


MERIDIAN SERVICE METROPOLITAN DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2022


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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Meridian Service Metro District

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Meridian Service Metro District, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Meridian Service Metro District, as of December 31, 2022, and the respective changes in financial position, and, where applicable, cash flows 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. 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 Meridian Service Metro District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Meridian Service Metro 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 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 opinion. 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Meridian Service Metro 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 Meridian Service Metro 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.

Required Supplementary Information

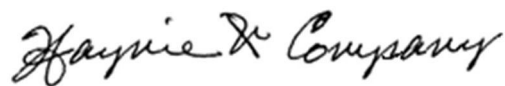
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Meridian Service Metro District's basic financial statements. The supplemental information, as listed 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 procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, as listed in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



Littleton, Colorado
September 28, 2023

BASIC FINANCIAL STATEMENTS

MERIDIAN SERVICE METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2022

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Cash and investments	\$ 3,941,847	\$ 9,633,861	\$ 13,575,708
Cash and investments - restricted	-	1,605,102	1,605,102
Accounts receivable - user fees	395,471	605,024	1,000,495
Accounts receivable - other	2,462	9,568	12,030
Lease receivable	139,315	-	139,315
Prepaid expenses	74,484	92,155	166,639
Security deposit	3,900	12,180	16,080
Capital assets not being depreciated	-	2,799,114	2,799,114
Capital assets, net			
Park and recreation facilities	11,919,993	-	11,919,993
Vehicles and equipment	80,797	229,372	310,169
Water and sewer facilities	-	39,176,376	39,176,376
Right-to-use office building	89,202	-	89,202
Total assets	16,647,471	54,162,752	70,810,223
<u>LIABILITIES</u>			
Accounts payable	131,844	502,478	634,322
Accrued liabilities	27,219	28,265	55,484
Retainage payable	-	56,090	56,090
Noncurrent liabilities			
Due within one year	33,088	693,832	726,920
Due in more than one year	58,996	36,883,647	36,942,643
Total liabilities	251,147	38,164,312	38,415,459
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred lease inflows	136,836	-	136,836
Total deferred inflows of resources	136,836	-	136,836
<u>NET POSITION</u>			
Net investment in capital assets	11,997,908	28,126,509	40,124,417
Restricted			
Emergency reserve (Note 11)	11,000	-	11,000
Sewer	-	1,605,102	1,605,102
Unrestricted	4,250,580	(13,733,171)	(9,482,591)
Total net position	\$ 16,259,488	\$ 15,998,440	\$ 32,257,928

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

**MERIDIAN SERVICE METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Change in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<u>Governmental activities:</u>							
General government	\$ 3,770,944	\$ 3,621,598	\$ 25,000	\$ -	\$ (124,346)	\$ -	\$ (124,346)
Interest on debt obligations	1,728	-	-	-	(1,728)	-	(1,728)
Total governmental activities	3,772,672	3,621,598	25,000	-	(126,074)	-	(126,074)
<u>Business-type activities:</u>							
Water	5,516,192	3,530,095	-	7,060,265	-	5,074,168	5,074,168
Sewer	5,138,181	2,444,129	-	9,635,344	-	6,941,292	6,941,292
Total business-type activities	10,654,373	5,974,224	-	16,695,609	-	12,015,460	12,015,460
Total	\$ 14,427,045	\$ 9,595,822	\$ 25,000.00	\$ 16,695,609	(126,074)	12,015,460	11,889,386
<u>General revenues:</u>							
Development inspection fees					-	68,876	68,876
Interest					138,103	68,197	206,300
Miscellaneous					21,774	4,462	26,236
Transfer to general government					2,300,000	(2,300,000)	-
Intergovernmental revenues					406,620	5,061,135	5,467,755
Total general revenues					2,866,497	2,902,670	5,769,167
Change in net position					2,740,423	14,918,130	17,658,553
Net position - beginning of year, as restated					13,519,065	1,080,310	14,599,375
Net position - end of year					\$ 16,259,488	\$ 15,998,440	\$ 32,257,928

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

**MERIDIAN SERVICE METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2022**

	General	Parks and Grounds	Recreation	Capital Projects	Total Governmental Funds
ASSETS					
Cash and investments	\$ 6,692	\$ 604,621	\$ 500,434	\$ 2,830,100	\$ 3,941,847
Accounts receivable - user fees	-	144,096	251,375	-	395,471
Accounts receivable - other	-	-	2,462	-	2,462
Prepaid expenses	10,447	24,217	39,820	-	74,484
Security deposit	2,300	1,300	300	-	3,900
Total assets	\$ 19,439	\$ 774,234	\$ 794,391	\$ 2,830,100	\$ 4,418,164
LIABILITIES					
Accounts payable	\$ 14,244	\$ 33,321	\$ 50,318	\$ 33,961	\$ 131,844
Accrued liabilities	1,113	3,531	22,575	-	27,219
Due to other funds	-	-	-	-	-
Total liabilities	15,357	36,852	72,893	33,961	159,063
FUND BALANCES					
Nonspendable:					
Prepaid expenditures	10,447	24,217	39,820	-	74,484
Security deposit	2,300	1,300	300	-	3,900
Restricted:					
Emergency reserve (Note 11)	11,000	-	-	-	11,000
Assigned:					
Parks and grounds	-	556,861	-	-	556,861
Recreation	-	-	511,799	-	511,799
Capital projects	-	-	-	2,796,139	2,796,139
Emergency reserve	-	145,004	159,579	-	304,583
Rate stabilization	-	10,000	10,000	-	20,000
Unassigned:					
General government	(19,665)	-	-	-	(19,665)
Total fund balances	4,082	737,382	721,498	2,796,139	4,259,101
Total liabilities and fund balances	\$ 19,439	\$ 774,234	\$ 794,391	\$ 2,830,100	

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	12,089,992
Capital assets, net	
Lease receivable is not available within 60 days of year-end and, therefore, is unavailable in the fund financial statements.	139,315
Deferred inflows of resources represent flows of resources which relate to future periods and, therefore, are not available in the fund financial statements.	
Deferred lease receivable	(136,836)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Right-to-use lease liability	(92,084)
Net position of governmental activities	<u>\$ 16,259,488</u>

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

MERIDIAN SERVICE METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2022

	General	Parks and Grounds	Recreation	Capital Projects	Total Governmental Funds
REVENUES					
Parks and grounds fees	\$ -	\$ 1,092,960	\$ -	\$ -	\$ 1,092,960
Street lighting fees	-	209,364	-	-	209,364
Recreation center fees	-	-	2,087,167	-	2,087,167
Fee based programming	-	-	152,307	-	152,307
Falcon Freedom Days donations	-	-	14,800	-	14,800
IGA revenue - Meridian Ranch	350,000	56,620	-	-	406,620
Lease income - AT&T	18,634	-	-	-	18,634
Other revenues	1,655	29,050	34,295	25,000	90,000
Interest	27,857	915	-	106,852	135,624
Miscellaneous	289	1,034	1,817	-	3,140
Total revenues	398,435	1,389,943	2,290,386	131,852	4,210,616
EXPENDITURES					
General government	360,122	-	-	-	360,122
Parks and grounds	-	866,145	-	-	866,145
Recreation center	-	-	1,842,319	-	1,842,319
Capital expenditures	-	-	-	712,034	712,034
Total expenditures	360,122	866,145	1,842,319	712,034	3,780,620
Excess of revenues over (under) expenditures	38,313	523,798	448,067	(580,182)	429,996
OTHER FINANCING SOURCES (USES)					
Gain (loss) on disposal of assets	-	(229)	-	4,468	4,239
Transfer from (to) other funds	-	(309,000)	(268,000)	2,877,000	2,300,000
Total other financing sources (uses)	-	(309,229)	(268,000)	2,881,468	2,304,239
Net change in fund balances	38,313	214,569	180,067	2,301,286	2,734,235
Fund balances - beginning of year, as restated	(34,231)	522,813	541,431	494,853	1,524,866
Fund balances - end of year	\$ 4,082	\$ 737,382	\$ 721,498	\$ 2,796,139	\$ 4,259,101

