

MESA RIDGE METROPOLITAN DISTRICT NO. 2

El Paso County, Colorado

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2023

**MESA RIDGE METROPOLITAN DISTRICT NO. 2
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YEAR ENDED DECEMBER 31, 2023**

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BiggsKofford

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors

Mesa Ridge Metropolitan District No. 2

El Paso County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Mesa Ridge Metropolitan District No. 2 ("District"), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2023, the respective changes in financial position, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance

and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the

basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information, as identified in the table of contents. The other information does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or provide any assurance thereon.

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.

BiggsKofford, P.C.

Colorado Springs, Colorado
April 2, 2025

BASIC FINANCIAL STATEMENTS

MESA RIDGE METROPOLITAN DISTRICT NO. 2
STATEMENT OF NET POSITION
DECEMBER 31, 2023

	Governmental Activities
ASSETS	
Cash and Investments	\$ 1,396
Cash and Investments - Restricted	24,197
Receivable from County Treasurer	5,125
Property Tax Receivable	845,876
Total Assets	876,594
LIABILITIES	
Intergovernmental Accounts Payable	2,605
Accrued Interest	49,527
Noncurrent Liabilities:	
Due Within One Year	10,000
Due in More Than One Year	9,270,000
Total Liabilities	9,332,132
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	845,876
Total Deferred Inflows of Resources	845,876
NET POSITION	
Unrestricted	(9,301,414)
Total Net Position	\$ (9,301,414)

See accompanying Notes to Basic Financial Statements.

**MESA RIDGE METROPOLITAN DISTRICT NO. 2
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023**

	Program Revenues			Net Revenues (Expenses) and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
FUNCTIONS/PROGRAMS				
Primary Government:				
Governmental Activities:				
General Government	\$ 165,986	\$ -	\$ -	\$ (165,986)
Intergovernmental Expense - MRMD No. 1 - Capital				(1,940,000)
Interest on Long-Term Debt and Related Costs	1,304,201	-	-	(1,304,201)
Total Governmental Activities	\$ 3,410,187	\$ -	\$ -	(3,410,187)
GENERAL REVENUES				
Property Taxes				540,618
Property Taxes - Contractual				96,153
Specific Ownership Taxes				66,731
Interest Income				46,516
Total General Revenues and Transfers				750,018
CHANGES IN NET POSITION				(2,660,169)
Net Position - Beginning of Year				(6,641,245)
NET POSITION - END OF YEAR				\$ (9,301,414)

See accompanying Notes to Basic Financial Statements.

(2)
PRELIMINARY DRAFT - SUBJECT TO REVISION

**MESA RIDGE METROPOLITAN DISTRICT NO. 2
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2023**

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 1,396	\$ -	\$ -	\$ 1,396
Cash and Investments - Restricted	-	24,197	-	24,197
Receivable from County Treasurer	1,209	3,916	-	5,125
Property Tax Receivable	180,237	665,639	-	845,876
Total Assets	\$ 182,842	\$ 693,752	\$ -	\$ 876,594
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Due to Cross Creek MD	\$ 16	\$ -	\$ -	\$ 16
Due to Mesa Ridge MD No. 1	2,589	-	-	2,589
Total Liabilities	2,605	-	-	2,605
DEFERRED INFLOWS OF RESOURCES				
Deferred Property Tax	180,237	665,639	-	845,876
Total Deferred Inflows of Resources	180,237	665,639	-	845,876
FUND BALANCES				
Restricted for:				
Debt Service	-	28,113	-	28,113
Total Fund Balances	-	28,113	-	28,113
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 182,842	\$ 693,752	\$ -	

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

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

Accrued Bond Interest	(49,527)
Loan Payable	(9,280,000)

Net Position of Governmental Activities	\$ (9,301,414)
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See accompanying Notes to Basic Financial Statements.

