PARKER HOMESTEAD METROPOLITAN DISTRICT

Financial Statements

Year Ended December 31, 2020

with

Independent Auditors' Report

CONTENTS

SIMMONS & WHEELER, P.C. Certified Public Accountants
304 Inverness Way South, Suite 490, Englewood, CO 80112 (303) 689-0833

Board of Directors
Parker Homestead Metropolitan District
Arapahoe County, Colorado

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities and each major fund of the Parker Homestead 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 Parker Homestead 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 Parker Homestead 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
March 5, 2021

PARKER HOMESTEAD METROPOLITAN DISTRICT

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

	General	Debt Service	Total	Adjustments	Statement of Net Position
ASSETS					
Cash and investments	$ 10,657	$ -	$ 10,657	$ -	$ 10,657
Cash and investments - restricted	1,380	43,429	44,809	-	44,809
Receivable - County Treasurer	399	4,878	5,277	-	5,277
Property taxes receivable	51,519	632,407	683,926	-	683,926
Prepaid expenses	2,972	-	2,972	-	2,972
Total Assets	$ 66,927	$ 680,714	$ 747,641	-	747,641
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding	-	-	-	433,181	433,181
Total Deferred Outflows of Resources	-	-	-	433,181	433,181
Total Assets and Deferred Outflows of Resources	$ 66,927	$ 680,714	$ 747,641		
LIABILITIES					
Accounts payable	$ 1,949	$ -	$ 1,949	-	1,949
Accrued interest - bonds	-	-	-	98,355	98,355
Long-term liabilities:					
Due within one year	-	-	-	115,000	115,000
Due in more than one year	-	-	-	9,866,650	9,866,650
Total Liabilities	1,949	-	1,949	10,080,005	10,081,954
DEFERRED INFLOWS OF RESOURCES					
Deferred property taxes	51,519	632,407	683,926	-	683,926
Total Deferred Inflows of Resources	51,519	632,407	683,926	-	683,926
FUND BALANCES/NET POSITION					
Fund Balances:					
Nonspendable:					
Prepaids	2,972	-	2,972	(2,972)	-
Restricted:					
Emergencies	1,380	-	1,380	(1,380)	-
Debt service	-	48,307	48,307	(48,307)	-
Unassigned	9,107	-	9,107	(9,107)	-
Total Fund Balances	13,459	48,307	61,766	(61,766)	-
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 66,927	$ 680,714	$ 747,641		
Net Position:					
Net investment in capital assets				(9,532,585)	(9,532,585)
Restricted for:					
Emergencies				1,380	1,380
Debt service				48,307	48,307
Unrestricted				(102,160)	(102,160)
Total Net Position				$ (9,585,058)	$ (9,585,058)

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

PARKER HOMESTEAD METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2020

	General	Debt Service	Total	Adjustments	Statement of Activities
EXPENDITURES					
Accounting and audit	$ 15,409	$ -	$ 15,409	$ -	$ 15,409
Election expense	820	-	820	-	820
Insurance	3,220	-	3,220	-	3,220
Legal	10,614	-	10,614	-	10,614
Management fees	12,960	-	12,960	-	12,960
Miscellaneous expenses	256	-	256	-	256
Treasurer's fees	773	9,471	10,244	-	10,244
Interest expense	-	217,912	217,912	169,655	387,567
Bond issuance costs	-	187,867	187,867	-	187,867
Paying agent fees	-	3,000	3,000	-	3,000
Repay developer advances	10,000	320,000	330,000	(330,000)	-
Total Expenditures	54,052	738,250	792,302	(160,345)	631,957
GENERAL REVENUES					
Property taxes	51,521	630,899	682,420	-	682,420
Specific ownership taxes	4,444	54,420	58,864	-	58,864
Interest income	35	2,470	2,505	-	2,505
Total General Revenues	56,000	687,789	743,789	-	743,789
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,948	(50,461)	(48,513)	160,345	111,832
OTHER FINANCING SOURCES (USES)					
Refunding loan	-	8,300,000	8,300,000	(8,300,000)	-
Refunding loan - premium	-	452,350	452,350	(452,350)	-
Developer contributions	-	-	-	400,000	400,000
Payment to refunded bond escrow agent	-	(9,012,798)	(9,012,798)	9,012,798	-
Total Other Financing Sources (Uses)	-	(260,448)	(260,448)	660,448	400,000
NET CHANGES IN FUND BALANCES	1,948	(310,909)	(308,961)	308,961	
CHANGE IN NET POSITION				511,832	511,832
FUND BALANCES/NET POSITION:					
BEGINNING OF YEAR	11,511	359,216	370,727	(10,467,617)	(10,096,890)
END OF YEAR	$ 13,459	$ 48,307	$ 61,766	$ (9,646,824)	$ (9,585,058)

