

MERIDIAN VILLAGE METROPOLITAN DISTRICT NO. 2
Douglas County, Colorado

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2020

**MERIDIAN VILLAGE METROPOLITAN DISTRICT NO. 2
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YEAR ENDED DECEMBER 31, 2020**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Meridian Village Metropolitan District No. 2
Douglas County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Meridian Village Metropolitan District No. 2 (the District) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 Meridian Village Metropolitan District No. 2, as of December 31, 2020, and the respective changes in financial position thereof, 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.

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Fiscal Focus Partners, LLC

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, 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 opinion on the basic financial statements is not affected by this missing information.

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

Greenwood Village, Colorado
June 6, 2021

BASIC FINANCIAL STATEMENTS

MERIDIAN VILLAGE METROPOLITAN DISTRICT NO. 2
STATEMENT OF NET POSITION
DECEMBER 31, 2020

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments - Restricted	\$ 10
Receivable - County Treasurer	30,605
Property Taxes Receivable	<u>4,065,007</u>
Total Assets	<u>4,095,622</u>
LIABILITIES	
Due to Meridian Village No. 1	<u>30,615</u>
Total Liabilities	30,615
DEFERRED INFLOWS OF RESOURCES	
Deferred Property Tax Revenue	<u>4,065,007</u>
Total Deferred Inflows of Resources	<u>4,065,007</u>
NET POSITION	
Unrestricted:	
Total Net Position	<u><u>\$ -</u></u>

See accompanying Notes to Basic Financial Statements.

MERIDIAN VILLAGE METROPOLITAN DISTRICT NO. 2
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net Revenues (Expenses) and Change in Net Position
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Primary Government:					
Governmental Activities:					
General Government	\$ 919,392	\$ -	\$ -	\$ -	\$ (919,392)
Interest on Long-Term Debt and Related Costs	3,390,949	-	-	-	(3,390,949)
Total Governmental Activities	\$ 4,310,341	\$ -	\$ -	\$ -	(4,310,341)
GENERAL REVENUES					
Property Taxes					3,957,640
Specific Ownership Taxes					341,385
Other Income					6,211
Total General Revenues					4,305,236
CHANGE IN NET POSITION					(5,105)
Net Position - Beginning of Year					5,105
NET POSITION - END OF YEAR					\$ -

See accompanying Notes to Basic Financial Statements.

**MERIDIAN VILLAGE METROPOLITAN DISTRICT NO. 2
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash and Investments - Restricted	\$ 2	\$ 8	\$ 10
Receivable - County Treasurer	6,534	24,071	30,605
Property Taxes Receivable	884,997	3,180,010	4,065,007
Total Assets	\$ 891,533	\$ 3,204,089	\$ 4,095,622
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Due to Meridian Village No. 1	\$ 6,536	\$ 24,079	\$ 30,615
Total Liabilities	6,536	24,079	30,615
DEFERRED INFLOWS OF RESOURCES			
Deferred Property Tax Revenue	884,997	3,180,010	4,065,007
Total Deferred Inflows of Resources	884,997	3,180,010	4,065,007
FUND BALANCES			
Unassigned:	-	-	-
Total Fund Balances	-	-	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 891,533	\$ 3,204,089	\$ 4,095,622

Amounts reported for governmental activities in the statement of net position are the same as above.

MERIDIAN VILLAGE METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020

	General Fund	Debt Service	Total Governmental Funds
REVENUES			
Property Taxes	\$ 844,956	\$ 3,112,684	\$ 3,957,640
Specific Ownership Taxes	72,886	268,499	341,385
Net Investment Income	1,550	4,661	6,211
Total Revenues	919,392	3,385,844	4,305,236
EXPENDITURES			
Board Support	2,300	-	2,300
County Treasurer's Fees	12,680	46,710	59,390
Intergovernmental Expenditures	904,236	3,344,239	4,248,475
Payroll Taxes - Board Support	176	-	176
Total Expenditures	919,392	3,390,949	4,310,341
NET CHANGE IN FUND BALANCES	-	(5,105)	(5,105)
Fund Balances - Beginning of Year	-	5,105	5,105
FUND BALANCES - END OF YEAR	\$ -	\$ -	\$ -

Amounts reported for governmental activities in the statement of activities are the same as above.

**MERIDIAN VILLAGE METROPOLITAN DISTRICT NO. 2
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 845,112	\$ 844,956	\$ (156)
Specific Ownership Taxes	76,060	72,886	(3,174)
Net Investment Income	6,750	1,550	(5,200)
Other Revenue	5,000	-	(5,000)
Total Revenues	<u>932,922</u>	<u>919,392</u>	<u>(13,530)</u>
EXPENDITURES			
Board Support	2,000	2,300	(300)
Contingency	5,000	-	5,000
County Treasurer's Fees	12,677	12,680	(3)
Intergovernmental Expenditures	913,092	904,236	8,856
Payroll Taxes - Board Support	153	176	(23)
Total Expenditures	<u>932,922</u>	<u>919,392</u>	<u>13,530</u>
NET CHANGE IN FUND BALANCES			
	-	-	-
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES- END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Notes to Basic Financial Statements.