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

**MERIDIAN SERVICE METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

A reconciliation reflecting the differences between the governmental funds net change in fund balances and change in net position reported for governmental activities in the statement of activities as follows:

<u>Net change in fund balances - total governmental funds</u>	\$ 2,734,235
<u>Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds.</u>	2,479
<u>Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets are allocated over their estimated useful lives and reported as depreciation and amortization expense.</u>	
<u>Capital outlay</u>	712,034
<u>Depreciation and amortization expense</u>	(737,949)
<u>Current year principal payments of long-term liabilities are shown as expenditures in the fund financials</u>	
<u>Right-to-use lease liability</u>	29,624
 <u>Change in net position - governmental activities</u>	 <u>\$ 2,740,423</u>

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

MERIDIAN SERVICE METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2022

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
IGA revenue - Meridian Ranch	\$ 350,000	\$ 350,000	\$ 350,000	\$ -
Lease income - AT&T	18,634	18,634	18,634	-
Other revenues	-	-	1,655	1,655
Interest	-	-	27,857	27,857
Miscellaneous	150	150	289	139
Total revenues	368,784	368,784	398,435	29,651
EXPENDITURES				
General and administrative				
Accounting	1,000	1,000	-	1,000
Audit	20,000	20,000	21,036	(1,036)
Election	6,000	6,000	2,878	3,122
Director fees	12,000	12,000	7,200	4,800
Dues and memberships	2,750	2,750	732	2,018
Engineering	2,000	2,000	1,488	512
Insurance	5,839	5,839	4,591	1,248
Legal	80,000	80,000	71,058	8,942
Meals and travel	7,784	7,784	6,595	1,189
Miscellaneous	1,500	1,500	94	1,406
Personnel	18,357	18,357	21,134	(2,777)
Payroll and HR services	54,000	54,000	61,273	(7,273)
Professional consulting	-	73,700	73,621	79
Emergency reserve 3%	11,062	11,062	-	11,062
Operations and maintenance				
General operations - administration	24,700	24,700	21,187	3,513
Repairs and maintenance	8,400	8,400	7,307	1,093
Office rental and utilities	58,580	58,580	59,928	(1,348)
Total expenditures	313,972	387,672	360,122	27,550
Net change in fund balance	\$ 54,812	\$ (18,888)	38,313	\$ 57,201
Fund balance (deficit)- beginning of year, as restated			(34,231)	
Fund balance - end of year			\$ 4,082	

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

**MERIDIAN SERVICE METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2022**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Current assets:			
Cash and investments	\$ 4,659,541	\$ 4,974,320	\$ 9,633,861
Cash and investments - restricted	-	1,605,102	1,605,102
Accounts receivable - user fees	335,171	269,853	605,024
Accounts receivable - other	340	9,228	9,568
Prepaid expenses	50,547	41,608	92,155
Deposits	6,090	6,090	12,180
Total current assets	5,051,689	6,906,201	11,957,890
Capital assets:			
Capital assets, not being depreciated	2,776,595	22,519	2,799,114
Capital assets, being depreciated	25,225,934	14,179,814	39,405,748
Total capital assets	28,002,529	14,202,333	42,204,862
Total assets	\$ 33,054,218	\$ 21,108,534	\$ 54,162,752
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	\$ 344,356	\$ 158,122	\$ 502,478
Accrued liabilities	17,559	10,706	28,265
Retainage payable	56,090	-	56,090
Loan payable, current portion	300,000	393,832	693,832
Total current liabilities	718,005	562,660	1,280,665
Noncurrent liabilities :			
Loan payable, net of current portion	600,000	4,001,598	4,601,598
Due to Cherokee Metropolitan District	-	19,103,696	19,103,696
Developer advance and accrued interest	13,178,353	-	13,178,353
Total noncurrent liabilities	13,778,353	23,105,294	36,883,647
Total liabilities	14,496,358	23,667,954	38,164,312
<u>NET POSITION</u>			
Net investment in capital assets	14,224,176	14,202,333	28,426,509
Restricted	-	1,605,102	1,605,102
Unrestricted	4,333,684	(18,366,855)	(14,033,171)
Total net position (deficit)	18,557,860	(2,559,420)	15,998,440
Total liabilities and net position	\$ 33,054,218	\$ 21,108,534	\$ 54,162,752

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

MERIDIAN SERVICE METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2022

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<u>OPERATING REVENUES</u>			
Service charges	\$ 3,564,533	\$ 2,478,567	\$ 6,043,100
Total operating revenues	<u>3,564,533</u>	<u>2,478,567</u>	<u>6,043,100</u>
<u>OPERATING EXPENSES</u>			
Cost of services			
Operations	806,882	824,040	1,630,922
Engineering	45,068	16,594	61,662
Payroll	449,352	429,897	879,249
Repairs and maintenance	124,614	87,383	211,997
Administrative and general expenses			
Accounting and management	55,595	45,037	100,632
Depreciation	1,316,212	684,737	2,000,949
Insurance	41,542	30,216	71,758
Legal	13,712	9,572	23,284
Miscellaneous	7,602	(3,617)	3,985
Office expense	20,943	20,034	40,977
Total operating expenses	<u>2,881,522</u>	<u>2,143,893</u>	<u>5,025,415</u>
Operating income	<u>683,011</u>	<u>334,674</u>	<u>1,017,685</u>
<u>NONOPERATING REVENUES AND (EXPENSES)</u>			
Facilities fees	2,240,000	2,240,000	4,480,000
Fees transferred to Meridian Ranch	(2,241,000)	(2,241,000)	(4,482,000)
Contract revenue	-	2,815,068	2,815,068
Miscellaneous income	2,463	1,999	4,462
Interest expense	(393,670)	(753,288)	(1,146,958)
Interest income	36	68,161	68,197
Net nonoperating revenues (expenses)	<u>(392,171)</u>	<u>2,130,940</u>	<u>1,738,769</u>
Income before other financing sources (uses)	<u>290,840</u>	<u>2,465,614</u>	<u>2,756,454</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Contributed assets	1,817,666	2,521,740	4,339,406
Transfer to Government Capital Project Fund	-	(2,300,000)	(2,300,000)
Debt forgiveness	3,002,599	2,058,536	5,061,135
Intergovernmental revenues	5,061,135	-	5,061,135
Net other financing sources (uses)	<u>9,881,400</u>	<u>2,280,276</u>	<u>12,161,676</u>
Change in net position	<u>10,172,240</u>	<u>4,745,890</u>	<u>14,918,130</u>
Net position (deficit) - beginning of year, as restated	<u>8,385,620</u>	<u>(7,305,310)</u>	<u>1,080,310</u>
Net position (deficit) - end of year	<u>\$ 18,557,860</u>	<u>\$ (2,559,420)</u>	<u>\$ 15,998,440</u>

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

MERIDIAN SERVICE METROPOLITAN DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2022