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

PARKER HOMESTEAD 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 Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	$ 51,521	$ 51,521	$ -
Specific ownership taxes	4,600	4,444	(156)
Interest income	25	35	10
Total Revenues	56,146	56,000	(146)
EXPENDITURES			
Accounting and audit	15,500	15,409	91
Election expense	1,500	820	680
Insurance	3,300	3,220	80
Legal	12,000	10,614	1,386
Management fees	11,000	12,960	(1,960)
Miscellaneous expenses	300	256	44
Treasurer's fees	773	773	-
Repay developer advances	11,000	10,000	1,000
Contingency	5,000	-	5,000
Emergency reserve	1,684	-	1,684
Total Expenditures	62,057	54,052	8,005
NET CHANGE IN FUND BALANCE	(5,911)	1,948	7,859
FUND BALANCE:			
BEGINNING OF YEAR	11,105	11,511	406
END OF YEAR	$ 5,194	$ 13,459	$ 8,265

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

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Parker Homestead 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 March 15, 2011, as a quasi-municipal corporation and political subdivision established under the State of Colorado Special District Act. The District was established to finance and construct certain public infrastructure improvements that benefit the citizens of the District. The District's primary revenues are property taxes and developer advances. 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.

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.

<u>Measurement Focus, Basis of Accounting and Financial Statement Presentation</u>

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 *availabl*e 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 not accounted for and reported in another fund.
>
> 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.

In August 2020, the District amended its total appropriations in the Debt Service Fund from $570,288 to $9,795,436 primarily due to the refunding of the Series 2016 Bonds (see Note 3).

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.

Interfund Balances

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds”. These amounts are eliminated in the Statement of Net Position.

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.

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 one item that qualifies for reporting in this category. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

Capital Assets

Capital assets, which include infrastructure assets (e.g. roads, sidewalks, and similar items), are 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.

All capital assets were conveyed to other entities in prior years.

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.

Original Issue Premium and Deferred Loss on Refunding

The original issue premium from the Series 2020 Loan is being amortized over the life of the loan using the effective interest method. The 2020 deferred loss on refunding is being amortized over the life of the Series 2020 Loan using the straight-line method. Accumulated amortization of the original issue premium and deferred loss on refunding amounted to $13,242 and $10,823, respectively, at 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 $2,972 represents 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 $1,380 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 $48,307 is restricted for the payment of the debt service costs associated with the Series 2020 Loan (see Note 3).

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.

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 reports 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 of 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.

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	$ 10,367
Cash and investments - Restricted	45,099
Total	$ 55,466

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

Deposits with financial institutions	$ 55,466
	$ 55,466

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 does not have a formal policy for deposits. None of the District's deposits were exposed to custodial credit risk.

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.

Credit Risk

The District has adopted an investment policy by which it 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.

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.

As of December 31, 2020, the District did not have any investments.

Note 3: Long Term Obligations

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

	Balance 1/1/2020	Additions	Deletions	Balance 12/31/2020	Current Portion
General Obligation Bonds:					
GO Bonds Series 2016	$ 8,140,000	$ -	$ 8,140,000	$ -	$ -
GO Bonds Series 2016 - premium	355,163	-	355,163	-	-
	8,495,163	-	8,495,163	-	-
Direct Placements:					
Series 2020 Loan	-	8,300,000	-	8,300,000	115,000
Series 2020 Loan - premium	-	452,350	13,242	439,108	-
	-	8,752,350	13,242	8,739,108	115,000
Other:					
Developer Advances:					
Operations:					
Principal	7,889	-	7,889	-	-
Accrued interest	15,289	595	-	15,884	-
Capital:					
Principal	625,493	-	322,111	303,382	-
Accrued interest	1,287,464	35,812	400,000	923,276	-
	1,936,135	36,407	730,000	1,242,542	-
Total	$ 10,431,298	$ 8,788,757	$ 9,238,405	$ 9,981,650	$ 115,000

