

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2023

**SOUTH MERIDIAN METROPOLITAN DISTRICT
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INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of South Meridian Metropolitan District (the District) as of and for the year ended December 31, 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2023, and the respective changes in financial position thereof, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Fiscal Focus Partners, LLC

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary and other information (together, the information) as identified in the table of contents is presented for the purposes of additional analysis and legal compliance and is not a required part of the basic financial statements.

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

Fiscal Focus Partners LLC

Arvada, Colorado
June 21, 2024

BASIC FINANCIAL STATEMENTS

**SOUTH MERIDIAN METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2023**

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 5,572
Cash and Investments - Restricted	645,192
Receivable from County Treasurer	2,987
Property Tax Receivable	<u>503,303</u>
Total Assets	<u>1,157,054</u>
LIABILITIES	
Due to Other Districts	7,325
Accrued Interest	7,727
Noncurrent Liabilities:	
Due Within One Year	220,000
Due in More Than One Year	<u>3,360,000</u>
Total Liabilities	<u>3,595,052</u>
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	<u>503,303</u>
Total Deferred Inflows of Resources	<u>503,303</u>
NET POSITION	
Restricted for:	
Emergency Reserve	8,099
Debt Service	630,600
Unrestricted	<u>(3,580,000)</u>
Total Net Position	<u><u>\$ (2,941,301)</u></u>

See accompanying Notes to Basic Financial Statements.

**SOUTH MERIDIAN METROPOLITAN DISTRICT
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 Interest on Long-Term Debt and Related Costs	\$ 272,412	\$ -	\$ -	\$ (272,412)
Total Governmental Activities	\$ 370,420	\$ -	\$ -	(370,420)
GENERAL REVENUES Property Taxes Specific Ownership Taxes Interest Income Total General Revenues and Transfers				498,288 46,178 44,881 <u>589,347</u>
CHANGES IN NET POSITION				218,927
Net Position - Beginning of Year				(3,160,228)
NET POSITION - END OF YEAR				\$ (2,941,301)

See accompanying Notes to Basic Financial Statements.

**SOUTH MERIDIAN METROPOLITAN DISTRICT
BALANCE SHEET –
GOVERNMENTAL FUNDS
DECEMBER 31, 2023**

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 5,572	\$ -	\$ 5,572
Cash and Investments - Restricted	8,099	637,093	645,192
Receivable from County Treasurer	1,453	1,534	2,987
Property Tax Receivable	236,500	266,803	503,303
Total Assets	\$ 251,624	\$ 905,430	\$ 1,157,054
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Due to Other Districts	\$ 7,025	\$ 300	\$ 7,325
Total Liabilities	7,025	300	7,325
DEFERRED INFLOWS OF RESOURCES			
Deferred Property Tax	236,500	266,803	503,303
Total Deferred Inflows of Resources	236,500	266,803	503,303
FUND BALANCES			
Restricted for:			
Emergency Reserves	8,099	-	8,099
Debt Service	-	638,327	638,327
Assigned to:			
Subsequent Year's Expenditures	100	-	100
Unassigned	(100)	-	(100)
Total Fund Balances	8,099	638,327	646,426
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 251,624	\$ 905,430	

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 Interest	(7,727)
Bonds Payable	(3,580,000)

Net Position of Governmental Activities	\$ (2,941,301)
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See accompanying Notes to Basic Financial Statements.

**SOUTH MERIDIAN METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2023**

	General	Debt Service	Total Governmental Funds
REVENUES			
Property Taxes	\$ 242,486	\$ 255,802	\$ 498,288
Specific Ownership Taxes	22,465	23,713	46,178
Interest Income	4,227	40,654	44,881
Total Revenues	269,178	320,169	589,347
EXPENDITURES			
Operating and Administrative:			
Operating and Maintenance Expenses	259,137	-	259,137
Board Support	5,400	-	5,400
County Treasurer's fee	3,627	3,833	7,460
Payroll Taxes	415	-	415
Debt Service:			
Paying Agent Fees	-	300	300
Bond Interest	-	98,161	98,161
Bond Principal	-	210,000	210,000
Total Expenditures	268,579	312,294	580,873
NET CHANGE IN FUND BALANCES	599	7,875	8,474
Fund Balances - Beginning of Year	7,500	630,452	637,952
FUND BALANCES - END OF YEAR	\$ 8,099	\$ 638,327	\$ 646,426

See accompanying Notes to Basic Financial Statements.

**SOUTH MERIDIAN METROPOLITAN DISTRICT
 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	\$	8,474
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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.