MERIDIAN VILLAGE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 DEFINITION OF REPORTING ENTITY

Meridian Village 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 for Douglas County on November 20, 2004 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 established to provide street improvements, parks and recreational facilities, a potable and nonpotable water supply, a sanitation system, traffic and safety controls, a public transportation system, television and signal relay, and mosquito control.

The District was formed in conjunction with Meridian Village Metropolitan Districts Nos. 1, 3, and 4 (collectively, the Districts). District No. 1 will serve as the "Service District" with the responsibility of managing the construction and operation of facilities and improvements needed for the public improvements. District Nos. 2, 3, and 4 will serve as the "Financing Districts" with the responsibility of providing the funding and tax base needed to support the capital improvements and operations. The District does not operate the water and sanitation systems that service the area.

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.

MERIDIAN VILLAGE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

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 within 60 days of the end of the current fiscal period. The major source of revenue susceptible to accrual is 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.

MERIDIAN VILLAGE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

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.

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.

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.

MERIDIAN VILLAGE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

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.

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2020 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments - Restricted

\$ 10

MERIDIAN VILLAGE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Cash and investments as of December 31, 2020 consist of the following:

Investments	<u>\$</u> <u>10</u>
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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, 2020, the District had no cash deposits.

Investments

The District has adopted a formal investment policy wherein 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.

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

**MERIDIAN VILLAGE METROPOLITAN DISTRICT NO. 2
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2020**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

- . 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, 2020, 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	<u>\$ 10</u>

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST or 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 operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. 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. 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 is rated AAAM by Standard & Poor's. 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, and there is no redemption notice period.

The District's funds are invested in COLOTRUST PLUS+.

MERIDIAN VILLAGE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 4 AUTHORIZED DEBT

On May 4, 2004, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$800,000,000 at an interest rate to be determined by the District's Board of Directors. At December 31, 2020, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Amount Authorized on May 4, 2004	Authorized But Unissued
Street Improvements	\$ 50,000,000	\$ 50,000,000
Parks and Recreational Facilities	50,000,000	50,000,000
Portable/Nonpotable Water Supply	50,000,000	50,000,000
Sanitation	50,000,000	50,000,000
Traffic and Safety Controls	50,000,000	50,000,000
Public Transportation System	50,000,000	50,000,000
Television and Signal Relay	50,000,000	50,000,000
Mosquito Control	50,000,000	50,000,000
Repayment of Debt	<u>400,000,000</u>	<u>400,000,000</u>
Total	<u>\$ 800,000,000</u>	<u>\$ 800,000,000</u>

Pursuant to the Service Plan, dated March 12, 2014, the District's mill levy cap consists of 50 mills for debt and 10 mills for operating and maintenance. The debt mill levy is limited as follows:

- a) For that portion of the District's general obligation debt which equals or exceeds 50% of the District's assessed valuation, the maximum mill levy the District can promise to impose for the payment of all issued debt shall be fifty (50) mills reduced by the number of mills necessary to pay unlimited mill levy general obligation debt described in (b) below; provided however, that in the event the method of calculating assessed valuation is changed after the date of the approval of this Service Plan, the mill levy limitation applicable to such debt may be increased or decreased to reflect such changes, such increases or decreases to be determined by the Board in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenues generated by the mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes. For purposes of the foregoing, a change in the ratio of actual valuation to assessed valuation shall be deemed to be a change in the method of calculating assessed valuation.
- b) For that portion of the District's general obligation debt which is less than 50% of the District's assessed valuation, either on the date of issuance or at any time thereafter, the maximum mill levy the District can promise to impose for the payment of such debt shall be such amount as may be necessary to pay the debt service on such debt, without limitation of rate.

MERIDIAN VILLAGE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 4 AUTHORIZED DEBT (CONTINUED)

- c) For purposes of the foregoing, once general obligation debt has been determined to be within (b) above so that the District is entitled to pledge to its payment an unlimited ad valorem mill levy, the District may provide that such debt shall remain secured by such unlimited mill levy, notwithstanding any subsequent change in the debt to assessed ratio.

Pursuant to the Service Plan, the District is permitted to issue bond indebtedness of up to \$800,000,000.