MESA RIDGE METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2023

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
Property Taxes	\$ 54,055	\$ 486,563	\$ -	\$ 540,618
Property Taxes - Contractual	96,153	-	-	96,153
Specific Ownership Taxes	15,741	50,990	-	66,731
Interest Income	37	46,479	-	46,516
Total Revenues	165,986	584,032	-	750,018
EXPENDITURES				
Current:				
County Treasurer's Fee	811	7,302	-	8,113
County Treasurer's fee - contractual	1,443	-	-	1,443
Intergovernmental expenditures - Mesa Ridge No. 1	69,022	-	1,940,000	2,009,022
Intergovernmental expenditures - Cross Creek MD	94,710	-	-	94,710
Debt Service:				
Bond Interest - Series 2015	-	212,115	-	212,115
Bond Interest - Series 2021	-	221,363	-	221,363
Bond Interest - Series 2023	-	76,194	-	76,194
Redemption And Other Fees	-	460,248	-	460,248
Bond Principal - Series 2015	-	3,555,000	-	3,555,000
Bond Principal - Series 2021	-	3,710,000	-	3,710,000
Bond Principal - Series 2023	-	2,000,000	-	2,000,000
Bond Issue Costs	-	253,777	60,000	313,777
Total Expenditures	165,986	10,495,999	2,000,000	12,661,985
EXCESS OF REVENUES UNDER EXPENDITURES	-	(9,911,967)	(2,000,000)	(11,911,967)
OTHER FINANCING SOURCES (USES)				
Bond Issuance Proceeds	-	-	2,000,000	2,000,000
Loan Issuance Proceeds	-	9,280,000	-	9,280,000
Total Other Financing Sources	-	9,280,000	2,000,000	11,280,000
NET CHANGE IN FUND BALANCES	-	(631,967)	-	(631,967)
Fund Balances - Beginning of Year	-	660,080	-	660,080
FUND BALANCES - END OF YEAR	\$ -	\$ 28,113	\$ -	\$ 28,113

See accompanying Notes to Basic Financial Statements.

**MESA RIDGE METROPOLITAN DISTRICT NO. 2
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023**

Net Change in Fund Balances - Total Governmental Funds \$ (631,967)

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

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net position.

Loan Issuance	(9,280,000)
Bonds Principal	9,265,000
Bonds Issuance	(2,000,000)

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

Accrued Interest Payable - Change in Liability	(13,202)
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Changes in Net Position of Governmental Activities	\$ (2,660,169)
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See accompanying Notes to Basic Financial Statements.

**MESA RIDGE METROPOLITAN DISTRICT NO. 2
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2023**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 54,107	\$ 54,055	\$ (52)
Property Taxes - Contractual	96,246	96,153	(93)
Specific Ownership Taxes	15,035	15,741	706
Interest Income	180	37	(143)
Other Revenue	9,433	-	(9,433)
Total Revenues	175,001	165,986	(9,015)
EXPENDITURES			
Contingency	9,433	-	9,433
County Treasurer's Fee	812	811	1
County Treasurer's fee - contractual	1,444	1,443	1
Intergovernmental expenditures - Mesa Ridge No. 1	68,510	69,022	(512)
Intergovernmental expenditures - Cross Creek MD	94,802	94,710	92
Total Expenditures	175,001	165,986	9,015
NET CHANGE IN FUND BALANCE	-	-	-
Fund Balance - Beginning of Year	-	-	-
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ -

See accompanying Notes to Basic Financial Statements.

MESA RIDGE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 DEFINITION OF REPORTING ENTITY

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

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

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

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

MESA RIDGE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and specific ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than long-term obligations, are recorded when the liability is incurred, or the long-term obligation is due.

The District reports the following major governmental funds:

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

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

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

MESA RIDGE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Budgets

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

The District amended its annual budget for the year ended December 31, 2023.

Pooled Cash and Investments

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

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August, and generally, sale of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows of resources in the year they are levied and measurable. The unearned property tax revenues are recorded as revenue in the year they are available or collected.

MESA RIDGE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows of Resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Equity

Net Position

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

Fund Balance

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

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

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

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.

MESA RIDGE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2023 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 1,396
Cash and Investments - Restricted	24,197
Total Cash and Investments	<u>\$ 25,593</u>

Cash and investments as of December 31, 2023 consist of the following:

Investments	\$ 25,593
Total Cash and Investments	<u>\$ 25,593</u>

Deposits with Financial Institutions

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

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

At December 31, 2023, the District had no cash deposits with financial institutions.

Investments

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

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

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

**MESA RIDGE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

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

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

As of December 31, 2023, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted-Average Under 60 Days	\$ 25,593
		<u>\$ 25,593</u>

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust currently offers three portfolios – COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE.