	Water Fund	Sewer Fund	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Receipts from customers	\$ 3,494,348	\$ 3,779,280	\$ 7,273,628
Payments to vendors	(1,576,751)	(1,474,786)	(3,051,537)
Net cash provided by operating activities	1,917,597	2,304,494	4,222,091
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>			
Interest expense	-	(753,288)	(753,288)
Repayment of Cherokee liability	-	(47,966)	(47,966)
Repayments on loan	-	(330,402)	(330,402)
Net cash provided by (used in) non-capital financing activities	-	(1,131,656)	(1,131,656)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Acquisition of capital assets	(3,576,358)	(43,721)	(3,620,079)
Loan proceeds	900,000	-	900,000
Interest income	36	68,161	68,197
Miscellaneous income	2,463	1,999	4,462
Facilities fees	2,076,500	2,076,500	4,153,000
Facilities fees paid - IGA MRMD	(2,241,000)	(2,241,000)	(4,482,000)
Contract revenue	-	2,815,068	2,815,068
Intergovernmental revenues	5,061,135	-	5,061,135
Developer reimbursement	(5,061,135)	-	(5,061,135)
Retainage payable	56,091	-	56,091
Transfers to other funds	-	(2,300,000)	(2,300,000)
Net cash flows from capital and related financing activities	(2,782,268)	377,007	(2,405,261)
Net change in cash and cash equivalents	(864,671)	1,549,845	685,174
Cash and cash equivalents - beginning of year	5,524,212	5,029,577	10,553,789
Cash and cash equivalents - end of year	<u>\$ 4,659,541</u>	<u>\$ 6,579,422</u>	<u>\$ 11,238,963</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Net income from operations	\$ 683,011	\$ 334,674	\$ 1,017,685
Adjustments to reconcile net income (loss) from operations to net cash provided by operating activities:			
Depreciation	1,316,212	684,737	2,000,949
Increase (decrease) in accounts receivable	(70,185)	1,300,713	1,230,528
(Increase) decrease in prepaid expenses	(7,695)	(6,826)	(14,521)
Increase (decrease) in accounts payable	141,234	(12,370)	128,864
Increase (decrease) in retainage payable	(153,212)	-	(153,212)
Increase (decrease) in accrued liabilities	9,532	4,866	14,398
(Increase) decrease in deposits	(1,300)	(1,300)	(2,600)
Net cash provided by operating activities	<u>\$ 1,917,597</u>	<u>\$ 2,304,494</u>	<u>\$ 4,222,091</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:

During 2022, the developers forgave \$5,061,135 of accrued interest owed on developer advances.

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

MERIDIAN SERVICE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 - DEFINITION OF REPORTING ENTITY

Meridian Service Metropolitan District ("District" or "Meridian Service"), a quasi-municipal corporation and political subdivision of the state of Colorado, was organized on May 5, 1998, concurrently with Meridian Ranch Metropolitan District ("Meridian Ranch", collectively, the "Districts") to provide water and wastewater service, street improvements, safety protection, parks and recreation facilities, drainage, landscape, mosquito control, transportation and television relay for public and private purposes by any available means. The District also has limited fire protection powers in a cooperative manner with Falcon Fire Protection District. The District is intended to be the operating district related to Meridian Ranch Metropolitan District ("Meridian Ranch"), the financing district (Note 8).

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-wide and fund financial statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District.

The effect of interfund activity has been removed from these statements. Both statements distinguish between governmental activities, which normally are supported by taxes and intergovernmental revenues, and business-type activities, which rely to a significant extent on fees and charges for support.

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

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

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

MERIDIAN SERVICE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement focus, basis of accounting and financial statement position

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

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

The District reports the following major governmental funds:

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

Parks and grounds fund - The parks and ground fund account for parks operations.

Recreation fund - The recreation fund account for recreation operations.

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

The District reports the following major proprietary funds:

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

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

Use of estimates

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

MERIDIAN SERVICE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with state budget law, the District's board of directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures and other financing uses level and lapses at year end. The District's board of directors can modify the budget by line

item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

Pooled cash and investments

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

Cash equivalents

For purposes of the statements of cash flows, the District considers cash deposits and highly liquid investments with original maturities of three months or fewer to be cash equivalents.

Leases

Lessor

The District entered into a lease agreement related to telecommunication equipment located on District property. The District recognizes a lease receivable and a deferred inflow of resources in the government-wide financial statements. At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Lessee

The District is a lessee for a noncancellable lease of office space. The District recognizes a lease liability reported with long-term debt and a right-to-use lease asset, reported with other capital assets, in the government-wide financial statements. At the commencement of a lease, the District measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. Lease assets are initially recorded at the initial measurement of the liability, plus lease payments made at or before commencement of the lease term. Subsequently, lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

MERIDIAN SERVICE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Key estimates and judgments for leases

A key estimate for leases is the discount rate used to discount the expected lease payments to present value. When this rate is not provided, the District uses its estimated incremental borrowing rate as the discount rate. The lease term includes the noncancellable period of the lease as well as the option renewals that are reasonably certain to be exercised.

Capital assets

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

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

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

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

Water rights

The cost of water rights includes acquisition cost, legal, and engineering costs related to the development and augmentation of those rights. Since the rights have a perpetual life, they are not amortized. All other costs, including costs incurred for the protection of those rights, are expensed.

Facility fees

A water tap fee and a sewer tap fee per single family equivalent unit are charged against properties within the District. Facility fees are due prior to issuance of a building permit.

MERIDIAN SERVICE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net position and fund balances

Net position

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

Fund balances

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance - The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or is legally or contractually required to be maintained intact.

Restricted fund balance - The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

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

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

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

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

New accounting standard

For 2022, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. GASB Statement No. 87 improves accounting and financial reporting for leases by governments. As a result, the District recognized a lease receivable and lease liabilities and deferred inflow and outflow of resources in the financial statements.

A restatement of the prior period was not required. Additional information on the lease receivable is provided in Note 4.

**MERIDIAN SERVICE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2022 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 13,575,708
Cash and investments - restricted	<u>1,605,102</u>
Total cash and investments	<u><u>\$ 15,180,810</u></u>

Cash and investments as of December 31, 2022 consists of the following:

Deposits with financial institutions	\$ 2,378,270
Investments	<u>12,802,540</u>
	<u><u>\$ 15,180,810</u></u>

Deposits with Financial Institutions

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

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

As of December 31, 2022, the District's cash deposits had a bank balance of \$2,288,224 and a book balance of \$2,378,270.

Investments

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

The District generally limits its concentration of investments to those below which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless otherwise formally approved by the boards of directors. Such actions are generally associated with a debt service reserve requirement.

MERIDIAN SERVICE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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

- Obligations of the US and certain US government agency securities
- Certain international agency securities
- General obligation and revenue bonds of US local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certificates of deposit in Colorado PDPA approved banks or savings banks
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

As of December 31, 2022, the District had the following in investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Liquid Asset Trust	Weighted average under one year	<u>\$12,802,541</u>

Colostrust

During 2022, the District invested in the Colorado Local Government Liquid Asset Trust ("Colostrust"), an investment vehicle established for local government entities in Colorado to pool surplus funds. The state securities commission administers and enforces all state statutes governing Colostrust. The District invested in COLOTRUST PLUS+ (PLUS+) and COLOTRUST EDGE (EDGE), two of the three portfolios offered by Colostrust. PLUS+ operates similarly to a money market fund and each share is equal in value to \$1.00. There are no unfunded commitments, the redemption period frequency is daily and there is no redemption notice period. EDGE is an enhanced cash, variable net asset value (NAV) fund that offers next-day liquidity. Allowable investments in the PLUS+ portfolio include U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. EDGE is an enhanced cash, variable net asset value fund that offers next-day liquidity. Edge investments consist of money market instruments and medium-term notes designed for the short to intermediate reserve and surplus funds of Colorado governments.

