

LINCOLN MEADOWS METROPOLITAN DISTRICT

Financial Statements

Year Ended December 31, 2020

with

Independent Auditors' Report

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Board of Directors
Lincoln Meadows Metropolitan District
Douglas County, Colorado

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities and each major fund of the Lincoln Meadows Metropolitan 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 of 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles 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 the Lincoln Meadows Metropolitan District as of December 31, 2020, and the respective changes in financial position 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.

Other-Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our 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 Lincoln Meadows Metropolitan District's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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. 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.

Simmons & Wheeler P.C.

Englewood, CO
May 14, 2021

LINCOLN MEADOWS METROPOLITAN DISTRICT

BALANCE SHEET/STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2020

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS					
Cash and investments	\$ 863	\$ -	\$ 863	\$ -	\$ 863
Cash and investments - restricted	6,388	32,484	38,872	-	38,872
Receivable - County Treasurer	271	4,431	4,702	-	4,702
Property taxes receivable	34,995	569,827	604,822	-	604,822
Prepaid expenses	2,540	1,250	3,790	-	3,790
Capital assets not being depreciated	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,054,541</u>	<u>1,054,541</u>
Total Assets	<u>45,057</u>	<u>607,992</u>	<u>653,049</u>	<u>1,054,541</u>	<u>1,707,590</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,478</u>	<u>40,478</u>
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,478</u>	<u>40,478</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 45,057</u>	<u>\$ 607,992</u>	<u>\$ 653,049</u>		
LIABILITIES					
Accounts payable	\$ 830	\$ -	\$ 830	-	830
Accrued interest on bonds	-	-	-	48,111	48,111
Long-term liabilities:					
Due within one year	-	-	-	217,000	217,000
Due in more than one year	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,250,132</u>	<u>8,250,132</u>
Total Liabilities	<u>830</u>	<u>-</u>	<u>830</u>	<u>8,515,243</u>	<u>8,516,073</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred property taxes	<u>34,995</u>	<u>569,827</u>	<u>604,822</u>	<u>-</u>	<u>604,822</u>
Total Deferred Inflows of Resources	<u>34,995</u>	<u>569,827</u>	<u>604,822</u>	<u>-</u>	<u>604,822</u>
FUND BALANCES					
Fund Balances:					
Nonspendable:					
Prepays	2,540	1,250	3,790	(3,790)	-
Restricted:					
Emergencies	1,200	-	1,200	(1,200)	-
Debt service	-	36,915	36,915	(36,915)	-
Assigned:					
Subsequent years' expenditures	1,367	-	1,367	(1,367)	-
Unassigned	<u>4,125</u>	<u>-</u>	<u>4,125</u>	<u>(4,125)</u>	<u>-</u>
Total Fund Balances	<u>9,232</u>	<u>38,165</u>	<u>47,397</u>	<u>(47,397)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 45,057</u>	<u>\$ 607,992</u>	<u>\$ 653,049</u>		
NET POSITION:					
Net investment in capital assets				(7,372,113)	(7,372,113)
Restricted for:					
Emergencies				1,200	1,200
Debt service				36,915	36,915
Unrestricted				<u>(38,829)</u>	<u>(38,829)</u>
Total Net Position				<u>\$(7,372,827)</u>	<u>\$(7,372,827)</u>

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

LINCOLN MEADOWS METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2020

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES					
Accounting and audit	\$ 6,670	\$ -	\$ 6,670	\$ -	\$ 6,670
Insurance	2,510	-	2,510	-	2,510
Legal	4,101	-	4,101	-	4,101
Directors' Fees	300	-	300	-	300
Miscellaneous expenses	378	-	378	-	378
Treasurer's fees	528	8,643	9,171	-	9,171
Bond principal	-	200,000	200,000	(200,000)	-
Bond interest expense	-	585,904	585,904	4,740	590,644
Paying agent fees	-	2,500	2,500	-	2,500
Subordinate Note interest expense	-	-	-	48,105	48,105
Total Expenditures	<u>14,487</u>	<u>797,047</u>	<u>811,534</u>	<u>(147,155)</u>	<u>664,379</u>
GENERAL REVENUES					
Property taxes	35,002	572,665	607,667	-	607,667
Specific ownership taxes	3,021	49,428	52,449	-	52,449
Town escrow receipts	-	55,605	55,605	-	55,605
Interest income	751	3,866	4,617	-	4,617
Total General Revenues	<u>38,774</u>	<u>681,564</u>	<u>720,338</u>	<u>-</u>	<u>720,338</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	24,287	(115,483)	(91,196)	147,155	55,959
OTHER FINANCING SOURCES (USES)					
Transfers in (out)	(42,258)	42,258	-	-	-
Total Other Financing Sources (Uses)	<u>(42,258)</u>	<u>42,258</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCES					
	(17,971)	(73,225)	(91,196)	91,196	
CHANGE IN NET POSITION					
				55,959	55,959
FUND BALANCES/NET POSITION:					
BEGINNING OF YEAR	27,203	111,390	138,593	(7,567,379)	(7,428,786)
END OF YEAR	<u>\$ 9,232</u>	<u>\$ 38,165</u>	<u>\$ 47,397</u>	<u>\$ (7,420,224)</u>	<u>\$ (7,372,827)</u>