COLOTRUST PRIME and COLOTRUST PLUS+, which operate similarly to a money market fund and each share is equal in value to \$1.00, offer daily liquidity. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

COLOTRUST EDGE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$10.00 transactional share price. COLOTRUST EDGE may invest in securities authorized by CRS 24-75-601, including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

**MESA RIDGE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST PRIME and COLOTRUST PLUS+ are rated AAAM by Standard & Poor's. COLOTRUST EDGE is rated AAAs1 by Fitch Ratings. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily or weekly, and there is no redemption notice period.

NOTE 4 LONG-TERM OBLIGATIONS

The following is an analysis of the changes in long-term obligations for the year ended December 31, 2023:

	Balance at December 31, 2022	Additions	Reductions	Balance at December 31, 2023	Due Within One Year
Bonds Payable:					
Genreal Obligation Bonds:					
Series 2015	\$ 3,555,000	\$ -	\$ 3,555,000	\$ -	\$ -
Series 2021	3,710,000	-	3,710,000	-	-
Series 2023	-	2,000,000	2,000,000	-	-
Subtotal Bonds Payable	<u>7,265,000</u>	<u>2,000,000</u>	<u>9,265,000</u>	<u>-</u>	<u>-</u>
Notes/Loans/Bonds from Direct Borrowings and Direct Placements:					
Series 2023 Note Payable	-	9,280,000	-	9,280,000	10,000
Subtotal Notes/Loans/Bonds from Direct Borrowings and Direct Placements	<u>-</u>	<u>9,280,000</u>	<u>-</u>	<u>9,280,000</u>	<u>10,000</u>
Total Long-Term Obligations	<u>\$ 7,265,000</u>	<u>\$ 11,280,000</u>	<u>\$ 9,265,000</u>	<u>\$ 9,280,000</u>	<u>\$ 10,000</u>

General Obligation Bonds

On March 26, 2015, the District issued \$4,000,000 of Limited Tax General Obligation Bonds, Series 2015 (Series 2015 Bonds). The Series 2015 Bonds bear interest at the rate of 6% per annum, payable semiannually on June 1 and December 1, commencing on June 1, 2015. Principal payments are due on December 1, commencing on December 1, 2015. The Series 2015 Bonds mature on December 1, 2044. The Series 2015 Bonds are subject to redemption prior to maturity, at the option of the District, on or after December 1, 2024, upon payment of par and accrued interest, without redemption premium.

On March 5, 2021, the District issued \$3,720,000 of Limited Tax General Obligation Bonds, Series 2021 (Series 2021 Bonds). The Series 2021 Bonds bear interest at the rate of 6% per annum, payable annually on December 1. The first principal and interest payments were due on December 1, 2021. The Series 2021 Bonds mature on December 1, 2050. The Series 2021 Bonds are subject to redemption prior to maturity, at the option of the District after December 1, 2030, upon payment of par and accrued interest, without redemption premium.

MESA RIDGE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

General Obligation Bonds (Continued)

On April 28, 2023, the District issued \$2,000,000 of Limited Tax General Obligation Bonds, Series 2023 (Series 2023 Bonds). The Series 2023 Bonds bear interest at the rate of 6.50% per annum, payable annually on December 1. The first principal and interest payments were due on December 1, 2023. The Series 2023 Bonds mature on December 1, 2052. The Series 2023 Bonds are subject to redemption prior to maturity, at the option of the District after December 1, 2030, upon payment of par and accrued interest, without redemption premium.

The bonds are secured by Pledged Revenue, which consists of the Limited Mill Levy, the portion of specific ownership taxes attributable to the Limited Mill Levy, and any other revenues of the District legally available to pay principal of and interest on the bonds which are not required to pay the District's operations and maintenance costs. The Limited Mill Levy is an ad valorem mill levy imposed upon all taxable property in the District each year in an amount sufficient to pay the principal of, premium if any, and interest on the bonds, but not in excess of 45.000 mills. For 2023, the adjusted Limited Mill Levy was adjusted to 51.514.

Proceeds of the bonds were used (1) to pay for improvements of the District in accordance with the Joint Financing and Reimbursement Agreement between the District, District No. 1, and the Developer, (2) fund the Reserve Fund Requirement in the amount of \$25,000, and (3) pay the costs of issuance of the bonds.

