This investment’s value is calculated using the net asset value method (“NAV”) per share.

Credit Risk

The District has not adopted a formal investment policy; however the District follows state statutes regarding investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

Custodial and Concentration of Credit Risk

None of the District’s investments are subject to custodial or concentration of credit risk.

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

RM MEAD METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

As of December 31, 2021, the District had the following investment:

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust (“COLOTRUST”), is rated AAAM by Standard & Poor’s with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. COLOTRUST operates similarly to a money market fund with each share maintaining a value of \$1.00. The COLOTRUST offers shares in three portfolios, one of which is COLOTRUST PLUS+. COLOTRUST PLUS+ may invest in U.S. Treasuries, government agencies, the highest-rated commercial paper, certain corporate securities, certain money market funds, and certain repurchase agreements, and limits its investments to those allowed by State statutes. Purchases and redemptions are available daily at a net asset value (NAV) of \$1.00. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal function of COLOTRUST. The custodian’s internal records identify the investments owned by participating governments. There are no unfunded commitments and there is no redemption notice period. On December 31, 2021, the District had \$843,815 invested in COLOTRUST Plus+.

Note 3: Long Term Debt

A description of the long-term obligations as of December 31, 2021, is as follows:

Series 2020A General Obligation (Limited Tax Convertible to Unlimited Tax) Bonds

The District issued \$4,370,000 of General Obligation (Limited Tax Convertible to Unlimited Tax) Bonds, Series 2020A (the “Series 2020A Bonds”) dated September 29, 2020. The Series 2020A Bonds were issued for the purposes of funding and reimbursing a portion of the costs of acquiring, constructing and installing certain public improvements, paying capitalized interest for payment of a portion of the interest of the Series 2020A Bonds, funding an initial deposit to the Series 2020A Surplus Fund and paying the costs of issuance of the Series 2020A Bonds. The Series 2020A Bonds bear interest at the rate of 5.25%, payable semiannually on each June 1 and December 1, commencing on December 1, 2020 and mature on December 1, 2050. The Series 2020A Bonds are secured by Senior Pledged Revenues including the Senior Required Mill Levy (as defined in the Indenture of Trust for the Series 2020A Bonds or the “Series 2020A Indenture”), specific ownership taxes which are collected as a result of the imposition of the Senior Required Mill Levy and any other legally available moneys that the District determines, in its absolute discretion, to transfer to the Senior Indenture Trustee for application as Senior Pledged Revenue. The Series 2020A Bonds are also secured by a maximum Surplus Fund Requirement of \$874,000. As long as the amount on deposit in the Surplus Fund is less than the Surplus Fund Requirement, the Required Mill levy shall equal 50.000 mills. At December 31, 2021, the balance in the Surplus Fund is \$357,225.

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Notes to Financial Statements December 31, 2021

The Series 2020A Bonds are subject to a mandatory sinking fund redemption commencing on December 1, 2027. The Series 2020A Bonds are also subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, on September 1, 2025, and on any date thereafter, upon payment of the principal so redeemed and accrued interest thereon to the date of redemption, plus a redemption premium as follows:

3% of the amount redeemed from September 1, 2025 to August 31, 2026
2% of the amount redeemed from September 1, 2026 to August 31, 2027
1% of the amount redeemed from September 1, 2027 to August 31, 2028
Redemptions on and after September 1, 2028 are at par

Series 2020B Subordinate General Obligation Limited Tax Bonds

On September 29, 2020, the District issued \$610,000 of Subordinate General Obligation Limited Tax Bonds (the “Series 2020B Bonds”). The Series 2020B Bonds were issued for the purposes of funding and reimbursing a portion of the costs of acquiring, constructing and installing certain public improvements and paying the costs of issuance of the Series 2020B Bonds. The Series 2020B Bonds bear interest at the rate of 8.00%, payable annually on December 15, commencing on December 15, 2020, to the extent that Subordinate Pledged Revenue is available.