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

LINCOLN MEADOWS METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2020

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Property taxes	\$ 34,999	\$ 35,002	\$ 3
Specific ownership taxes	2,500	3,021	521
Interest income	<u>-</u>	<u>751</u>	<u>751</u>
Total Revenues	<u>37,499</u>	<u>38,774</u>	<u>1,275</u>
EXPENDITURES			
Accounting and audit	7,300	6,670	630
Insurance	2,600	2,510	90
Legal	5,000	4,101	899
Directors' Fees	600	300	300
Miscellaneous expenses	550	378	172
Treasurer's fees	550	528	22
Emergency reserve	<u>1,200</u>	<u>-</u>	<u>1,200</u>
Total Expenditures	<u>17,800</u>	<u>14,487</u>	<u>3,313</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	19,699	24,287	4,588
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(56,120)</u>	<u>(42,258)</u>	<u>13,862</u>
Total Other Financing Sources (Uses)	<u>(56,120)</u>	<u>(42,258)</u>	<u>13,862</u>
NET CHANGE IN FUND BALANCE			
	(36,421)	(17,971)	18,450
FUND BALANCE:			
BEGINNING OF YEAR	<u>36,421</u>	<u>27,203</u>	<u>(9,218)</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 9,232</u>	<u>\$ 9,232</u>

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

LINCOLN MEADOWS METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2020

Note 1: Summary of Significant Accounting Policies

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

Definition of Reporting Entity

The District was organized on November 18, 2003, as a quasi-municipal organization established under the State of Colorado Special District Act. The District was established to finance and construct certain water, street and safety protection improvements, and mosquito control services. Public improvements and facilities constructed by the District may be owned and maintained by the District or dedicated for ownership and maintenance to the City of Parker, Colorado and the Parker Water and Sanitation District for the use and benefit of the taxpayers and service users of the District. The District's primary revenues are property and specific ownership taxes. The District is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB Pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets forth the financial accountability of a governmental organization’s elected governing body as the basic criterion for including a possible component governmental organization in a primary government’s legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization’s governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. The pronouncements also require including a possible component unit if it would be misleading to exclude it.

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

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

Basis of Presentation

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

LINCOLN MEADOWS METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2020

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are collected.

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

The District reports the following major governmental funds:

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

LINCOLN MEADOWS METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2020

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

Budgetary Accounting

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

Subsequent to year end, the District amended its total appropriations in the Debt Service Fund from \$749,162 to \$797,104 primarily due to higher principal payments on the Series 2014 Bonds (See Note 4).

Assets, Liabilities and Net Position

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2020, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

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

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 minimum number of bank accounts. 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.

Estimates

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

LINCOLN MEADOWS METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2020

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred loss on refunding reported in the government-wide statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

Long-Term Obligations

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

Loss on Refunding

Loss on refunding from the Series 2014 Bonds is being amortized over the respective terms of the bonds using the straight-line method. Accumulated amortization of the Loss on refunding amounted to \$37,722 at December 31, 2020.

Capital Assets

Capital assets, which includes land, is reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated. No depreciation expense was recognized during 2020.

LINCOLN MEADOWS METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2020

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

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

Fund Equity

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

Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact.

The nonspendable fund balance in the General Fund in the amount of \$2,540 and in the Debt Service Fund in the amount of \$1,250 represent prepaid expenditures.

Restricted Fund Balance

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

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$1,200 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of \$36,915 is restricted for the payment of the debt service costs of the 2014 Bonds and 2009 Subordinate Note (see Note 4).

LINCOLN MEADOWS METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2020

Committed Fund Balance

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

Assigned Fund Balance

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

The assigned fund balance in the General Fund of \$1,367 represents the amount appropriated for use in the budget for the year ending December 31, 2021.

Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

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

Net Position

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

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

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

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

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

LINCOLN MEADOWS METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2020

Note 2: Cash and Investments

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

Statement of Net Position:

Cash and investments	\$ 863
Cash and investments – Restricted	<u>38,872</u>
Total	\$ <u>39,735</u>

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

Deposits with financial institutions	\$ 195
Investments – COLOTRUST	1,868
Investments – UMB Bank	<u>37,672</u>
	\$ <u>39,735</u>

Deposits

Custodial Credit Risk

The Colorado Public Deposit Protection Act, (“PDPA”) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

The District follows state statutes for deposits. None of the District’s deposits were exposed to custodial credit risk.

Investments

Credit Risk

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

LINCOLN MEADOWS METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2020

Custodial and Concentration of Credit Risk

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

Interest Rate Risk

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

Investments

Investment Valuation

Certain investments are measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's investment in COLOTRUST is not required to be categorized within the fair value hierarchy. This investment's value is calculated using the net asset value method (NAV) per share. The District's investment in Morgan Stanley Institutional Liquidity Fund #8354 is not required to be categorized within the fair value hierarchy. This investment's value is calculated using the using the amortized cost method.

As of December 31, 2020, the District had the following investments:

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust ("COLOTRUST") is rated AAAM by Standard & Poor's with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. The trust operates similarly to a money market fund with each share maintaining a value of \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes 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 repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to the trust. Substantially all securities owned by the trust are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians' internal records identify the investments owned by COLOTRUST. At December 31, 2020, the District had \$1,868 invested in COLOTRUST.

LINCOLN MEADOWS METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2020

Morgan Stanley Institutional Liquidity Fund #8354

During 2019, the District's funds that were included in the trust accounts at the UMB Bank were invested in Morgan Stanley Institutional Liquidity Fund #8354. This fund is a money market fund and each share is equal in value to \$1.00. The fund is AAAM rated and invests exclusively in repurchase agreements collateralized by U.S. Treasury securities and U.S. Treasury debt. The average maturity of the underlying securities is 20 days. At December 31, 2020, the District had \$37,672 invested in Morgan Stanley Institutional Liquidity Fund #8354.

Note 3: Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2020, follows:

<u>Governmental Type Activities:</u>	<u>1/1/2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2020</u>
<u>Capital assets not being depreciated:</u>				
Land	\$ 1,054,541	\$ -	\$ -	\$ 1,054,541
Total capital assets not being depreciated	<u>1,054,541</u>	<u>-</u>	<u>-</u>	<u>1,054,541</u>
Government type assets, net	<u>\$ 1,054,541</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,054,541</u>

As of December 31, 2015, the capital assets were conveyed to the Town of Parker, Colorado with the exception of the water and sanitation facilities which were conveyed to Parker Water and Sanitation District. Additionally, the District will not convey certain land holdings which will not be depreciated.

Note 4: Long Term Debt

A description of the long-term obligations as of December 31, 2020, is as follows:

General Obligation Limited Tax Refunding Bonds, Series 2014

The District issued \$7,540,000 General Obligation Limited Tax Refunding Bonds, Series 2014 ("Series 2014 Bonds") dated July 21, 2014 maturing on December 1, 2031. The bonds were issued for the refunding the Series 2003 Bonds and paying the costs of issuance of the bonds. The Series 2014 Bonds carry interest at the rate of 5.5% per annum from July 22, 2014 until November 30, 2015, 6.25% per annum from December 1, 2015 through November 30, 2018 and 8% per annum from December 1, 2018 through maturity. Interest is payable semi-annually on June 1 and December 1, commencing December 1, 2014.

LINCOLN MEADOWS METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2020

All of the Series 2014 Bonds are subject to mandatory sinking fund redemption on December 1, 2018 and on each December 1 thereafter prior to the maturity date of such bonds. Also, as long as the initial purchaser is 100% owner of the Series 2014 Bonds outstanding, the Series 2014 Bonds are subject to mandatory redemption in each year in the event that there are excess monies in the Surplus Fund over the maximum amount, which is \$200,000, any such amounts in \$1,000 increments shall be called for redemption on the next succeeding December 1. Such amounts shall be applied in inverse order of maturity.