Events of Default for the Bonds

The occurrence of any one or more of the following events or the existence of any one or more of the following conditions shall constitute an event of default under the Indenture:

- a) The District fails or refuses to impose the required mill levy or to apply the pledged revenue as provided in the bond resolution;
- b) The District defaults in the performance or observance of any other of the covenants in the bond resolution, and such default continues for 60 days after written notice specifying such default and requiring the same to be remedied is given to the District by the Owner.
- c) The District files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the bonds.

It is acknowledged that due to the limited nature of the pledged revenue, the failure to pay the principal of or interest on the bonds when due shall not, of itself, constitute an event of Default under the Indenture.

Remedies on Occurrence of Event of Default for the Revenue Bonds Upon the occurrence and continuance of an Event of Default, the Trustee shall have the following rights and remedies which may be pursued:

MESA RIDGE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

2023 Limited Tax General Obligation Refunding Loan

- a) Mandamus or Other Suit: The Owner may proceed by mandamus or any other suit, action, or proceeding at law or in equity, to enforce its rights.

No Acceleration

Notwithstanding the foregoing or anything else herein to the contrary, acceleration shall not be an available remedy for an Event of Default.

As of December 31, 2023, the District was not in default. The bonds were paid in full through the issuance of the 2023 loan.

Loan Details

On November 29, 2023, the District entered into a 2023 Limited Tax General Obligation Refunding Loan (the 2023 Loan) with Western Alliance Business Trust (the Lender) in the amount of \$9,280,000. Proceeds from the sale of the 2023 Loan were applied to: (i) the refunding of the District's outstanding Series 2015 Bonds, Series 2021 Bonds and Series 2023 Bonds, and (ii) pay costs in connection with the issuance of the 2023 Loan.

The 2023 Loan bears interest at a rate of 5.79% calculated on the basis of a 360-day year and actual number of days elapsed. Interest payments are due semiannually on June 1 and December 1, commencing June 1, 2024. Principal payments are due on December 1, beginning on December 1, 2024, through the maturity date of December 1, 2033. Interest not paid when due shall remain due and owing, but shall not compound or bear additional interest. On the maturity date, the outstanding principal balance of the 2023 Loan shall be due and payable in full.

Optional Prepayment

The 2023 Loan is not subject to prepayment prior to December 1, 2025. At its option and subject to the restrictions set forth in this Section, on or after December 1, 2025, the District may prepay all or, with the consent of the Lender, any part of the principal of the 2023 Loan on any payment date upon payment to the Lender of the principal amount so prepaid, accrued interest thereon to the prepayment date, and, subject to the immediately succeeding paragraph, a prepayment fee equal to a percentage of the principal amount so redeemed, as follows:

<u>Prepayment Dates*</u>	<u>Prepayment Fee</u>
December 1, 2025, to June 1, 2026	3.00%
December 1, 2026, and June 1, 2027	2.00%
December 1, 2027, and June 1, 2028	1.00%
December 1, 2028, and thereafter	0.00%

*Prepayment Dates are to occur only on Payment Dates (i.e., each June 1 and December 1 occurring on and after December 1, 2024 and prior to the Maturity Date).

MESA RIDGE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

2023 Limited Tax General Obligation Refunding Loan (Continued)

Pledged Revenue

The 2023 Loan is secured by and payable solely from Pledged Revenue, net of any costs of collection, which consists of: (i) the Required Mill Levy; (ii) the portion of the Specific Ownership Taxes allocable to the amount of the Required Mill Levy; and (iii) any other legally available moneys which the Board determines in its sole discretion to apply as Pledged Revenue.

Events of Default

The occurrence of any one or more of the following events or the existence of any one or more of the following conditions shall constitute an Event of Default under the Loan Agreement:

