

**LANTERNS METROPOLITAN DISTRICT
NO. 1
Douglas County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2020

**LANTERNS METROPOLITAN DISTRICT NO. 1
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Independent Auditor's Report

To the Board of Directors
Lanterns Metropolitan District No. 1

Opinion

We have audited the accompanying financial statements of the governmental activities and the major funds of Lanterns Metropolitan District No. 1 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major funds of Lanterns Metropolitan District No. 1, as of December 31, 2020 and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lanterns Metropolitan District No. 1's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

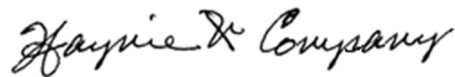
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Lanterns Metropolitan District No. 1 No. 1's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lanterns Metropolitan District No. 1's ability to continue as a going concern for a reasonable period of time.

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.



Littleton, Colorado
September 28, 2021

BASIC FINANCIAL STATEMENTS

LANTERNS METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION
DECEMBER 31, 2020

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 12,907
Cash and Investments - Restricted	3,084,367
Accounts Receivable - County Treasurer	8
Property Taxes Receivable	185,038
Prepaid Expenses	2,519
Capital Assets, Not Being Depreciated:	
Construction in Progress	<u>13,566,988</u>
Total Assets	<u>16,851,827</u>
LIABILITIES	
Accounts Payable	27,005
Accrued Interest on Bonds	78,083
Noncurrent Liabilities:	
Due in More Than One Year	<u>23,841,954</u>
Total Liabilities	<u>23,947,042</u>
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	<u>185,038</u>
Total Deferred Inflows of Resources	<u>185,038</u>
NET POSITION	
Restricted For:	
Emergency Reserves	100
Debt Service	1,407,974
Unrestricted	<u>(8,688,327)</u>
Total Net Position	<u><u>\$ (7,280,253)</u></u>

See accompanying Notes to Basic Financial Statements.

LANTERNS METROPOLITAN DISTRICT NO. 1
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

		Program Revenues			Net Revenues (Expenses) and Change in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
FUNCTIONS/PROGRAMS					
Primary Government:					
Governmental Activities:					
General Government	\$ 1,926,778	\$ -	\$ -	\$ -	\$ (1,926,778)
Interest and Related Costs on Long-Term Debt	<u>1,270,968</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,270,968)</u>
Total Governmental Activities	<u><u>\$ 3,197,746</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>(3,197,746)</u></u>
GENERAL REVENUES					
Property Taxes					1,013
Specific Ownership Taxes					88
Net Investment Income					<u>43,560</u>
Total General Revenues					<u><u>44,661</u></u>
CHANGE IN NET POSITION					(3,153,085)
Net Position - Beginning of Year					<u>(4,127,168)</u>
NET POSITION - END OF YEAR					<u><u>\$ (7,280,253)</u></u>

See accompanying Notes to Basic Financial Statements.

LANTERNS METROPOLITAN DISTRICT NO. 1
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and Investments - Restricted	\$ 100	\$ 3,081,951	\$ 2,316	\$ 3,084,367
Due from Other Funds	18,726	-	-	18,726
Accounts Receivable - County Treasurer	1	7	-	8
Property Taxes Receivable	27,285	157,753	-	185,038
Prepaid insurance	2,519	-	-	2,519
Total Assets	<u>\$ 61,538</u>	<u>\$ 3,239,711</u>	<u>\$ 2,316</u>	<u>\$ 3,303,565</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 27,005	\$ -	\$ -	\$ 27,005
Due to Other Funds	-	8,581	10,145	18,726
Total Liabilities	<u>27,005</u>	<u>8,581</u>	<u>10,145</u>	<u>45,731</u>
DEFERRED INFLOWS OF RESOURCES				
Property Tax Revenue	<u>27,285</u>	<u>157,753</u>	<u>-</u>	<u>185,038</u>
Total Deferred Inflows of Resources	<u>27,285</u>	<u>157,753</u>	<u>-</u>	<u>185,038</u>
FUND BALANCES				
Nonspendable:				
Prepaid Expenses	2,519	-	-	2,519
Restricted For:				
Emergencies (TABOR)	100	-	-	100
Debt Service	-	3,073,377	-	3,073,377
Capital Projects	-	-	(7,829)	(7,829)
Unassigned	<u>4,629</u>	<u>-</u>	<u>-</u>	<u>4,629</u>
Total Fund Balances	<u>7,248</u>	<u>3,073,377</u>	<u>(7,829)</u>	<u>3,072,796</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 61,538</u>	<u>\$ 3,239,711</u>	<u>\$ 2,316</u>	
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				13,566,988
Long-term liabilities, including Developer advances payable and bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.				
Bonds Payable				(22,120,000)
Bonds Interest Payable				(436,726)
Premium on Bonds Payable				(401,674)
Accrued Interest Payable - Bonds				(78,083)
Developer Advance Payable				(598,692)
Accrued Interest Payable - Developer Advance				<u>(284,862)</u>
Net Position of Governmental Activities				<u>\$ (7,280,253)</u>

See accompanying Notes to Basic Financial Statements.