The Series 2014 Bonds are also subject to redemption prior to their maturities at the option of the District on December 1, 2024 and any date thereafter, upon payment of the following Redemption prices:

- 3% premium if called between December 1, 2024 and November 30, 2025
- 2% premium if called between December 1, 2025 and November 30, 2026
- 1% premium if called after December 1, 2026

The 2014 Bonds are secured by Pledged Revenues including an ad valorem mill levy in an amount sufficient to pay the principal of and interest on the Series 2014 Bonds as the same becomes due and payable, but when combined with the Operating Levy cannot exceed 50 mills and for as long as the Series 2014 Bonds are outstanding, when combined with the Operating Levy, cannot be less than 40 mills, the portion of Specific Ownership Tax collected as a result of the Required Mill Levy, any funds held in the Town of Parker Escrow Account (See Note 6) allocable to the District, and any other legally available moneys which the District determines to credit to the Bond Fund. The bonds are further secured by a surplus fund in the maximum amount of \$200,000. The Operating Levy imposed by the District can only be in an amount sufficient to produce revenue of not more than \$35,000 per year to fund the operating expenses of the District.

At 12/1/2018, because of delinquent property taxes, the District did not have sufficient funds to pay the scheduled principal amount of \$100,000. Prior to year end the delinquent property taxes were paid to District and the Trustee called a special redemption date for the related bonds. Full payment of the \$100,000 principal plus additional accrued interest of \$956 was paid by the District on January 14, 2019.

At 12/1/2019, because of delinquent property taxes, the District did not have sufficient funds to pay the scheduled principal amount of \$125,000, but was only able to pay \$53,000, leaving a balance of \$72,000 unpaid. Prior to year end the delinquent property taxes were paid to District and the Trustee called a special redemption date for the related bonds. Full payment of the \$72,000 principal balance plus additional accrued interest of \$704 was paid by the District on January 15, 2020.

LINCOLN MEADOWS METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2020

At 12/1/2020, because of delinquent property taxes, the District did not have sufficient funds to pay the scheduled principal amount of \$165,000, but was only able to pay \$128,000, leaving a balance of \$37,000 unpaid. Prior to year end the delinquent property taxes were paid to District and the Trustee called a special redemption date for the related bonds. Full payment of the \$37,000 principal balance plus additional accrued interest of \$444 was paid by the District on January 26, 2021.

The District does not expect to have sufficient funds to pay the full debt service payment required at December 31, 2021. The board is currently considering what options may be available to resolve this issue.

Events of Default as defined in the Series 2014 Bond Indenture are 1) the failure of the District to impose the Required Mill levy, or to apply the Pledged Revenue as required by the Indenture, 2) the default by the District in the performance or observance of any other of the covenants, agreements, or conditions of the 2014 Indenture or the Bond Resolution, and failure to remedy the same after notice thereof pursuant to the Indenture, and 3) the filing of a petition under the federal bankruptcy laws or other applicable laws seeking to adjust the obligations represented by the 2017A Bonds. Failure to pay the principal of or interest on the Series 2014 Bonds when due shall not, of itself, constitute an Event of Default under the Indenture. Remedies available in the Event of Default include 1) receivership, 2) suit for judgment, and 3) other suits. Acceleration of the Series 2014 Bonds is not an available remedy for an Event of Default.

Subordinate Note – 2009

On April 7, 2003, the District entered into a Funding Agreement with Strawberry Tierra, Inc., the Developer. The Developer agreed to fund the District any shortfall for the cost of the infrastructure improvements or its current operating expenses not to exceed \$661,000. The District has agreed to repay the developer at such time as funds become available to repay the advances. Advances accrue at an interest rate of 7% per annum beginning on the start date of this agreement or the date of the actual advance, whichever is later. As of January 1, 2009, the District converted the Developer Advances Payable and Accrued Interest at December 31, 2009, to a Subordinate Note, Series 2009 (“Subordinate Note”) maturing on December 31, 2023 and accruing interest at 7% annum. On July 22, 2014 The Subordinate Note maturity date was revised to December 31, 2039. Any amounts of principal and interest remaining unpaid on the Subordinate Note on the Maturity Date will be cancelled and discharged. The total interest owed on the advances made to the District as of December 31, 2020, is \$592,919. The unpaid principal at that date is \$687,213.

The District did not have any unused lines of credit as of December 31, 2020.

LINCOLN MEADOWS METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2020

The following is an analysis of changes in long-term debt for the period ending December 31, 2020:

	<u>Balance</u> 1/1/2020	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> 12/31/2020	<u>Current</u> <u>Portion</u>
<u>General Obligation Bonds:</u>					
Series 2014 Bonds	\$ 7,387,000	\$ -	\$ 200,000	\$ 7,187,000	\$ 217,000
	7,387,000	-	200,000	7,187,000	217,000
<u>Notes from direct borrowings</u> <u>and direct placements:</u>					
Subordinate Note - 2009	687,213	-	-	687,213	-
Subordinate Note - Accrued Interest	544,814	48,105	-	592,919	-
	1,232,027	48,105	-	1,280,132	-
Total	<u>\$ 8,619,027</u>	<u>\$ 48,105</u>	<u>\$ 200,000</u>	<u>\$ 8,467,132</u>	<u>\$ 217,000</u>