The Series 2020B Bonds are secured by Pledged Revenues including the Subordinate Required Mill Levy (as defined in the Indenture of Trust for the Series 2020B Bonds or the “Series 2020B Indenture”), specific ownership taxes which are collected as a result of the imposition of the Subordinate Required Mill Levy, any amounts remaining in the Series 2020A Surplus Fund which are in excess of the Initial Surplus Amount at the time of the Conversion Date (as defined in the Series 2020A Indenture), and are released from the Series 2020A Surplus Fund under the Series 2020A Indenture and any other legally available moneys that the District determines, in its absolute discretion, to transfer to the Subordinate Indenture Trustee for application as Subordinate Pledged Revenue.

The Series 2020B Bonds are “cash flow” bonds meaning that no regularly scheduled principal payments are due prior to the maturity date, and interest not paid will accrue and compound until there is sufficient Subordinate Pledged Revenue for payment. In the event any amounts due and owing on the Series 2020B Bonds remain outstanding on December 16, 2060, such amounts shall be deemed discharged and shall no longer be due and outstanding.

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Notes to Financial Statements December 31, 2021

Developer Advances - Capital

On December 4, 2019, the District and Second Royalty LLC (the “Developer”) entered into an Public Improvements Acquisition and Reimbursement Agreement (the “Acquisition Agreement”). Pursuant to the Acquisition Agreement, the District will reimburse the Developer for District Eligible Costs, together with interest thereon. District Eligible Costs shall accrue on amounts reimbursable to the Developer under the Acquisition Agreement, until paid, at the rate of 8% per annum. In 2020, the District repaid Developer Advances in the amount of \$3,541,105. The Acquisition Agreement will terminate 20 years from the execution of the Acquisition Agreement and any obligation of the District to reimburse the Developer any amounts due and outstanding under the Acquisition Agreement, including accrued interest, is forgiven in its entirety, generally and unconditionally released, waived, acquitted and forever discharged, and shall be deemed a contribution to the District by the Developer and there shall be no further obligation of the District to pay or reimburse the Developer with respect to such amounts. As of December 31, 2021, \$3,283,243 of principal and \$325,583 of accrued interest were outstanding under the Acquisition Agreement.

Developer Advances - Operations

On December 4, 2019, the District and the Developer entered into a Funding and Reimbursement Agreement (Operations and Maintenance) (the “Operations Agreement”). Pursuant to the Operations Agreement, the Developer agreed to loan to the District one or more sums of money, not to exceed the aggregate of \$100,000 per annum for two years, up to \$200,000. These funds shall be loaned to the District in one or a series of installments and shall be available to the District through December 31, 2021. The District also acknowledged that the Developer has incurred costs on behalf of the District prior to the execution of the Operations Agreement and reimbursement for prior costs shall be made in accordance with, and subject to the terms and conditions of this Agreement governing the reimbursement for costs, except that any prior costs reimbursed in accordance with this Agreement shall not be included in the calculation of the Maximum Loan Amount of \$200,000. Loan advances shall accrue interest at the rate of 8% per annum. The Developers obligation to advance funds to the District shall terminate on December 31, 2021.

The Operations Agreement will terminate 30 years from the execution of the Operations Agreement and any obligation of the District to reimburse the Developer any amounts due and outstanding under the Operations Agreement, including accrued interest, is forgiven in its entirety, generally and unconditionally released, waived, acquitted and forever discharged, and shall be deemed a contribution to the District by the Developer and there shall be no further obligation of the District to pay or reimburse the Developer with respect to such amounts. As of December 31, 2021, there are no amounts due under the Operations Agreement.

RM MEAD METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

On July 9, 2021, the District and Forestar (USA) Real Estate Group, Inc. (“Forestar”) entered into a Funding and Reimbursement Agreement (Operations and Maintenance) (the “Forestar Operations Agreement”). Pursuant to the Forestar Operations Agreement, Forestar agreed to loan to the District one or more sums of money, not to exceed the aggregate of \$150,000 per annum for five years, up to \$750,000. These funds shall be loaned to the District in one or a series of installments and shall be available to the District through December 31, 2025. Loan advances shall accrue interest at the rate of 4% per annum. Forestar’s obligation to advance funds to the District shall terminate on December 31, 2025.

The Forestar Operations Agreement will terminate 30 years from the execution of the Forestar Operations Agreement and any obligation of the District to reimburse Forestar any amounts due and outstanding under the Operations Agreement, including accrued interest, is forgiven in its entirety, generally and unconditionally released, waived, acquitted and forever discharged, and shall be deemed a contribution to the District by Forestar and there shall be no further obligation of the District to pay or reimburse Forestar with respect to such amounts. As of December 31, 2021, there are no amounts due under the Forestar Operations Agreement.