A designated custodial bank serves as custodian for Colostrust investment portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for Colostrust investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by Colostrust. PLUS+ is rated AAAM by S&P Global Ratings and EDGE is rated AAAf/S1 by Fitch Ratings. As of December 31, 2022, the District had \$5,373,774 invested in PLUS+ and \$7,428,766 invested in EDGE.

Investment Valuation

Certain investments are measured at fair value 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.

MERIDIAN SERVICE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

The District's investments are not required to be categorized within the fair value hierarchy. These investments are measured at amortized cost or in certain circumstances the value is estimated using the NAV per share, or its equivalent of the investment. These investments include 2a7-like external investment pools and money market investments. The District held investments in Colotrust at year end for which the investment evaluation was determined as follows.

Colotrust determines the NAV of the shares of each portfolio as of the close of business on each day. The NAV per share of each portfolio is computed by dividing the total value of the securities and other assets of the portfolios, less any liabilities, by the total outstanding shares of the portfolios. Liabilities, which include all expenses and fees of Colotrust, are accrued daily. The NAV is calculated at fair value using various inputs to determine value in accordance with FASB guidance. It is the goal of PLUS+ to maintain a NAV of \$1.00 per share, however changes in interest rates may affect the fair value of the securities held by Colotrust and there can be no assurance that the NAV will not vary from \$1.00 per share. EDGE does not seek to maintain a stable NAV. EDGE initially established a \$10.00 transactional share price. The principal value of an EDGE investment may fluctuate and could be greater or less than the share price at price of purchase, prior to redemption and at the time of redemption.

NOTE 4 - LEASE RECEIVABLE

The District receives payments under a long-term lease related to telecommunication equipment located on District property. The lease receivable is recorded in an amount equal to the present value of the expected future minimum lease payments received, discounted by an applicable interest rate of 3.25%. The lease expires on February 1, 2031. The lease is amortized as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 14,319	\$ 4,316	\$ 18,635
2024	14,791	3,843	18,634
2025	15,279	3,355	18,634
2026	16,962	2,837	19,799
2027	17,761	2,271	20,032
2028-2031	60,203	3,233	63,436
	<u>\$ 139,315</u>	<u>\$ 19,855</u>	<u>\$ 159,170</u>

MERIDIAN SERVICE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 5 - CAPITAL ASSETS

An analysis of the changes in capital assets for governmental activities for the year ended December 31, 2022 follows:

	Balance at December 31, 2021	Additions/ Reclass- ifications	Dispositions/ Reclass- ifications	Balance at December 31, 2022
Governmental activities:	(as restated)			
Capital assets being depreciated:				
Park and recreation facilities	\$ 16,821,405	\$ 714,681	\$ -	\$ 17,536,086
Vehicles and equipment	178,803	9,000	(11,250)	176,553
Right-to-use lease building	-	121,708	-	121,708
Total capital assets being depreciated	17,000,208	845,389	(11,250)	17,834,347
Less accumulated depreciation for:				
Park and recreation facilities	(4,933,782)	(682,311)	-	(5,616,093)
Vehicles and equipment	(83,874)	(23,132)	11,250	(95,756)
Right-to-use lease building	-	(32,506)	-	(32,506)
Total accumulated depreciation	(5,017,656)	(737,949)	11,250	(5,744,355)
Total capital assets being depreciated, net	11,982,552	107,440	-	12,089,992
Capital assets not being depreciated:				
Construction in progress	11,647	703,034	(714,681)	-
Total capital assets, not being depreciated	11,647	703,034	(714,681)	-
Governmental activities capital assets, net	\$ 11,994,199	\$ 810,474	\$ (714,681)	\$ 12,089,992

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

	Capital Projects Fund
Total cash outlay	\$ 712,034
Construction in progress reclassifications	714,681
Right-to-use lease building	121,708
Total additions	\$ 1,548,423

MERIDIAN SERVICE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 5 - CAPITAL ASSETS (CONTINUED)

An analysis of the changes in capital assets for business-type activities for the year ended December 31, 2022 follows:

	Balance at December 31, 2021	Additions/ Reclass- ifications	Disposals/ Reclass- ifications	Balance at December 31, 2022
Business-type activities:				
Capital assets being depreciated:				
Water system facilities	\$ 38,293,565	\$ 3,005,215	\$ -	\$ 41,298,780
Sewer system facilities	19,204,787	2,521,740	-	21,726,527
Vehicles and equipment - Water	139,658	21,202	-	160,860
Vehicles and equipment - Sewer	237,910	21,201	-	259,111
Total capital assets being depreciated	<u>57,875,920</u>	<u>5,569,358</u>	<u>-</u>	<u>63,445,278</u>
Less accumulated depreciation for:				
Water system facilities	(14,871,586)	(1,289,325)	-	(16,160,911)
Sewer system facilities	(7,043,924)	(644,096)	-	(7,688,020)
Vehicles and equipment - Water	(45,908)	(26,887)	-	(72,795)
Vehicles and equipment - Sewer	(77,163)	(40,641)	-	(117,804)
Total accumulated depreciation	<u>(22,038,581)</u>	<u>(2,000,949)</u>	<u>-</u>	<u>(24,039,530)</u>
Total capital assets being depreciated, net	<u>35,837,339</u>	<u>3,568,409</u>	<u>-</u>	<u>39,405,748</u>
Capital assets not being depreciated:				
Water rights	257,085	-	-	257,085
Construction in progress - Water	151,903	3,555,156	(1,187,549)	2,519,510
Construction in progress - Sewer	-	22,519	-	22,519
Total capital assets not being depreciated	<u>408,988</u>	<u>3,577,675</u>	<u>(1,187,549)</u>	<u>2,799,114</u>
Business-type activities capital assets, net	<u>\$ 36,246,327</u>	<u>\$ 7,146,084</u>	<u>\$ (1,187,549)</u>	<u>\$ 42,204,862</u>

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

	Water Fund	Sewer Fund	Total
Total cash outlay	\$ 3,576,358	\$ 43,720	\$ 3,620,078
Construction in progress reclassifications	1,187,549	-	1,187,549
Contributed capital assets	<u>1,817,666</u>	<u>2,521,740</u>	<u>4,339,406</u>
Total additions	<u>\$ 6,581,573</u>	<u>\$ 2,565,460</u>	<u>\$ 9,147,033</u>

MERIDIAN SERVICE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 6 - LONG-TERM OBLIGATIONS

An analysis of changes in the District's long-term obligations for the year ended December 31, 2022 is as follows:

	<u>Balance at December 31, 2021</u>	<u>Additions</u>	<u>Reductions/ Transfers</u>	<u>Balance at December 31, 2022</u>	<u>Due Within One Year</u>
Governmental activities:					
Right-to-use lease liability	\$ -	\$ 121,708	\$ (29,624)	\$ 92,084	\$ 33,088
Total governmental activities	<u>-</u>	<u>121,708</u>	<u>(29,624)</u>	<u>92,084</u>	<u>33,088</u>
Business-type activities:					
Cherokee arbitration loan	\$ 19,393,923	\$ -	\$ (54,718)	\$ 19,339,205	\$ 56,584
Series 2021 loan	4,676,000	-	(330,402)	4,345,598	344,000
GTL development loan	-	900,000	-	900,000	300,000
Developer advances	9,315,476	-	(5,061,135)	4,254,341	-
Interest accrued - developer advances	13,591,477	393,670	(5,061,135)	8,924,012	-
Credit of issuance contra liability	(192,429)	-	6,752	(185,677)	(6,752)
Total business-type activities	<u>46,784,447</u>	<u>1,293,670</u>	<u>(10,500,638)</u>	<u>37,577,479</u>	<u>693,832</u>
	<u>\$ 46,784,447</u>	<u>\$ 1,415,378</u>	<u>\$ (10,530,262)</u>	<u>\$ 37,669,563</u>	<u>\$ 726,920</u>

Right-to-Use Lease Liability

The District entered into a lease agreement as lessee for the use of office space. The lease expires on August 25, 2025 with the option to extend through August 2032. At the commencement of the lease, the District measured the lease liability at the present value of payments expected to be made during the lease term using an interest rate of 3.25%.