- a) The District fails to pay the principal of, premium if any, or interest on the Loan or any other amount payable to the Lender hereunder when due;
- b) The District fails or refuses to impose the Required Mill Levy or to remit the Pledged Revenue as required by this Loan Agreement;
- c) The District fails to observe or perform any of the material covenants, agreements, or conditions on the part of the District in this Loan Agreement or the other Financing Documents, and the District fails to remedy the same to the satisfaction of the Lender within 30 days after the Lender has provided the District with notice thereof (except for an Event of Default pursuant to (a) and (b) above, which shall not be subject to any cure period); provided however, that there shall be no Event of Default for failure to observe or perform any of the covenants, agreements, or conditions on the part of the District in this Loan Agreement or the other Financing Documents which are qualified by the phrase "to the extent permitted by law" or by phrases of similar import, if a court or other tribunal of competent jurisdiction has determined in a final, nonappealable judgment that such covenants, agreements, or conditions are not permitted by law;
- d) Any representation or warranty made by the District in any Financing Document or any certificate, instrument, financial or other statement furnished by the District to the Lender proves to have been untrue or incomplete in any material respect when made or deemed made;
- e) The District fails to reasonably cooperate with the Lender to verify its remittance of Pledged Revenues in accordance with the provisions of this Loan Agreement following the District's actual receipt of a written request by the Lender for such verification;
- f) The pledge of the Pledged Revenue or any other security interest created hereunder fails to be fully enforceable with the priority required hereunder or thereunder;

MESA RIDGE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

2023 Limited Tax General Obligation Refunding Loan (Continued)

Events of Default (Continued)

- g) Any judgment or court order for the payment of money exceeding any applicable insurance coverage by more than \$100,000 in the aggregate is rendered against the District and the District fails to vacate, bond, stay, contest (including, without limitation, an appeal), pay, or satisfy such judgment or court order for 30 days (until which point that such order has been vacated or satisfied);

- h) The District shall commence any case, proceeding, or other action (a) under any existing or future law of any jurisdiction relating to bankruptcy, insolvency, reorganization, or relief of debtors, seeking to have an order for relief entered with respect to it or seeking to adjudicate it insolvent or a bankrupt or seeking reorganization, arrangement, adjustment, winding up, liquidation, dissolution, composition, or other relief with respect to it or its debts; or (b) seeking appointment of a receiver, trustee, custodian, or other similar official for itself or for any substantial part of its property, or the District shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against the District any case, proceeding, or other action seeking issuance of a warrant of attachment, execution, distraint, or similar process against all or any substantial part of its property which results in the entry of an order for any such relief which shall not have been vacated, discharged, stayed, or bonded pending appeal, within 30 days from the entry thereof; or (iii) the District shall take action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii), or (iii) above, or (iv) the District shall generally not or shall be unable to, or shall admit in writing its inability to pay its debts when due;

- i) This Loan Agreement or any other Financing Document, or any material provision hereof or thereof, (i) ceases to be valid and binding on the District or is declared null and void, or the validity or enforceability thereof is contested by the District (unless being contested by the District in good faith), or the District denies it has any or further liability under any such document to which it is a party; or (ii) any pledge or security interest created under the Financing Documents fails to be fully enforceable with the priority required hereunder or thereunder;

- j) The District shall initiate, acquiesce or consent to any proceedings to dissolve itself or to consolidate itself with other similar entities into a single entity, or the District shall otherwise cease to exist; or

- k) Any funds or investments on deposit in, or otherwise to the credit of, any of the funds or accounts established hereunder shall become subject to any writ, judgment, warrant, attachment, execution, or similar process.

MESA RIDGE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

2023 Limited Tax General Obligation Refunding Loan (Continued)

Remedies of Default

Upon the occurrence and during the continuance of any Material Event of Default (subject to the provision of an Event of Default Notice), the Loan shall bear interest at the Default Rate in accordance with the terms herein, unless waived in writing by the Lender. In addition, upon the occurrence of any Event of Default, the Lender at its option, may take any other action or exercise any other remedy available under the Financing Documents or any other document, or at law or in equity; provided however, that notwithstanding the foregoing or anything else herein to the contrary: (i) except for the application of the Default Rate pursuant to this Section 7.02, no remedy will lie at law or in equity for any Event of Default consisting solely of the failure of the District to pay the principal of and interest on the Loan when due, it being acknowledged by the Lender that the amount of Pledged Revenue is limited in accordance with the terms hereof and that the District is not obligated to impose an ad valorem mill levy for purposes of payment of the Loan in excess of the Required Mill Levy; provided that the foregoing shall not be construed to prevent the exercise of remedies for any other Event of Default or to impair the Lender's right of setoff hereunder; and (ii) acceleration shall not be an available remedy for an Event of Default.

Notice of Default

Notwithstanding any cure period described above, the District will immediately notify the Lender in writing when the District obtains actual knowledge of the occurrence of any Event of Default or any event which would, with the passage of time or the giving of notice, constitute an Event of Default.