Bond Principal		210,000
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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		453
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Changes in Net Position of Governmental Activities	\$	<u>218,927</u>
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**SOUTH MERIDIAN METROPOLITAN DISTRICT
GENERAL FUND –
STATEMENT 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	\$ 242,250	\$ 242,250	\$ 242,486	\$ 236
Specific Ownership Taxes	21,803	22,458	22,465	7
Interest Income	1,000	15,000	4,227	(10,773)
Total Revenues	<u>265,053</u>	<u>279,708</u>	<u>269,178</u>	<u>(10,530)</u>
EXPENDITURES				
Operating and Maintenance Expenses	254,018	269,552	259,137	10,415
Board Support	6,000	5,500	5,400	100
County Treasurer's fee	3,635	3,635	3,627	8
District Specific Account	-	100	-	100
Miscellaneous	500	-	-	-
Payroll Taxes	450	421	415	6
Total Expenditures	<u>264,603</u>	<u>279,208</u>	<u>268,579</u>	<u>10,629</u>
NET CHANGE IN FUND BALANCE	450	500	599	99
Fund Balance - Beginning of Year	<u>7,550</u>	<u>7,500</u>	<u>7,500</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 8,000</u></u>	<u><u>\$ 8,000</u></u>	<u><u>\$ 8,099</u></u>	<u><u>\$ 99</u></u>

See accompanying Notes to Basic Financial Statements.

**SOUTH MERIDIAN METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 DEFINITION OF REPORTING ENTITY

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

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

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-Wide and Fund Financial Statements

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

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

**SOUTH MERIDIAN METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 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 governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected 60 days after the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred, or the long-term obligation is due.

The District reports the following major governmental funds:

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

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

**SOUTH MERIDIAN METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

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

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred 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.

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.

**SOUTH MERIDIAN METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity

Net Position

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

Fund Balance

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

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

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

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

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

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

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

**SOUTH MERIDIAN METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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	\$ 5,572
Cash and Investments - Restricted	645,192
Total Cash and Investments	\$ 650,764

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

Deposits with Financial Institutions	\$ 3,988
Investments	646,776
Total Cash and Investments	\$ 650,764

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 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's cash deposits had a bank and carrying balance of \$3,988.

Investments

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

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

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

**SOUTH MERIDIAN METROPOLITAN DISTRICT
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	\$ 646,776
		<u>\$ 646,776</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.

**SOUTH MERIDIAN METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

COLOTRUST (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+ is rated AAAM by Standard & Poor's. COLOTRUST EDGE is rated AA Af/S1 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.

The District holds all its investments in the COLOTRUST PLUS+ portfolio.

NOTE 4 LONG-TERM OBLIGATIONS

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

	Balance at December 31, 2022	Additions	Reductions	Balance at December 31, 2023	Due Within One Year
Total Long-Term Obligations	\$ 3,790,000	\$ -	\$ 210,000	\$ 3,580,000	\$ 220,000

General Obligation Bonds

\$4,980,000 General Obligation Refunding Bonds (Bonds), dated July 18, 2016, with interest of 2.59%, due annually through June 30, 2036. The Bonds have been issued by the District for the purpose of providing funds for refunding of the Series 2003B Bonds and Series 2004 Bonds. The Bonds are subject to redemption on any date prior to December 1, 2026, at the option of the District, in whole or in part, at a redemption price equal to the par amount thereof, plus a Prepayment Fee, plus accrued interest to the redemption date.

The Bonds are not subject to acceleration and no assets have been pledged as collateral on the Bonds.

Events of Default

The Bonds stipulate events of default occur if the District fails to make payment of the principal of or redemption premium when due, payment of any interest when due, default in the performance of covenants per the agreement, or files a petition under federal bankruptcy laws seeking to adjust the debt represented by the Bonds. Upon the occurrence of an Event of Default, the Lender shall be entitled to enforce the rights of any Owner under the agreement by mandamus or such other suit. No events of default have been noted.

**SOUTH MERIDIAN METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

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

<u>Year Ending December 31,</u>	<u>Bonded Debt</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2024	\$ 220,000	\$ 92,722	\$ 312,722
2025	225,000	87,024	312,024
2026	235,000	81,197	316,197
2027	245,000	75,110	320,110
2028	255,000	68,765	323,765
2029-2033	1,415,000	240,353	1,655,353
2034-2036	985,000	47,848	1,032,848
Total	<u>\$ 3,580,000</u>	<u>\$ 693,019</u>	<u>\$ 4,273,019</u>

NOTE 5 NET POSITION

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

Restricted assets include net position that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2023, as follows:

	<u>Governmental Activities</u>
Restricted Net Position:	
Emergencies	\$ 8,099
Debt Service Reserve	630,600
Total Restricted Net Position	<u>\$ 638,699</u>

The District has a deficit in unrestricted net position. This deficit amount is a result of the District being responsible for the repayment of bonds issued for public improvements, which public improvements were conveyed to other governmental entities.