The District's long-term obligations related to the right-to-use liability are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 33,088	\$ 1,595	\$ 34,683
2024	34,859	865	35,724
2025	24,137	151	24,288
	<u>\$ 92,084</u>	<u>\$ 2,611</u>	<u>\$ 94,695</u>

Cherokee Arbitration Loan

Pursuant to an arbitration judgment payable related to the Chico Basin Wastewater Treatment Facility and Black Squirrel Basin Recharge Facility Intergovernmental Agreement ("Arbitration Award") with Cherokee Metropolitan District ("Cherokee"), the District must pay 45.8% of all documented costs for Cherokee to complete certain upgrades and repairs to bring the wastewater treatment facility into compliance with its discharge permit. The District's portion of these upgrades are expected to total approximately \$19,694,000.

MERIDIAN SERVICE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)

On June 24, 2022, the District entered into an intergovernmental agreement with Cherokee under which the District agreed to fund its portion of the costs due to Cherokee under the Arbitration Award in payments equal to 45.8% of the payments due under Cherokee's Water and Wastewater Enterprise Revenue Bonds Series 2020 ("Cherokee Bond"). This agreement implies an interest rate of 3.3575%, annually. Semi-annual mandatory principal and interest payments are due on June 30 and December 31, beginning in 2022. The agreement matures on June 1, 2050.

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

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 56,584	\$ 653,408	\$ 709,992
2024	58,513	651,479	709,992
2025	60,508	649,483	709,991
2026	62,571	647,420	709,991
2027	64,705	645,287	709,992
2028-2032	358,161	3,191,797	3,549,958
2033-2037	3,564,552	2,918,025	6,482,577
2038-2042	5,059,917	2,141,171	7,201,088
2043-2047	5,968,260	1,210,203	7,178,463
2048-2050	4,085,434	210,516	4,295,950
	<u>\$ 19,339,205</u>	<u>\$ 12,918,789</u>	<u>\$ 32,257,994</u>

Series 2021 Loan Agreement and Promissory Note

On December 10, 2021, the District entered into the Series 2021 Loan Agreement and Promissory Note ("Loan") with a bank in the amount of \$4,676,000 for the purposes of: (a) paying or reimbursing Cherokee Metropolitan District the costs of improvements to their wastewater system that Meridian Service Metropolitan District has the right to 45.8% capacity of, including reimbursing amounts previously paid to Cherokee Metropolitan District pursuant to the wastewater arbitration judgment; (b) funding an additional payment due to Cherokee Metropolitan District for same; (c) funding a debt service reserve fund; and (d) paying costs incurred in connection with the Loan.

The Loan bears interest at 2.15% per annum, payable semi-annually on June 1 and December 1, beginning in 2022. Annual mandatory principal payments are due on December 1, beginning in 2022. The Loan matures on December 1, 2033. The auditors have tested the debt service coverage ratio covenant, and it meets the 110% requirement.

The District's long-term obligations related to the Loan are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 344,000	\$ 94,759	\$ 438,759
2024	352,000	87,499	439,499
2025	359,000	79,587	438,587
2026	367,000	71,761	438,761
2027	375,000	63,761	438,761
2028-2032	1,999,000	192,844	2,191,844
2033	549,598	12,011	561,609
	<u>\$ 4,345,598</u>	<u>\$ 602,222</u>	<u>\$ 4,947,820</u>

MERIDIAN SERVICE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)

Events of default

Events of default occur if: (a) the District fails to apply the pledged revenue as required by the loan agreement or custodial agreement; (b) the District fails to observe or perform any of the covenants, agreements, or conditions; (c) any representation or warranty made by the District proves to be untrue or incomplete; (d) the occurrence and continuance of an event of default or an event of nonperformance under the custodial agreement or any of the other financing documents after the expiration of any grace period; (e) default in the payment of principal or interest when due on any financial obligation of the District; (f) the pledge revenue or any other security interest created fails to be fully enforceable with the priority required thereunder; (g) any judgment or court order for the payment of money exceeding any applicable insurance coverage by more than \$50,000 in aggregate is rendered against the District and the District fails to vacate, bond, stay, contest, pay, or satisfy such judgment or court order for 30 days; (h) a change occurs in the financial or operating conditions of the District that, in the lender's reasonable judgment, will have a materially adverse impact on the ability of the District to generate pledge revenue; (i) the District commences bankruptcy, insolvency, or liquidation; (j) the loan agreement ceases to be valid; (k) the District's auditor delivers a qualified opinion with respect to the District's status as a going concern; (l) any funds or investments on deposit in any of the accounts established under the Loan shall become subject to any writ, judgment, warrant, attachment, execution, or similar process.

Remedies on occurrence of events of default for the loan

Upon the occurrence and continuance of an event of default, the lender has the following rights and remedies: (a) exercise any and all remedies available under the custodial agreement; (b) exercise the lender's right of set-off to the extent necessary to satisfy any past-due obligation of the District on the loan; (c) take any other action or remedy available under the other financing documents or any other document, or at law or in equity, including without limitation injunctive relief and/or specific performance if the District has failed to impose sewer surcharge fees sufficient to pay operating expenses and pay the debt service due and owing on the loan and the District's share of the wastewater arbitration judgment.

GTL Development Loan

On July 13, 2022 the District entered into a sale and financing agreement with GTL Development, Inc. ("Developer") to purchase, for \$900,000, the Developers 50% interest in the Tamlin Water System, including 50% capacity of the system, a 12" underground water distribution pipeline and water booster pump station along Tamlin Road in El Paso County to deliver water from Cherokee Metropolitan District water tank to Woodmen Hills Metropolitan District ("WHMD" and the "Tamlin Water System"). The Tamlin Water System is to be operated by WHMD and the District is responsible for a proportionate share of the maintenance based on the direct annual proportion of usage. Interest free payments to the Developer shall be made in three equal payments of \$300,000 due on February 1 each year beginning in 2023, 2024 and 2025.

Developer advances

On March 20, 2001, the District entered into a reimbursement agreement with GTL Development, Inc. ("Developer") to reimburse the Developer for advances made on behalf of the District for operations, maintenance and capital infrastructure costs, along with accrued interest from the date of receipt at the rate of 5% per annum. On March 4, 2020, this agreement was revised, and the Developer agreed to forego the compounding of interest from March 18, 2018 through January 1, 2026. During 2022, the District repaid a portion of the outstanding obligation due to the Developer in the amount of \$5,061,135. The Developer agreed to reduce the accrued interest outstanding on the debt by the same amount as the principal payment made by the District. As a result, the transaction resulted in the forgiveness of debt in the amount of \$5,061,135.