As of December 31, 2023, the District was not in default.

The District's long-term obligations mature as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 5,000	\$ 540,297	\$ 545,297
2025	10,000	537,023	547,023
2026	40,000	536,444	576,444
2027	40,000	534,127	574,127
2028	55,000	531,811	586,811
2029-2033	9,130,000	2,601,447	11,731,447
Total	<u>\$ 9,280,000</u>	<u>\$ 5,281,149</u>	<u>\$ 14,561,149</u>

MESA RIDGE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Authorized Debt

On November 2, 2004, the District's electorate authorized the issuance of indebtedness in an amount not to exceed \$17,250,000 for infrastructure improvements and operations and maintenance at an interest rate not to exceed 16% and \$20,000,000 for refunding the District's debt or other obligations. At December 31, 2023, the District had authorized but unissued indebtedness in the following amounts and allocated for the following purposes:

	Authorized November 2, 2004 Election	Authorization Used - Series 2015 Bonds	Authorization Used - Series 2021 Bonds	Authorization Used - Series 2023 Bonds	Authorization Used - Series 2023 Loan	Remaining at December 31, 2023
Streets	\$ 7,000,000	\$ 4,000,000	\$ 1,720,000	\$ 1,272,000	\$ -	\$ 8,000
Water	2,000,000	-	1,000,000	364,000	-	636,000
Sanitary Sewer and Storm Drainage	2,000,000	-	1,000,000	364,000	-	636,000
Traffic and Safety Controls	1,000,000	-	-	-	-	1,000,000
Parks and Recreation	3,000,000	-	-	-	-	3,000,000
Mosquito Control	1,000,000	-	-	-	-	1,000,000
Television Relay and Translation	1,000,000	-	-	-	-	1,000,000
Public Transportation	250,000	-	-	-	-	250,000
Refunding of Debt	20,000,000	-	-	-	9,280,000	10,720,000
Total	<u>\$ 37,250,000</u>	<u>\$ 4,000,000</u>	<u>\$ 3,720,000</u>	<u>\$ 2,000,000</u>	<u>\$ 9,280,000</u>	<u>\$ 18,250,000</u>

Pursuant to the Joint Service Plan, the Districts can issue bond indebtedness of up to \$35,000,000. In addition, the maximum debt service mill levy for the Districts is 50.000 mills, as adjusted for changes in the ratio of actual value to assessed value of property within the Districts. As of December 31 2023, the calculated adjusted debt service mill levy was 51.514 mills of which the District levied 50.097 mills for collection in 2022 and 51.514 mills for collection in 2023.

NOTE 5 NET POSITION

The District has net position consisting of one component - unrestricted.

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the restricted component of net position.

The District has a deficit in unrestricted net position. This deficit amount is a result of the District being responsible for the payment of debt issued for public improvements, while the funds from the debt issuance were transferred to District No. 1 for use in repayment of capital advances incurred by District No. 1 pursuant to the Joint Financing and Reimbursement Agreement (see Note 7).

MESA RIDGE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 6 RELATED PARTIES

Nor'wood Limited, Inc, Mesa Ridge Joint Venture LLC, and MRL No. 1, LLC of the property which constitutes the District is Nor'wood Development Group. Two members of the Board of Directors are officers of, employees of, or associated with the Developer and may have conflicts of interest in dealing with the District. The Developer was the owner of the District's Series 2015 Bonds, Series 2021 Bonds and Series 2023 Bonds.

Goodwin Knight, LLC agreed to buy certain real property located within the boundaries of the District for a lump sum amount of \$1,289,503 to be paid on or before April 1, 2024 (See note 7).

NOTE 7 AGREEMENTS

Joint Financing and Reimbursement Agreement

On March 30, 2011, the District entered into a Joint Financing and Reimbursement Agreement (the Agreement) with District No. 1 and Nor'wood Limited, Inc and MRL No 1, LLC. Under the Agreement, any advances made by the Developer shall be made payable to District No. 1, which is coordinating the planning, design, acquisition, construction, installation, relocation, redevelopment, and financing of public improvements. All advances made to District No. 1 shall bear simple interest at the rate of seven percent (7%) per annum, calculated from January 1 of the year immediately following the year in which the advances were made. During 2015, the District issued \$4,000,000 of Limited Tax General Obligation Bonds and transferred \$3,942,500 to District No. 1. During 2021, the District issued \$3,720,000 of Limited Tax General Obligation Bonds and transferred \$3,720,000 to District No. 1 under the Agreement. During 2023, the District issued \$2,000,000 of Limited Tax General Obligation Bonds and transferred \$1,940,000 to District No. 1 under the Agreement. This agreement was anticipated to be terminated effective December 31, 2023, however parties are still in final negotiations regarding the termination.