**SOUTH MERIDIAN METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 6 RELATED PARTY TRANSACTIONS

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

The Developer, through various related entities, may perform certain maintenance and management functions for the District. The District did not incur any related costs directly to the Developer during 2023. However, amounts were paid to Meridian Metropolitan District (Meridian) pursuant to the Regional Facilities Agreement (see Regional Facilities Agreement footnote). Meridian has contracted with the Developer to provide certain management and maintenance functions.

NOTE 7 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to personnel; or natural disasters.

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

The District pays annual premiums to the Pool for liability, property, 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.

**SOUTH MERIDIAN METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 8 REGIONAL FACILITIES AGREEMENT

The District entered into a Regional Facilities Agreement, dated January 1, 1999, with Meridian. The agreement calls for Meridian to provide operation and maintenance services to the District for all facilities as described in the agreement, as well as construction and administrative services for the District. The District pays Meridian for the services according to terms outlined in the agreement. Also, according to the terms of the agreement, Meridian shall assume ownership of these facilities upon completion. The agreement remains in full force and effect until terminated by either party upon the provision of one year's written notice, provided however that the District remains liable for obligations of the District existing at the time of termination. The amount due to Meridian as of December 31, 2023, was \$7,325.

NOTE 9 TAX, SPENDING, AND DEBT LIMITATION

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

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

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

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

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

SUPPLEMENTARY INFORMATION

**SOUTH MERIDIAN METROPOLITAN DISTRICT
DEBT SERVICE FUND –
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2023**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 255,705	\$ 255,802	\$ 97
Specific Ownership Taxes	23,013	23,713	700
Interest Income	8,000	40,654	32,654
Total Revenues	<u>286,718</u>	<u>320,169</u>	<u>33,451</u>
EXPENDITURES			
County Treasurer's fee	3,836	3,833	3
Paying Agent Fees	300	300	-
Bond Interest	98,161	98,161	-
Bond Principal	210,000	210,000	-
Miscellaneous	500	-	500
Total Expenditures	<u>312,797</u>	<u>312,294</u>	<u>503</u>
NET CHANGE IN FUND BALANCE	(26,079)	7,875	33,954
Fund Balance - Beginning of Year	<u>623,006</u>	<u>630,452</u>	<u>7,446</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 596,927</u></u>	<u><u>\$ 638,327</u></u>	<u><u>\$ 41,400</u></u>

OTHER INFORMATION

**SOUTH MERIDIAN METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2023**

	\$4,980,000		
	General Obligation Bonds		
	Tax-Free Bond Issue - Series 2016		
	Dated July 20, 2016		
	Interest Rate Fixed 2.59%		
	Interest Payable		
	June 1 and December 1		
	Principal Payable December 1		
<u>Bonds/Loans and Interest Maturing in Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 220,000	\$ 92,722	\$ 312,722
2025	225,000	87,024	312,024
2026	235,000	81,197	316,197
2027	245,000	75,110	320,110
2028	255,000	68,765	323,765
2029	260,000	62,160	322,160
2030	275,000	55,426	330,426
2031	280,000	48,304	328,304
2032	295,000	41,052	336,052
2033	305,000	33,411	338,411
2034	320,000	25,512	345,512
2035	325,000	17,224	342,224
2036	340,000	5,112	345,112
Total	\$ 3,580,000	\$ 693,019	\$ 4,273,019

**SOUTH MERIDIAN METROPOLITAN DISTRICT
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2023**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year		Total Mills Levied		Total Property Taxes		Percent Collected to Levied
	Property Tax Levy		General Fund	Debt Service Fund	Levied	Collected	
	General Fund	Debt Service Fund					
2019	\$ 16,962,040	\$ 47,968,310	9.600	10.667	\$ 577,005	\$ 577,018	100.00 %
2020	16,531,550	52,220,780	14.480	6.000	488,694	480,541	98.33 %
2021	16,620,060	52,830,480	14.480	6.000	492,186	460,135	93.49 %
2022	15,869,140	55,278,820	14.480	6.000	489,954	477,692	97.50 %
2023	16,141,500	53,330,440	14.526	6.000	497,954	498,288	100.07 %
Estimated for Year Ending December 31, 2024	\$ 18,550,220	\$ 63,751,410	12.716	5.285	503,303		

Note:

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

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