MERIDIAN SERVICE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)

Authorized indebtedness

On November 7, 2000, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$170,000,000 at an interest rate not to exceed 16% per annum.

As of December 31, 2022, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	<u>Authorized</u>	<u>Issued</u>	<u>Remaining</u>
Street improvements	\$ 29,435,000	\$ -	\$ 29,435,000
Water	35,765,000	-	35,765,000
Sanitation	7,320,000	-	7,320,000
Safety protection	1,740,000	-	1,740,000
Park and recreation	7,620,000	-	7,620,000
Mosquito control	1,305,000	-	1,305,000
Television relay and translation	1,055,000	-	1,055,000
Public transportation	260,000	-	260,000
Operations	500,000	-	500,000
Refunding	85,000,000	-	85,000,000
	<u>\$170,000,000</u>	<u>\$ -</u>	<u>\$170,000,000</u>

NOTE 7 – COMMITMENTS

Defined contribution money purchase plan - IRC 401(a) and deferred compensation plan

The District adopted an employees' qualified money purchase plan and trust ("Plan") in accordance with Internal Revenue Code Section 401(a). The Plan is administered by Mission Square Retirement Corporation. The Plan is a defined contribution plan with the District contributing an amount equal to 6.2% of each participant's compensation for the year. Each full-time employee aged 16 or older is eligible to participate. Each participant is required to match the District's contribution. The District adopted an employees' 457(b) deferred compensation plan in which the District contributes on behalf of each participant 100% of the voluntary participant contribution made by the participant for the plan year not to exceed 3% of participant earnings. The District is not liable for further pension benefits in excess of the contributions made to the Plan nor liable for losses from depreciation in the value of any investments acquired under the Plan. The employer and the employees' contributions are fully vested at the date of contribution. Contributions are tax deferred until withdrawn. The District contributed \$143,036 to the Plan during the year ended December 31, 2022.

MERIDIAN SERVICE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 8 - NET POSITION

The District has a net position consisting of three components: net investment in capital assets, restricted and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of long-term obligations that are attributable to the acquisition, construction, or improvement of those assets.

As of December 31, 2022, the District had net investment in capital assets as follows:

	Governmental Activities	Business-type Activities	Total
Net investment in capital assets:			
Capital assets, net	\$ 12,089,992	\$ 42,204,862	\$ 54,294,854
Long-term obligations	(92,084)	(14,078,353)	(14,170,437)
Net investment in capital assets	<u>\$ 11,997,908</u>	<u>\$ 28,126,509</u>	<u>\$ 40,124,417</u>

Restricted net position includes balances with external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position as of December 31, 2022, as follows:

	Governmental Activities	Business-type Activities	Total
Restricted net position:			
Emergency reserve (Note 11)	\$ 11,000	-	\$ 11,000
Sewer Fund	-	1,605,102	1,605,102
Restricted net position	<u>\$ 11,000</u>	<u>\$ 1,605,102</u>	<u>\$ 1,616,102</u>

Unrestricted net deficit of \$9,482,591 consists of net assets that do not meet the definition of net investment in capital assets or restricted net assets.

The sewer fund's unrestricted net deficit as of December 31, 2022 totaled \$2,559,420. This deficit amount is primarily a result of the District's obligation to repay Cherokee for the cost of improvements to the Cherokee wastewater treatment plant that does not have a corresponding asset. Repayment of the outstanding obligation plus accrued interest is to be made each year until the obligation is fully satisfied using revenues from the Sewer Fund including service charges and other available Sewer Fund revenues.

NOTE 9 - INTERGOVERNMENTAL AGREEMENTS

The District entered into an intergovernmental agreement with Meridian Ranch on July 17, 2001, as amended on March 26, 2013, to set forth rights and obligations of the Districts pursuant to their respective service plans. The District agreed that the facilities described in the service plans are needed by the District and that such facilities will benefit the residents and property owners in both Districts in terms of cost, quality and level of service.

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

MERIDIAN SERVICE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 9 - INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

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

During the year ended December 31, 2022, the District transferred a total of \$4,482,000 to Meridian Ranch to assist in the repayment of the debt obligations issued by Meridian Ranch.

During the year ended December 31, 2022, the District received a total of \$5,467,755 from Meridian Ranch for the costs of constructing and maintaining certain facilities and repayment of developer advances.

The District, Meridian Ranch and the Meridian Ranch Metropolitan District 2018 Subdistrict (Subdistrict) entered into an intergovernmental agreement dated May 8, 2019 to provide the District with the responsibility for the construction, operation and maintenance of public improvements within the Subdistrict. The Subdistrict's responsibility was to obtain the financing for such improvements (the Subdistrict issued bonds in 2022). Upon completion of construction, the Subdistrict is to convey all of the public improvements to the District and the District will be solely responsible for the operation, maintenance, insurance and repair of the improvements following the conveyance. As an additional consideration for the financing to be provided by the Subdistrict for the improvements, and the conveyance thereof, the District will provide administrative services as provided for in the agreement at no cost to the Subdistrict.

The District entered into an intergovernmental agreement with Cherokee Metropolitan District under which the District will pay for its portion of the wastewater treatment costs incurred by Cherokee. Total amount paid to Cherokee as of and for the year ended December 31, 2022 was \$507,991, and included in sewer fund operations.

The District entered into an intergovernmental agreement with Woodmen Hills Metropolitan District ("WHMD") on September 21, 2009, to set forth the rights and obligations of the Districts for operations on a sewer lift station that directs sewage to the Black Squirrel Wastewater Treatment Facility. The District will own and be responsible for the operation, maintenance, and repair of the life station and invoice WHMD monthly for its share of the costs of operations, maintenance, and repairs. During the year ended December 31, 2022, the District collected \$77,238 under this agreement.

On September 11, 2014, as amended in 2020 and 2021, the District entered into an intergovernmental agreement with Sterling Ranch Metropolitan District No. 1 ("Sterling Ranch") under which the District agreed to treat and deliver Sterling Ranch wastewater to the CMD plant from the District's sewer lift station and Sterling Ranch agreed to pay the District a connection fee prior to service, a monthly wastewater services fee, clean water fee and ongoing sewer tap fees through 2024. On May 31, 2022, Sterling Ranch assigned all of the rights, terms, conditions, obligations, title and interest in, to and under the agreement to Falcon Area Water and Wastewater Authority and the District accepted such assignment. During the year ended December 31, 2022, the District collected \$1,502,601 under this agreement.

MERIDIAN SERVICE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 10- RELATED PARTIES

Some of the members of the board of directors are affiliated with or are employees of developers of land within the District. These members may have conflicts of interest with respect to certain transactions which come before the board of directors.

NOTE 11- RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to contractors; or acts of God.

The District is a member of the Colorado Special District Property and Liability Pool ("Pool"). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers' compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

NOTE 12 - TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights ("TABOR"), contains tax, spending, revenue and debt limitations which apply to the state of Colorado and all local governments within the state of Colorado.

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

On November 7, 2000, a majority of the District's electors authorized the District to collect and spend or retain in a reserve any and all revenue annually from any revenue source other than ad valorem taxes.

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The District's management believes the District is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate fiscal year spending limits, will likely require judicial interpretation.