Assignment of Exclusion Agreement

On March 23, 2023, the District entered into an assignment of exclusion Agreement with District No. 1, and Goodwin Knight, LLC. Under this Agreement, the District agreed to sell certain real property located within the District's boundaries to Goodwin Knight LLC for a lump sum of \$1,289,503 payable prior to or on April 1, 2024. The amount was received April 2024.

Reimbursement Agreement

On, August 10, 2005, the District entered into a reimbursement agreement with District No. 1 and Mesa Ridge Joint Venture LLC (Developer). Under this agreement, the Districts shall reimburse the Developer the amount of all advances, plus the interest of twelve month from the date of each advance. This agreement was anticipated to be terminated effective December 31, 2023, however parties are still in final negotiations regarding the termination.

MESA RIDGE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 7 AGREEMENTS (CONTINUED)

Intergovernmental Agreement

On August 10, 2005, the District entered into an Agreement with Mesa Ridge Metropolitan District No. 1. Under this Agreement, the Districts may cooperate or contract with each other to provide any function, service or facility, lawfully authorized to each and any such contract may provide for the sharing of costs, the imposition of taxes, and the incurring of debt. The proceeds of general obligation indebtedness to be issued by District No. 2 and 1 or the pledge of ad valorem tax revenues from District No. 2 and/or from other funds held or obtained by District No. 2 and to be made available for the purposes of fulfilling District No. 2's commitments hereunder; or (2) Facility Fees revenue derived by District No. 1. This Agreement was anticipated to be terminated effective December 31, 2023, however the parties are still in final negotiations regarding the termination. Starting January 1, 2024, the District will be responsible for managing the design, construction, and operation of the public facilities and improvements.

Intergovernmental Agreement Regarding Regional Park

On January 26, 2011, the District entered into an Agreement with the Cross Creek and Mesa Ridge Metropolitan District No. 1. Under this agreement, the parties would participate in the funding of the design, construction, operation and maintenance of the Park, up to a maximum amount of \$2.5 million each. The owners of Mesa Ridge are to pay a park impact fee to contribute its share of funding of the cost of the design and construction of the Park, including funding required for completion of drainage facilities, including the Reservoir.

Intergovernmental Agreement (Cross Creek / Mesa Ridge / City of Fountain) Hale Reservoir and Cross Creek Regional Park

On November 20, 2015, the District entered into a Regional Park Intergovernmental Agreement (IGA) with the City of Fountain, Cross Creek Metropolitan District, and District No. 1. Cross Creek Metropolitan District was responsible for restoration and/or construction of a water reservoir referred to as the "Hale Reservoir" and all related drainage facilities (collectively the "Reservoir") within the Park. A portion of the drainage funds were previously received and applied to other drainage projects. The remaining drainage fees that have been collected to date for properties appurtenant to the Hale Reservoir site are to be applied to costs of construction of the Reservoir.

The City of Fountain is to provide augmentation water to augment depletions associated with non-potable water use at Cross Creek Regional Park only.

NOTE 8 RISK MANAGEMENT

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

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

MESA RIDGE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 8 RISK MANAGEMENT (CONTINUED)

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

NOTE 9 TAX, SPENDING, AND DEBT LIMITATIONS

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

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

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. Pursuant to provisions in the Joint Service Plan, the District transfers all available General Fund revenue to District No. 1. Therefore, no Emergency Reserve related to this revenue stream is captured in the District but is instead accounted for in District No. 1. Since the IGA was terminated effective December 31, 2023 there is no revenue collected on December 31, 2023 for Tabor to be calculated.