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

NOTE 5 INTERGOVERNMENTAL AGREEMENTS

Intergovernmental Financing Agreement (IFA)

On December 15, 2004, the District entered into an IFA with Meridian Village Metropolitan District No. 1 (District No. 1). The agreement states that District No. 1 will construct and finance certain improvements for the benefit of Meridian Village Metropolitan District No. 2 (District No. 2) with the issuance of its Revenue Bonds, Series 2004 in the amount of \$10,000,000. District No. 2 shall levy a tax of 40 mills for debt service, as legally adjusted, not to exceed the maximum of 50 mills (Mill Levy). District No. 2 shall remit to District No. 1 all amounts derived from the Mill Levy, specific ownership taxes, and any other funds legally available to pay principal and interest on the bonds.

On May 27, 2005, the IFA was amended and restated to include the issuance of the Revenue Bonds, Series 2005A in the amount of \$10,000,000 and any additional bonds not to exceed an aggregate principal amount of \$2,500,000.

On November 14, 2007, the IFA was amended and restated to include the issuance of the Revenue Bonds, Series 2007A in the amount of \$35,185,000. The agreement states District No. 2 shall levy a tax of 45 mills for debt service, as legally adjusted, not to exceed 50 mills, until November 2014. After November 2014, the mill levy can be reduced to any amount sufficient to pay the debt service.

On November 22, 2013, the IFA was amended and restated to accommodate certain changes in the reissuance of the Revenue Bonds, Series 2007A in the amount of \$35,185,000. The agreement states District No. 2 shall levy a tax of 50 mills for debt service and provides that the 50 mill limit can be legally adjusted to provide an amount sufficient to pay the debt service.

The agreement remains in full force and effect until the bonds are paid in full.

MERIDIAN VILLAGE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5 INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

District Facilities Agreement

On June 1, 2005, the District entered into an intergovernmental financing agreement with Meridian Village Metropolitan District No. 1 (District No. 1). The agreement states that District No. 1 will provide the operation and maintenance of public facilities and services of benefit to both Districts. District No. 2 shall levy a tax of 10 mills, as legally adjusted, not to exceed 50 mills (Service Levy). In the event that the Service Levy is insufficient to pay the operation and maintenance costs, a uniform fee may be imposed on each single family lot, multi-family unit, and square foot of commercial development. District No. 2 shall remit to District No. 1 all amounts derived from the Service Levy, specific ownership taxes, and any other funds legally available to pay principal and interest on the bonds.

NOTE 6 NET POSITION

Restricted assets include net position that is 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 did not have restricted net position as of December 31, 2020.

The District's unrestricted net position as of December 31, 2020, is \$-0-.

NOTE 7 RELATED PARTIES

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 is employed by or provides 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.

MERIDIAN VILLAGE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

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.

The District pays annual premiums to the Pool for liability, property, workers' compensation, 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 that 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 May 4, 2004, a majority of the District's electors authorized Meridian Village Metropolitan District No. 2 to collect and spend or retain in a reserve all currently levied taxes and fees of the District 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. Meridian Village Metropolitan District No. 1 has provided for an Emergency Reserve fund equal to at least 3% of fiscal year spending for Meridian Village District Nos. 2, 3, and 4.

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

**MERIDIAN VILLAGE METROPOLITAN DISTRICT NO. 2
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 3,112,612	\$ 3,112,684	\$ 72
Specific Ownership Taxes	280,135	268,499	(11,636)
Net Investment Income	20,000	4,661	(15,339)
Other Revenue	10,000	-	(10,000)
	<u>3,422,747</u>	<u>3,385,844</u>	<u>(36,903)</u>
EXPENDITURES			
County Treasurer's Fees	46,689	46,710	(21)
Intergovernmental Expenditures	3,366,058	3,344,239	21,819
Contingency	10,000	-	10,000
Total Expenditures	<u>3,422,747</u>	<u>3,390,949</u>	<u>31,798</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(5,105)	(5,105)
Fund Balance - Beginning of Year	<u>-</u>	<u>5,105</u>	<u>5,105</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

MERIDIAN VILLAGE METROPOLITAN DISTRICT NO. 2
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2020

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied		Total Property Taxes		Percentage Collected to Levied
		General Fund	Debt Service	Levied	Collected	
2016	\$ 40,907,240	10.000	50.000	\$ 2,454,434	\$ 2,453,256	99.95%
2017	51,056,710	10.000	50.000	3,063,403	3,063,406	100.00
2018	62,740,770	11.055	55.277	4,161,721	4,147,941	99.67
2019	65,687,560	11.055	45.000	3,682,116	3,682,120	100.00
2020	75,917,360	11.132	41.000	3,957,724	3,957,640	100.00
Estimated for the Year Ending December 31, 2021	\$ 79,500,250	11.132	40.000	\$ 4,065,007	N/A	

NOTE: Property taxes collected in any one year may include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.