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

$8,300,000 Taxable Converting to Tax-Exempt General Obligation Refunding Loan, Series 2020
On August 13, 2020, the District entered into a Loan Agreement with BBVA Mortgage Corporation for the amount of $8,300,000 ("Series 2020 Loan") plus an original issue premium of $452,350 for the purpose of refunding the District's Series 2016 Bonds and paying down the balance owed to the Developer for project costs. The Series 2020 Loan matures on December 1, 2040 with interest payable on June 1 and December 1 of each year beginning June 1, 2021. The Series 2020 Loan bears interest at a taxable rate of 3.950% until the date that the loan converts to tax-exempt when the rate changes to 3.170%. The District has the option to covert this loan as of September 1, 2021, and intends to convert at that date.

The Series 2020 Loan is subject to redemption prior to maturity at the option of the District, in whole, or, with the consent of the Lender, in part, on any Interest Payment Date, on or after December 1, 2028 upon payment to the Lender of the principal amount and a) accrued interest, b) any Prepayment Fee, and c) the applicable redemption price as set forth in Exhibit D of the Loan Agreement.

The Series 2020 Loan is secured by Pledged Revenues which include the Required Mill Levy, the portion of the Specific Ownership Tax which is collected as a result of the Required Mill Levy, any PILOT revenue, and any other legally available moneys as determined by the District.

As a result of the issuance of the Series 2020 Loan, the Series 2016 Bonds are considered to be defeased and the liabilities have been removed from the governmental activities column of the statement of net position. The reacquisition price of the old debt exceeded the net carrying amount by $444,004. This amount is recorded as a deferred outflow and is being amortized over the life of the Series 2020 Loan. The refunding resulted in an economic gain of $1,817,580 due to the lower interest rate on the Series 2020 Loan compared to the interest rate on the Series 2016 Bonds.

Events of Default as defined by the Loan Agreement include a) failure by the District to impose the Required Mill Levy or to apply the Pledged Revenue as required by the Loan Agreement, b) insufficiency of funds in the Revenue Fund and Surplus Fund to pay the interest and/or principal on the Loan when due, c) failure by the District to perform any material covenants, agreements, duties, or condition required by the Series Loan documents and fails to remedy the default within 30 days of notice by the Lender, d) determination that any representation or warranty made by the District proves to be untrue or incomplete in any material respect, e) the pledge of the Pledged Revenue, the Collateral, or any other security interest fails to be fully enforceable, f) judgement or court order exceeding insurance coverage in excess of $100,000 is rendered against the District and the District fails to pay or satisfy such judgment for 30 days, g) a change occurs in the financial or operating condition of the District which the Lender judges to have a material adverse impact on the District and its ability to satisfy its obligations, h) the District commences any case, proceeding, or other action relating to bankruptcy, insolvency, reorganization, relief of debtors or appointment of a receiver, trustee or custodian, i) any financing document related to the Series 2020 Loan or pledge or security interest related to such documents ceases to be valid or enforceable, j) the District shall become involved in proceeding to dissolve, consolidate, or cease to exist, and k) any funds or investments on deposit become subject to writ, judgement, warrant, attachment, execution, or similar process. Remedies are available to the Lender as described in the Loan Agreement, however, except for the application of the interest rate being changed to a Default Rate, no remedy will be available solely because of the failure of the District to pay principal of, or interest on, the Loan when due. Acceleration of the Loan is also not an available remedy for an Event of Default.