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

	Balance 1/1/2021	Additions	Deletions	Balance 12/31/2021	Current Portion
<u>General Obligation Bonds</u>					
General Obligation Bonds Series					
2020A	\$ 4,370,000	\$ -	\$ -	\$ 4,370,000	\$ -
Subordinate General Obligation Bonds					
Series 2020B	610,000	-	-	610,000	-
Subordinate General Obligation Bonds					
Series 2020B - Accrued Interest	12,508	49,651	-	62,159	-
Total	4,992,508	49,651	-	5,042,159	-
<u>Other</u>					
Developer Advance - Capital	3,283,243	-	-	3,283,243	-
Developer accrued interest - Capital	62,924	262,659	-	325,583	-
Total	3,346,167	262,659	-	3,608,826	-
	<u>\$ 8,338,675</u>	<u>\$ 312,310</u>	<u>\$ -</u>	<u>\$ 8,650,985</u>	<u>\$ -</u>

RM MEAD METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

The following is a summary of the annual long-term debt principal and interest requirements for the Series 2020A Bonds.

	Principal	Interest	Total
2022	\$ -	\$ 229,425	\$ 229,425
2023	-	229,425	229,425
2024	-	229,425	229,425
2025	-	229,425	229,425
2026	-	229,425	229,425
2027-2031	345,000	1,115,886	1,460,886
2032-2036	550,000	1,003,275	1,553,275
2037-2041	790,000	835,013	1,625,013
2042-2046	1,130,000	593,513	1,723,513
2047-2050	1,555,000	237,563	1,792,563
	<u>\$ 4,370,000</u>	<u>\$ 4,932,375</u>	<u>\$ 9,302,375</u>

Because of the uncertainty of the timing of payments for the 2020B Bonds, a summary of the long-term debt principal and interest requirements is not presented.

As of December 31, 2021, the District had remaining voted debt authorization of approximately \$115,020,000. The District has not budgeted to issue any additional debt in 2021. Per the District's Service Plan, the District shall have the authority to issue debt in an amount not to exceed \$12,000,000.

Note 4: Related Party

All of the Board of Directors are employees, owners or are otherwise associated with the Developer and may have conflicts of interest in dealing with the District. Management believes that all potential conflicts, if any, have been disclosed to the Board.

Note 5: Tax, Spending and Debt Limitations

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer 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.

RM MEAD METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

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.

Note 6: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool ("Pool") which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials' liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other 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 7: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

The Governmental Funds Balance Sheet/Statement of Net Position includes an adjustments column. The adjustments have the following elements:

- 1) Capital improvements used in government activities are not financial resources and, therefore are not reported in the funds; and
- 2) long-term liabilities such as bonds payable and accrued bond interest payable are not due and payable in the current period and, therefore, are not in the funds.

RM MEAD METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2021

The Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities includes an adjustments column. The adjustments have the following elements:

- 1) Governmental funds report capital outlays as expenditures, however, in the statement of activities, the costs of those assets are held as construction in process pending transfer to other governmental entities or depreciated over their useful lives;
- 2) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities;
- 3) governmental funds report developer advances and/or bond proceeds as revenue; and
- 4) governmental funds report long-term debt payments as expenditures, however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.

Note 8: Noncompliance with Colorado Revised Statutes

Colorado Revised Statutes require that local governments submit audited financial statements for the calendar year-end by July 31 or September 30 if granted an extension of the following year. The District was not in compliance with this statutory requirement for the year ended December 31, 2021.

Note 9: Economic Dependency

The District has not yet established a revenue base sufficient to pay the District's operational expenditures. Until an independent revenue base is established, continuation of operations in the District will be dependent upon funding by Forestar pursuant to the Forestar Operations Agreement. (See Note 3)

The notes to the Financial Statements are an integral part of the accompanying financial statements.