MERIDIAN SERVICE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 13 - RESTATEMENTS

Governmental Fund

The District has restated the prior year financial statements to correctly reflect General and Capital expenditures in the Governmental Funds related to 2021 professional services expense incorrectly reported as capital expense, causing capital expenses to be overstated in the Capital Projects Fund and Professional Services expenditures to be understated in the General Fund. The restatement also correctly reflects the Capital assets, not being depreciated in the Government Wide Statement of Net Position. The effect of the restatement is summarized as follows:

Restatement in Governmental Funds, Statement of Revenues, Expenditures and Changes in Fund Balances

	December 31, 2021		December 31, 2021
	As Originally Stated	Restatement	As Restated
<u>Capital Projects Fund:</u>			
Capital expenditures	\$ 1,309,014	\$ (124,034)	\$ 1,184,980
Excess of revenues over (under) expenditures	\$ (1,302,730)	\$ 124,034	\$ (1,178,696)
Fund balance, end of year	\$ 370,819	\$ 124,034	\$ 494,853
<u>General Fund:</u>			
Professional Services expenditures	\$ 51,932	\$ 124,034	\$ 175,966
Excess of revenues over (under) expenditures	\$ 22,459	\$ (124,034)	\$ (101,575)
Fund balance (deficit), end of year	\$ 89,803	\$ (124,034)	\$ (34,231)

Restatement in Government-wide Statement of Net Position

	December 31, 2021		December 31, 2021
	As Originally Stated	Restatement	As Restated
Capital assets, not being depreciated	\$ 135,681	\$ (124,034)	\$ 11,647
Net position, end of year	\$ 13,643,099	\$ (124,034)	\$ 13,519,065

MERIDIAN SERVICE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 13 - RESTATEMENTS (CONTINUED)

Sewer Fund

The District has restated the prior year financial statements to correctly recognize the long-term liability for the Sewer Fund related to 2021 arbitration expense. The effect of the restatement is summarized as follows:

Restatement in Sewer Fund Revenues, Expenses and Changes in Net Position

	December 31, 2021		Restatement		December 31, 2021
	As Originally Stated				As Restated
Contributions to other governments	\$ 11,635,786	\$	(11,562,293)	\$	73,493
Arbitration expenditures	\$ -	\$	19,694,000	\$	19,694,000
Interest expense	\$ -	\$	605,162	\$	605,162
Excess of expenditures over revenues	\$ (10,302,305)	\$	(8,736,869)	\$	(19,039,174)
Net position, end of year	\$ 1,431,559	\$	(8,736,869)	\$	(7,305,310)

Restatement in Sewer Fund Statement of Net Position

	December 31, 2021		Restatement		December 31, 2021
	As Originally Stated				As Restated
Due to Cherokee Metropolitan District	\$ 10,464,625	\$	(10,464,625)	\$	-
Cherokee long-term liability	\$ -	\$	19,393,923	\$	19,393,923
Credit of issuance contra liability	\$ -	\$	(192,429)	\$	(192,429)
Net position, end of year	\$ 1,431,559	\$	(8,736,869)	\$	(7,305,310)

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

SUPPLEMENTARY INFORMATION

MERIDIAN SERVICE METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
PARKS AND GROUNDS FUND
YEAR ENDED DECEMBER 31, 2022

	Original and Final Budget	Actual Amounts	Variance with Budget
<u>REVENUES</u>			
Parks and grounds fees	\$ 1,065,143	\$ 1,092,960	\$ 27,817
Street lighting fees	206,662	209,364	2,702
IGA revenue - MRMD (CTF)	55,000	56,620	1,620
Other revenues	16,000	29,050	13,050
Interest	-	915	915
Miscellaneous	-	1,034	1,034
Total revenues	1,342,805	1,389,943	47,138
<u>EXPENDITURES</u>			
General and administrative			
Accounting	1,000	-	1,000
Customer billing	24,000	23,426	574
Engineering/consulting	7,000	6,102	898
Legal	2,500	168	2,332
Office expense	14,000	6,254	7,746
Payroll	240,650	196,411	44,239
Training, licenses and certification	3,000	1,180	1,820
Meals and travel	1,000	211	789
Miscellaneous	2,200	-	2,200
Operations and maintenance			
Landscape repair and maintenance	506,000	390,034	115,966
Hardscape repair and maintenance	24,500	10,516	13,984
Park maintenance	37,500	12,092	25,408
Pond maintenance	7,000	8,559	(1,559)
Utilities	189,210	178,635	10,575
Insurance	19,305	15,467	3,838
Safety supplies	200	1,333	(1,133)
Vandalism cost of repairs	-	1,174	(1,174)
Vehicle repair and maintenance	14,500	14,583	(83)
Total expenditures	1,093,565	866,145	227,420
Excess of revenues over expenditures	249,240	523,798	274,558
<u>OTHER FINANCING SOURCES (USES)</u>			
Loss on disposal of assets	-	(229)	(229)
Transfer from (to) Capital Fund	(321,000)	(309,000)	12,000
Total other financing sources (uses)	(321,000)	(309,229)	11,771
Net change in fund balance	(71,760)	214,569	286,329
Fund balance - beginning of year		522,813	
Fund balance - end of year		\$ 737,382	

See independent auditor's report.

MERIDIAN SERVICE METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
RECREATION FUND
YEAR ENDED DECEMBER 31, 2022

	Original and Final Budget	Actual Amounts	Variance
REVENUES			
Recreation center fees	\$ 2,076,458	\$ 2,087,167	\$ 10,709
Fee based programming	114,000	152,307	38,307
Falcon Freedom Days donations	8,750	14,800	6,050
Other revenues	23,340	34,295	10,955
Interest	-	-	-
Miscellaneous	-	1,817	1,817
Total revenues	2,222,548	2,290,386	67,838
EXPENDITURES			
General and administrative			
Accounting	1,000	-	1,000
Customer billing	42,000	40,913	1,087
Engineering/consulting	10,000	10,258	(258)
Legal	1,000	-	1,000
Office expense	54,000	45,372	8,628
Payroll	1,200,967	1,186,053	14,914
Training, licenses and certificates	1,500	1,464	36
Meals and travel	1,000	588	412
Miscellaneous	4,250	319	3,931
Events			
District events	15,000	11,276	3,724
Falcon Freedom Days	50,000	34,064	15,936
Operations and maintenance			
Programming supplies	62,000	81,532	(19,532)
Repairs and maintenance	302,720	172,158	130,562
Security	4,000	3,800	200
Safety supplies	100	186	(86)
Equipment and furniture replacement	75,000	14,910	60,090
Utilities	186,375	210,410	(24,035)
Insurance	32,315	27,306	5,009
Vehicle repair and maintenance	2,000	1,710	290
Total expenditures	2,045,227	1,842,319	202,908
Excess of revenues over expenditures	177,321	448,067	270,746
OTHER FINANCING USES			
Transfer to Capital Fund	(268,000)	(268,000)	-
Total other financing uses	(268,000)	(268,000)	-
Net change in fund balance	\$ (90,679)	180,067	\$ 270,746
Fund balance - beginning of year		541,431	
Fund balance - end of year		\$ 721,498	

See independent auditor's report.

MERIDIAN SERVICE METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
YEAR ENDED DECEMBER 31, 2022

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Grant revenue	\$ -	\$ 25,000	\$ 25,000	\$ -
Interest	-	110,000	106,852	(3,148)
Total revenues	-	135,000	131,852	(3,148)
<u>EXPENDITURES</u>				
Parks and grounds	321,000	324,400	324,317	83
Recreation	268,000	388,000	387,717	283
Other projects	60,000	-	-	-
Total expenditures	649,000	712,400	712,034	366
EXCESS OF EXPENDITURES OVER REVENUES	(649,000)	(577,400)	(580,182)	(2,782)
<u>OTHER FINANCING SOURCES</u>				
Gain on disposal of assets	-	4,468	4,468	-
Transfer from Parks and Grounds Fund	321,000	321,000	309,000	(12,000)
Transfer from Recreation Fund	268,000	268,000	268,000	-
Transfer from Other Capital	2,300,000	2,300,000	2,300,000	-
Total other financing sources	2,889,000	2,893,468	2,881,468	(12,000)
Net change in fund balance	2,240,000	2,316,068	2,301,286	(14,782)
Fund balance - beginning of year, as restated			494,853	
Fund balance - end of year			<u>\$ 2,796,139</u>	

See independent auditor's report.