<u>$8,300,000 General Obligation (Limited Tax Convertible to Unlimited Tax) Refunding and Improvement Bonds, Series 2016</u>

On November 15, 2016, the District issued General Obligation (Limited Tax Convertible to Unlimited Tax) Refunding and Improvements Bonds, Series 2016, in the amount of $8,300,000 ("Series 2016 Bonds"). The Series 2016 Bonds were issued for the purpose of refunding the District's Tax-Exempt Loan, Series 2014 ("Series 2014 Loan"), paying the costs of certain public infrastructure, funding any of the funds created per the Trust Indenture, and paying the costs incurred in connection with the issuance of the Bonds and the refunding of the Series 2014 Loan. The Series 2016 Bonds were issued in denominations of $500,000, mature on December 1, 2044 with interest payable on June 1 and December 1 of each year beginning June 1, 2017. Series 2016 Bonds in the principal amount of $2,120,000 bear interest at 4.5% and mature on December 1, 2030. Series 2016 Bonds in the principal amount of $6,180,000 bear interest at 5.625% and mature on December 1, 2044.

The Series 2016 Bonds are subject to a mandatory sinking fund redemption commencing on December 1, 2018 and are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of $1,000, in any order of maturity and in whole or partial maturities, commencing on December 1, 2021, upon payment of par, accrued interest, and a redemption premium that ranges between 0% and 3%.

The Series 2016 Bonds are secured by Pledged Revenues which include the Required Mill Levy, Capital Fees, the portion of the Specific Ownership Tax which is collected as a result of the Required Mill Levy, and any other legally available moneys as determined by the District.

As a result of the issuance of the Series 2016 Bonds, the Series 2014 Loan is considered to be defeased and the liabilities have been removed from the governmental activities column of the statement of net position. The reacquisition price of the old debt exceeded the net carrying amount by $151,903. This amount is recorded as a deferred outflow and is being amortized over the original remaining life of the refunded loan. The refunding resulted in an economic loss of $806,912 due to extending the term of the debt and converting from a variable rate to a fixed rate.

The Series 2016 Bonds were fully defeased on August 13, 2020, with the issuance of the Series 2020 Loan. As of December 31, 2020, Series 2016 Bonds in the amount of $8,020,000 were still outstanding and pending redemption from escrow funds managed by the Escrow Agent.

The following is a summary of the annual long-term debt principal and interest requirements for the Series 2020 Loan:

	Principal	Interest	Total
2021	$ 115,000	$ 410,020	$ 525,020
2022	275,000	259,465	534,465
2023	285,000	250,747	535,747
2024	300,000	241,713	541,713
2025	315,000	232,203	547,203
2026 - 2030	1,830,000	1,000,611	2,830,611
2031 - 2035	2,290,000	681,867	2,971,867
2036 - 2040	2,890,000	283,081	3,173,081
	$ 8,300,000	$ 3,359,705	$ 11,659,705

There are no unused Lines of Credit as of December 31, 2020.

Project Funding and Reimbursement Agreement

The District entered into a Project Funding and Reimbursement Agreement ("Project Agreement") dated March 23, 2011, with an effective date of March 15, 2011, as amended in the First Amendment to the Project Funding and Reimbursement Agreement ("First Amendment") dated March 15, 2014, and the Second Amendment to the Project Funding and Reimbursement Agreement ("Second Amendment") dated November 14, 2016, with an effective date of March 15, 2011, by and between the District and Parker Homestead Investments, LLC, a Colorado limited liability company (the "Developer"), which provide for certain procedures for the funding of public improvements to be constructed by the Developer and the procedures for the District to acquire such public improvements upon completion.

Per the Project Agreement, the District will reimburse the Developer for advances made for district organization and construction related expenses up to $8,182,984, which includes amounts advanced under the Development Agreement (see Note 5). For advances made for organization expenses, simple interest shall accrue from the date of organization of the District until paid at the rate of 8% per annum. For construction related expenses, simple interest shall accrue on each developer advance from the date of deposit into the District's account until paid at the rate of 8% per annum. The reimbursement obligations under the Project Agreement were subordinate to the Chambers Road Costs from the IGA between the District and the Town of Parker ("Town"), which obligation was satisfied in full in 2016 (See Note 5) and the costs of the South Newlin Gulch Trail as part of the Development Agreement.

Per the First Amendment to the Project Agreement, payments by the District to the Developer under the Project Agreement will be applied first to the principal amount due and then to accrued and unpaid interest.