SUPPLEMENTAL INFORMATION

RM MEAD METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - DEBT SERVICE FUND

For the Year Ended December 31, 2021

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 59,313	\$ 59,288	\$ (25)
Specific ownership taxes	3,559	2,972	(587)
Interest income	<u>-</u>	<u>362</u>	<u>362</u>
Total Revenues	<u>62,872</u>	<u>62,622</u>	<u>(250)</u>
EXPENDITURES			
Bond interest expense	229,425	229,425	-
Trustee fee	10,000	7,000	3,000
Treasurer's fees	<u>890</u>	<u>889</u>	<u>1</u>
Total Expenditures	<u>240,315</u>	<u>237,314</u>	<u>3,001</u>
NET CHANGE IN FUND BALANCE	(177,443)	(174,692)	2,751
FUND BALANCE:			
BEGINNING OF YEAR	<u>1,005,763</u>	<u>1,006,016</u>	<u>253</u>
END OF YEAR	<u>\$ 828,320</u>	<u>\$ 831,324</u>	<u>\$ 3,004</u>

The notes to the financial statements are an integral part of these statements.

RM MEAD METROPOLITAN DISTRICT

SUMMARY OF ASSESSED VALUATION, MILL LEVY AND PROPERTY TAXES COLLECTED

December 31, 2021

Levy Year Ended <u>December 31,</u>	Collection Year Ended <u>December 31,</u>	Assessed <u>Valuation</u>	<u>Mills Levied</u>		<u>Total Property Tax</u>		<u>Percent Collected to Levied</u>
			<u>General Fund</u>	<u>Debt Service</u>	<u>Levied</u>	<u>Collected (1)</u>	
2019	2020	\$ 2,774,790	53.000	0.000	\$ 147,064	\$ 147,063	100.00%
2020	2021	\$ 1,186,250	13.000	50.000	\$ 74,734	\$ 74,703	99.96%
2021	2022	\$ 1,147,770	13.000	50.000	\$ 72,310		

NOTE

(1) Property taxes collected in any one year include collection of delinquent property taxes levied and/or abatements or valuations in prior years. Information received from the County Treasurer does not permit identification of specific year assessment.

CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION – UNAUDITED

RM MEAD METROPOLITAN DISTRICT

CONTINUING DISCLOSURE ANNUAL
FINANCIAL INFORMATION

December 31, 2021

(Unaudited)

History of District's Assessed Valuation, Mill Levies and Property Taxes

Levy Year	Collection Year	Assessed Valuation	Actual Valuation	General Fund Mill Levy	Town Mill Levy	Debt Service Mill Levy	Property Taxes Levied	Property Taxes Collected (1)
2019	2020	\$ 2,774,790	\$ 3,685,351	50.000	3.000	0.000	\$ 147,064	\$ 147,063
2020	2021	\$ 1,186,250	\$ 1,922,804	10.000	3.000	50.000	\$ 74,734	\$ 71,146
2021	2022	\$ 1,147,770	\$ 2,668,218	10.000	3.000	50.000	\$ 72,310	

(1) Figures are through December 31, 2021

2021 Assessed and Actual Valuation of Classes of Property in the District

Class	Assessed Valuation	Percent of Assessed Valuation	Actual Valuation	Percent of Actual Valuation
Vacant Land	\$ 238,250	20.76%	\$ 824,963	30.92%
Oil & Gas	833,410	72.61%	1,580,821	59.25%
State Assessed	76,110	6.63%	262,434	9.83%
Total	\$ 1,147,770	100.00%	\$ 2,668,218	100.00%

Source: County Assessor's Office

2021 Taxpayers in the District

Name	Assessed Valuation	Percent of Assessed Valuation
Kerr-McGee Oil & Gas Onshore LP	\$ 723,400	63.03%
Forestar USA Real Estate Group Inc	232,190	20.23%
Anadarko Wattenberg Oil Complex LLC	110,010	9.58%
Kerr McGee Gathering LLC	66,640	5.81%
United Power Inc.	9,470	0.83%
Melody Homes Inc	5,350	0.47%
Second Royalty LLC	710	0.05%
	<u>\$ 1,147,770</u>	<u>100.00%</u>

Source: County Assessor's Office

General Obligation Debt Ratios

	2020
Assessed Valuation	\$ 1,147,770
Actual Valuation	\$ 2,668,218
General Obligation Debt Outstanding	\$ 4,980,000
District Debt as a Ratio of:	
Assessed Valuation	433.88%
Actual Valuation	186.64%