MERIDIAN SERVICE METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUNDS AVAILABLE
BUDGET AND ACTUAL (BUDGETARY BASIS)
WATER FUND
YEAR ENDED DECEMBER 31, 2022

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Water fees	\$ 3,278,835	\$ 3,340,390	\$ 3,493,377	\$ 152,987
Development inspection fees	-	34,438	34,438	-
Reimbursed expenditures - IGA	40,000	25,000	7,434	(17,566)
Other revenues	16,000	30,075	29,284	(791)
Interest	-	-	36	36
Miscellaneous	-	-	2,463	2,463
Debt forgiveness	-	3,002,599	3,002,599	-
Total revenues	3,334,835	6,432,502	\$ 6,569,631	137,129
<u>EXPENDITURES</u>				
General and administrative				
Accounting and management	53,800	57,000	55,595	1,405
Engineering/consulting	100,000	40,000	45,068	(5,068)
Legal	20,000	10,000	13,712	(3,712)
Office expense	24,575	14,000	10,946	3,054
Payroll	524,311	450,000	449,352	648
Office rent and utilities	12,500	11,250	9,997	1,253
Training, licenses and certification	5,000	3,500	3,060	440
Meals and travel	1,000	1,500	529	971
Miscellaneous	9,000	9,000	4,013	4,987
Operations and maintenance				
Water operations	1,024,500	671,700	291,948	379,752
Repairs and maintenance	130,000	138,500	124,614	13,886
Safety supplies	15,000	5,000	1,119	3,881
Utilities	539,685	488,500	513,815	(25,315)
Insurance	49,447	45,000	41,542	3,458
Capital outlay	6,312,000	3,937,250	3,576,358	360,892
Total expenditures	8,820,818	5,882,200	5,141,668	740,532
Excess of expenditures over (under) revenues	(5,485,983)	550,302	1,427,963	877,661

See independent auditor's report.

MERIDIAN SERVICE METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUNDS AVAILABLE
BUDGET AND ACTUAL (BUDGETARY BASIS)
WATER FUND
YEAR ENDED DECEMBER 31, 2022

<u>OTHER FINANCING SOURCES (USES)</u>				
Facility fees	2,375,000	2,375,000	2,240,000	(135,000)
Fees transferred to Meridian Ranch	(2,375,000)	(2,375,000)	(2,241,000)	134,000
Transfer from Meridian Ranch - IGA	-	5,061,135	5,061,135	-
Proceeds from loan	-	900,000	900,000	-
Developer reimbursement	-	(8,063,734)	(8,063,734)	-
Total other financing sources (uses)	-	(2,102,599)	(2,103,599)	(1,000)
Net change in funds available	<u>\$ (5,485,983)</u>	<u>(1,552,297)</u>	(675,636)	<u>\$ 876,661</u>
Funds available - beginning of year, as restated			5,348,734	
Funds available - end of year			<u>\$ 4,673,098</u>	
Reconciling difference between budgetary basis and generally accepted accounting principles (GAAP):				
Capital Outlay			\$ 3,576,358	
Depreciation			(1,316,212)	
Developer Reimbursement			8,063,734	
Loan Proceeds			(900,000)	
Contributed Assets			1,817,666	
Interest Expense			(393,670)	
Change in net position (GAAP Basis)			<u>\$ 10,172,240</u>	

See independent auditor's report.

MERIDIAN SERVICE METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUNDS AVAILABLE
BUDGET AND ACTUAL (BUDGETARY BASIS)
SEWER FUND
YEAR ENDED DECEMBER 31, 2022

	Budget Amounts		Actual	Variance
	Original	Final		
REVENUES				
Sewer fees	\$ 1,884,992	\$ 1,871,242	\$ 1,901,707	\$ 30,465
Clean water surcharge	425,760	429,080	443,013	13,933
Contract revenue	1,341,468	2,714,082	2,815,068	100,986
Reimbursed expenditures - IGA	55,000	62,450	69,805	7,355
Development inspection fees	-	34,438	34,438	-
Other revenues	16,000	30,075	29,604	(471)
Interest	-	58,365	68,161	9,796
Miscellaneous	-	-	1,999	1,999
Debt forgiveness	-	2,058,536	2,058,536	-
Total revenues	3,723,220	7,258,268	7,422,331	164,063
EXPENDITURES				
General and administrative				
Accounting and management	43,000	46,000	45,037	963
Engineering/consulting	35,000	12,000	16,594	(4,594)
Legal	20,000	15,000	9,572	5,428
Office expense	16,400	11,000	10,037	963
Payroll	546,175	500,000	429,897	70,103
Office rent and utilities	12,500	11,250	9,997	1,253
Training, licenses and certifications	5,000	2,500	1,629	871
Meals and travel	1,000	1,000	348	652
Miscellaneous	2,650	(3,444)	(5,594)	2,150
Operations and maintenance				
Sewer operations	615,900	623,300	595,621	27,679
Lift station operations	49,200	193,400	127,539	65,861
Lift station operations - shared	77,600	94,400	81,625	12,775
Repairs and maintenance	127,100	108,600	87,383	21,217
Safety supplies	12,000	6,000	2,456	3,544
Utilities	4,515	17,625	16,799	826
Insurance	31,367	30,500	30,216	284
Capital outlay	182,000	126,250	43,720	82,530
Capital interest expense	-	98,050	753,288	(655,238)
Total expenditures	1,781,407	1,893,431	2,256,164	(362,733)
Excess of revenues over expenditures	1,941,813	5,364,837	5,166,167	(198,670)

See independent auditor's report.

MERIDIAN SERVICE METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUNDS AVAILABLE
BUDGET AND ACTUAL (BUDGETARY BASIS)
SEWER FUND
YEAR ENDED DECEMBER 31, 2022

<u>OTHER FINANCING SOURCES (USES)</u>				
Facility fees	2,375,000	2,375,000	2,240,000	(135,000)
Fees transferred to Meridian Ranch	(2,375,000)	(2,375,000)	(2,241,000)	134,000
Developer reimbursement	-	(2,058,536)	(2,058,536)	-
Repayments on loan	(1,138,336)	(330,405)	(385,120)	(54,715)
Contributions to Cherokee Metro District	-	(709,992)	-	709,992
Transfer to Capital Fund - other	(2,300,000)	(2,300,000)	(2,300,000)	-
Total other financing sources (uses)	(3,438,336)	(5,398,933)	(4,744,656)	654,277
Net change in funds available	\$ (1,496,523)	\$ (34,096)	421,511	\$ 455,607
Funds available - beginning of year, as restated			6,463,066	
Funds available - end of year			\$ 6,884,577	
Reconciling difference between budgetary basis and generally accepted accounting principles (GAAP):				
Capital Outlay			\$ 43,720	
Depreciation			(684,737)	
Developer Reimbursement			2,058,536	
Contributed Assets			2,521,740	
Repayment on loan			385,120	
Change in net position (GAAP Basis)			\$ 4,745,890	

See independent auditor's report.