Per the Second Amendment to the Project Agreement, the parties agreed that, in lieu of advancing funds to the District for Construction Related Expenses, the Developer may construct or cause the construction of all or a portion of the Improvements, subject to certain conditions precedent to the District's obligation to reimburse Construction Related Expenses incurred by the Developer, including: (1) with respect to Improvements to be acquired by the District, as-built drawings and such other documentation as may be required by the District to verify that there are no outstanding amounts due to contractors, subcontractors, material providers or suppliers; (2) with respect to Improvements to be dedicated to the Town, Parker Water and Sanitation District or other appropriate jurisdiction, evidence satisfactory to the District that the Improvements have been finally accepted by such jurisdiction; and (3) with respect to all Developer constructed Improvements, certification of an independent engineer. Additionally, any such reimbursements shall be subject to the same terms and conditions as apply to reimbursement of Developer advances under the Project Agreement.

The term of the Project Agreement will expire on December 31, 2041. Any principal and accrued interest outstanding on December 31, 2041 shall be deemed forever discharged and satisfied in full.

Facilities Acquisition and Reimbursement Agreement

The District entered into a Facilities Acquisition and Reimbursement Agreement ("FARA") dated March 19, 2014, as amended in the First Amendment to the Facilities Acquisition and Reimbursement Agreement ("First Amendment"), dated and effective October 6, 2016, by and between the District and the Developer, pursuant to which the Developer deposited land sale proceeds into an escrow account established pursuant to a purchase and sale agreement with Lennar Colorado, LLC ("Lennar"). The proceeds in the escrow account were advanced by the Developer, to pay costs incurred by Lennar Colorado, LLC ("Lennar"), up to a maximum of $600,000, for the construction of certain street, water, sanitary sewer, drainage and landscape improvements (the "Lennar Improvements"), acquire the Lennar Improvements from Lennar, and then convey the Lennar Improvements to the District. Pursuant to the First Amendment to the FARA, the parties amended the maximum amount that the District will reimburse the Developer for funds advanced for the Lennar Improvements under the FARA, from $600,000 up to $1,788,779.06, together with interest thereon. Under the FARA, simple interest accrues at the rate of 8% per annum until paid.

When the District's 2015 Audit was prepared, the FARA capped the reimbursable amount to $600,000, and at that time that the District had no obligation nor sufficient funds to reimburse the $1,119,081 incurred for construction of the Lennar Improvements. In turn, the $1,119,081 was characterized as a "Developer contribution" to acknowledge the full amount advanced by the Developer for these improvements.

Subsequent development of property within the District increased its assessed valuation to the extent that the District did have the financial capacity to reimburse the Developer for the additional costs and the District asked its independent engineer, 2N Civil, to verify District-eligible costs of the Lennar Improvements. By letter dated October 3, 2016, 2N Civil verified costs totaling $1,719,080.97. The District thus amended the FARA in the First Amendment on October 6, 2016, to increase the amount reimbursable under the FARA to $1,788,779.06, and this amount was accepted by the Board at its October 13, 2016, meeting.

On August 6, 2020, the agreement was modified by the Second Amendment to Facilities Acquisition and Reimbursement Agreement to clarify the intention of the parties regarding the Series 2020 Loan and the outstanding principal and interest outstanding under the FARA moving forward. Modifications included a) use of the proceeds of the Series 2020 Loan to pay a portion of the outstanding principal owed under the FAR as long as the loan is closed and disbursed on or before September 30, 2020, b) use of the proceeds to remit $300,000 to Developer as partial payment of principal under the FARA, and c) write-off of $400,000 of interest under this agreement by the Developer and reduction of the interest rate on the remaining principal balance from 8.0% to 4.0%.

At December 31, 2020, $303,382 in principal and $923,276 in interest is due to the Developer for capital advances under the Project Agreement and the FARA.

<u>Operation Funding Agreements</u>
The District and Developer have entered into Operation Funding Agreements for each of the years 2011, 2012, 2013, 2014, 2015 and 2016 ("Operation Funding Agreements"), pursuant to which the Developer agreed to advance funds to the District for operations and maintenance expenses to the extent that other District revenues are insufficient to pay such expenses. Simple interest will accrue on each Developer advance from the date of deposit into the District's account at the rate of 8% per annum until paid. The District's intent is to repay the Developer to the extent it has funds available from the imposition of its taxes, rates, toll, penalties and charges or other legally available revenue, after payment of its annual debt service obligations and annual operations and maintenance expenses. The term of the reimbursement obligation under each Operation Funding Agreement is 40 years, and any principal and accrued interest outstanding at the end of such 40-year period shall be deemed forever discharged and satisfied in full. All of the Operation Funding Agreements have been amended at the Developer's request to provide for the payment of principal before interest.