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

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

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

SUPPLEMENTARY INFORMATION

**MESA RIDGE METROPOLITAN DISTRICT NO. 2
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2023**

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 487,027	\$ 487,027	\$ 486,563	\$ (464)
Specific Ownership Taxes	48,703	48,703	50,990	2,287
Interest Income	3,248	45,000	46,479	1,479
Total Revenues	<u>538,978</u>	<u>580,730</u>	<u>584,032</u>	<u>3,302</u>
EXPENDITURES				
County Treasurer's Fee	7,305	7,305	7,302	3
Bond Interest - Series 2015	213,300	213,300	212,115	1,185
Bond Interest - Series 2021	222,600	222,600	221,363	1,237
Bond Interest - Series 2023	-	-	76,194	(76,194)
Redemption And Other Fees	-	-	460,248	(460,248)
Bond Principal - Series 2015	80,000	3,555,000	3,555,000	-
Bond Principal - Series 2021	10,000	3,710,000	3,710,000	-
Bond Principal - Series 2023	-	2,000,000	2,000,000	-
Bond Issue Costs	-	342,733	253,777	88,956
Contingency	-	378,012	-	378,012
Total Expenditures	<u>533,205</u>	<u>10,428,950</u>	<u>10,495,999</u>	<u>(67,049)</u>
EXCESS OF REVENUES UNDER EXPENDITURES	5,773	(9,848,220)	(9,911,967)	(63,747)
OTHER FINANCING SOURCES (USES)				
Loan Issuance Proceeds	-	-	9,280,000	9,280,000
Transfers To Other Fund	-	(197,050)	-	197,050
Total Other Financing Sources (Uses)	<u>-</u>	<u>(197,050)</u>	<u>9,280,000</u>	<u>9,477,050</u>
NET CHANGE IN FUND BALANCE	5,773	(10,045,270)	(631,967)	9,413,303
Fund Balance - Beginning of Year	<u>647,175</u>	<u>660,080</u>	<u>660,080</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 652,948</u>	<u>\$ (9,385,190)</u>	<u>\$ 28,113</u>	<u>\$ 9,413,303</u>

**MESA RIDGE METROPOLITAN DISTRICT NO. 2
CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2023**

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
Intergovernmental Expenditures - Mesa Ridge No. 1	\$ -	\$ 2,137,050	\$ 1,940,000	\$ 197,050
Bond Issue Costs	-	60,000	60,000	-
Total Expenditures	<u>-</u>	<u>2,197,050</u>	<u>2,000,000</u>	<u>197,050</u>
OTHER FINANCING SOURCES (USES)				
Bond Issuance Proceeds	-	2,000,000	2,000,000	-
Transfers From Other Funds	-	197,050	-	(197,050)
Total Other Financing Sources (Uses)	<u>-</u>	<u>2,197,050</u>	<u>2,000,000</u>	<u>(197,050)</u>
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

OTHER INFORMATION

MESA RIDGE METROPOLITAN DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2023

\$9,280,000 Limited Tax General Obligation Refunding Loan
Dated November 29, 2023
Interest Rate of 5.790%
Due June 1 and December 1
Principal Due December 1

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 5,000	\$ 540,297	\$ 545,297
2025	10,000	537,023	547,023
2026	40,000	536,444	576,444
2027	40,000	534,127	574,127
2028	55,000	531,811	586,811
2029	60,000	528,627	588,627
2030	75,000	525,153	600,153
2031	80,000	520,811	600,811
2032	95,000	516,178	611,178
2033	8,820,000	510,678	9,330,678
	<u>\$ 9,280,000</u>	<u>\$ 5,281,149</u>	<u>\$ 14,561,149</u>

**MESA RIDGE METROPOLITAN DISTRICT NO. 2
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2023**

Year Ended <u>December 31,</u>	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied			Total Property Taxes		Percentage Collected to Levied
		General	Contractual	Debt Service	Levied	Collected	
2019	\$ 7,031,850	5.517	0.000	49.650	\$ 387,926	\$ 387,926	100.00 %
2020	8,439,500	5.559	9.850	50.032	552,289	552,005	99.95
2021	8,749,200	5.556	9.850	50.097	573,186	573,187	100.00
2022	9,751,380	5.556	9.850	50.097	638,842	639,017	100.03
2023	9,454,280	5.723	10.180	51.514	637,379	636,771	99.90
Estimated for the Year Ending December 31, 2024	\$ 12,456,760	6.723	7.746	53.436	\$ 845,876		

NOTE: Property taxes collected in any one year include collection of delinquent property taxes assessed in prior years, as well as reductions for property tax refunds or abatements. Information received from the County Treasurer does not permit identification of specific year of assessment.