Following is a summary of the annual long-term debt requirements for the Series 2014 Bonds:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 217,000	\$ 572,444	\$ 789,444
2022	195,000	557,600	752,600
2023	210,000	542,000	752,000
2024	225,000	525,200	750,200
2025	245,000	507,200	752,200
2026-2030	5,235,000	1,794,800	7,029,800
2031	860,000	68,800	928,800
	<u>\$ 7,187,000</u>	<u>\$ 4,568,044</u>	<u>\$ 11,755,044</u>

Because of the uncertainty of timing of payments under the Subordinate Note – 2009, no related schedule of expected principal and interest payments is presented.

Debt Authorization

As of December 31, 2020, the District had remaining voted debt authorization of approximately \$2,287,126. The District has not budgeted to issue any new debt during 2021.

LINCOLN MEADOWS METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2020

Note 5: Related Party

The majority of the Board of Directors are employees, owners or are otherwise associated with the Developer or have an interest in undeveloped land within the District and may have conflicts of interest in dealing with the District. Management believes that all potential conflicts, if any, have been disclosed to the Board. See Note 4 regarding the Subordinate Note payable to the Developer from the District.

Note 6: Intergovernmental Agreements

On October 31, 2007, the District and the Town of Parker entered into an exclusion agreement. Under this agreement, in January 2008, the District received \$941,757 from the Town of Parker, which amount is estimated by the District and the Town to be the present value of property and related taxes for which the Property would be responsible if not owned by an entity exempt from the Debt Service Mill Levy. The prepayment was paid to the escrow bank and shall be applied by the escrow bank to (i) the payment of the Series 2014 Bonds or (ii) when the Property is subject to the Debt Service Mill Levy to reimburse any Future Owner which is not exempt from taxation. As of December 31, 2020, the escrow has been fully recorded as revenue and \$0 is reflected on the Balance Sheet as Deferred Revenue.

Note 7: Tax, Spending and Debt Limitations

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

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

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.

LINCOLN MEADOWS METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2020

Note 8: Risk Management

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

The District pays annual premiums to the Pool for auto, public officials’ liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

Note 9: Interfund and Operating Transfers

The transfer of \$42,258 from the General Fund to Debt Service Fund was transferred for the purpose of funding the scheduled debt service payments.

Note 10: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

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

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

LINCOLN MEADOWS METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2020

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

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

Note 11: Net investment in Capital Assets

Net investment in capital assets consists of capital assets and reduced by the outstanding balance of bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2020, the District had net investment in capital assets of \$(7,372,113). This deficit amount was a result of the District being responsible for the repayment of bonds issued for public improvements which the District conveyed to other governmental entities.

SUPPLEMENTAL INFORMATION

LINCOLN MEADOWS METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2020

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES				
Property taxes	\$ 573,052	\$ 573,052	\$ 572,665	\$ (387)
Specific ownership taxes	40,000	42,500	49,428	6,928
Town escrow receipts	72,300	72,735	55,605	(17,130)
Interest income	<u>3,999</u>	<u>2,100</u>	<u>3,866</u>	<u>1,766</u>
Total Revenues	<u>689,351</u>	<u>690,387</u>	<u>681,564</u>	<u>(8,823)</u>
EXPENDITURES				
Bond interest expense	572,262	585,904	585,904	-
Bond principal	165,000	200,000	200,000	-
Legal	200	-	-	-
Paying agent fees	3,000	2,500	2,500	-
Treasurer's fees	<u>8,700</u>	<u>8,700</u>	<u>8,643</u>	<u>57</u>
Total Expenditures	<u>749,162</u>	<u>797,104</u>	<u>797,047</u>	<u>57</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(59,811)	(106,717)	(115,483)	(8,766)
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>56,120</u>	<u>50,000</u>	<u>42,258</u>	<u>(7,742)</u>
Total Other Financing Sources (Uses)	<u>56,120</u>	<u>50,000</u>	<u>42,258</u>	<u>(7,742)</u>
NET CHANGE IN FUND BALANCE				
	(3,691)	(56,717)	(73,225)	(16,508)
FUND BALANCE:				
BEGINNING OF YEAR	<u>3,691</u>	<u>111,390</u>	<u>111,390</u>	<u>-</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 54,673</u>	<u>\$ 38,165</u>	<u>\$ (16,508)</u>

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