As no additional advances will be required by the District, this agreement was terminated as of August 6, 2020. At December 31, 2020, $15,884 is due to the Developer under the 2011, 2012, 2013, 2014, 2015 and 2016 Operation Funding Agreements, $0 of principal and $15,884 of accrued interest.

Debt Authorization

As of December 31, 2020, the District had authorized but unissued general obligation indebtedness in the following amounts allocated for the following purposes:

Authorization Used and Remaining from 2010 Election					
Purpose	Principal Amount Voted	Principal Amount Used by 2014 Loan Agreement	Principal Amount Used by Series 2016 Bonds	Principal Amount Used by Series 2020 Loan	Principal Amount Remaining
Water	$ 8,300,000	$ (1,367,123)	$ (818,651)	$ (64,472)	$ 6,049,754
Sanitation	8,300,000	(810,147)	(927,139)	(73,016)	6,489,698
Streets	8,300,000	(2,481,076)	(796,436)	(62,723)	4,959,765
Park and Recreation	8,300,000	(405,074)	(1,160,404)	(91,387)	6,643,135
Operations	1,000,000	-	-	-	1,000,000
Refunding	16,600,000	-	(4,597,370)	(8,239,154)	3,763,476
IGA Debt	8,300,000	-	-	-	8,300,000
TOTAL	$ 59,100,000	$ (5,063,420)	$ (8,300,000)	$ (8,530,752)	$ 37,205,828

The District has not budgeted to issue any new debt during 2021. Per the District's Service Plan, the District cannot issue debt in excess of $8,300,000. Per the Service Plan, for any portion of the District Debt which exceeds 50% of the District's assessed valuation, the maximum debt mill levy for such portion of debt shall be 35 mills (as adjusted for Gallagher on or after January 1, 2000) less the number of mills necessary to pay District administrative operating expenses and the number of mills necessary to pay unlimited mill levy debt.

Note 4: Related Party

All of the Board of Directors are employees, owners or are otherwise associated with the Developer 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.

Note 5: 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.

On November 2, 2010, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

Note 6: 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 7: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

The Governmental Funds Balance Sheet/Statement of Net Position 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 loans, developer advances payable and accrued developer advance interest payable are not due and payable in the current period and, therefore, are not in the funds.

The Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities 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 developer advances and loan 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.

SUPPLEMENTAL INFORMATION

PARKER HOMESTEAD 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 Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Property taxes	$ 630,897	$ 630,898	$ 630,899	$ 1
Specific ownership taxes	56,800	50,472	54,420	3,948
Interest income	6,000	2,500	2,470	(30)
Total Revenues	693,697	683,870	687,789	3,919
EXPENDITURES				
Treasurer's fees	9,463	9,463	9,471	(8)
Bond principal	120,000	-	-	-
Interest expense	435,825	217,913	217,912	1
Bond issuance costs		210,952	187,867	23,085
Paying agent fees	3,000	3,000	3,000	-
Repay developer advances		300,000	320,000	(20,000)
Contingency	2,000	41,310	-	41,310
Total Expenditures	570,288	782,638	738,250	44,388
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	123,409	(98,768)	(50,461)	48,307
OTHER FINANCING SOURCES (USES)				
Refunding loan	-	8,300,000	8,300,000	-
Refunding loan - premium		452,350	452,350	-
Payment to refunded bond escrow agent	-	(9,012,798)	(9,012,798)	-
Total Other Financing Sources (Uses)	-	(260,448)	(260,448)	-
NET CHANGE IN FUND BALANCE	123,409	(359,216)	(310,909)	48,307
FUND BALANCE:				
BEGINNING OF YEAR	358,252	359,216	359,216	-
END OF YEAR	$ 481,661	$ -	$ 48,307	$ 48,307

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