LANTERNS METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICIT)
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
Property Taxes	\$ 149	\$ 864	\$ -	\$ 1,013
Specific Ownership Taxes	13	75	-	88
Net Investment Income	-	17,846	25,714	43,560
Total Revenues	162	18,785	25,714	44,661
EXPENDITURES				
General:				
Accounting	36,277	-	5,895	42,172
Audit	4,800	-	-	4,800
County Treasurer's Fees	2	13	-	15
Engineering	-	-	13,363	13,363
Insurance	3,573	-	-	3,573
Intergovernmental - CCMD	-	-	1,762,157	1,762,157
Intergovernmental - Town of Castle Rock	-	-	79,603	79,603
Legal	18,729	-	484	19,213
Election	1,790	-	-	1,790
Banking fees	92	-	-	92
Debt Service:				
Paying Agent Fees	-	9,500	-	9,500
Bond Interest	-	937,000	-	937,000
Capital Projects:				
Capital Outlay	-	-	5,948,192	5,948,192
Total Expenditures	65,263	946,513	7,809,694	8,821,470
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES	(65,101)	(927,728)	(7,783,980)	(8,776,809)
OTHER FINANCING SOURCES (USES)				
Developer Advances	74,452	-	5,948,192	6,022,644
Repay Developer Advances	-	-	(5,948,192)	(5,948,192)
Total Other Financing Sources (Uses)	74,452	-	-	74,452
NET CHANGE IN FUND BALANCES	9,351	(927,728)	(7,783,980)	(8,702,357)
Fund Balances - Beginning of Year	(2,103)	4,001,105	7,776,151	11,775,153
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 7,248</u>	<u>\$ 3,073,377</u>	<u>\$ (7,829)</u>	<u>\$ 3,072,796</u>

See accompanying Notes to Basic Financial Statements.

LANTERNS METROPOLITAN DISTRICT NO. 1
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

Net Change in Fund Balances - Governmental Funds \$ (8,702,357)

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

Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense, the allocation of the cost of any depreciable asset over the estimated useful life of the asset. Capital outlay, the conveyance of capital assets to other governments and depreciation expense in the current period are as follows:

Capital Outlay	5,948,192
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The issuance of long-term debt (e.g., issuance of bonds, the receipt of Developer advances) provides current financial resources to governmental funds, while the repayment of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Amortization of Bond Premium - Change in Asset	19,110
Developer Advance - O&M	(74,452)
Developer Advance - Capital	(5,948,192)
Repayment of Developer Advance - Capital - Principal	5,948,192
Repayment of Developer Advance - Infrastructure - Principal	14,804

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

Accrued Interest on Bonds - Change in Liability	(314,720)
Accrued Interest on Developer Advance - Change in Liability	(43,662)

Change in Net Position of Governmental Activities	<u><u>\$ (3,153,085)</u></u>
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LANTERNS METROPOLITAN DISTRICT NO. 1
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020

	Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 152	\$ 149	\$ (3)
Specific Ownership Taxes	14	13	(1)
Total Revenues	166	162	(4)
EXPENDITURES			
General:			
Accounting	20,000	36,277	(16,277)
Audit	5,000	4,800	200
County Treasurer's Fees	2	2	-
Insurance	4,000	3,573	427
Legal	30,000	18,729	11,271
Banking fees	-	92	(92)
Election	5,000	1,790	3,210
Contingency	5,998	-	5,998
Total Expenditures	70,000	65,263	4,737
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(69,834)	(65,101)	4,733
OTHER FINANCING SOURCES (USES)			
Developer Advances	69,834	74,452	4,618
Total Other Financing Sources (Uses)	69,834	74,452	4,618
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-	9,351	9,351
Fund Balance - Beginning of Year	100	(2,103)	(2,203)
FUND BALANCE - END OF YEAR	\$ 100	\$ 7,248	\$ 7,148

See accompanying Notes to Basic Financial Statements.

LANTERNS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 DEFINITION OF REPORTING ENTITY

Lanterns Metropolitan District No. 1 (the District), a quasi-municipal corporation and a political subdivision of the state of Colorado, was organized by order and decree of the District Court for the Town of Castle Rock in February 2004 and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District operates under a Service Plan approved by the Town Council of the Town of Castle Rock, and as modified on September 16, 2014. The District's service area is located in the Town of Castle Rock, Douglas County, Colorado. District Nos. 1-3 are authorized to implement the Capital Plan and Financial Plan within their respective boundaries. District No. 4 and District no. 5 are being organized to provide operations and maintenance services to the Service Area and will function as overly districts that will share boundaries with District Nos. 1-3.

The District was established to provide financing for the design, acquisition, installation, construction and completion of public improvements and services, including water, sanitation, street, safety protection, park and recreation, transportation, television relay and translation and mosquito control improvements and services.

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

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-Wide and Fund Financial Statements

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

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

LANTERNS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

The District reports the following major governmental funds:

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

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

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

LANTERNS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

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

The District has amended its annual budget for the year ended December 31, 2020.

Pooled Cash and Investments

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

Property Taxes

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

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

Capital Assets

Capital assets, which include infrastructure assets, are reported in the applicable governmental activities column 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. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress, and are not included in the calculation of the net investment in capital assets component of the District's net position.

LANTERNS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset 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.

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.

Amortization

Original Issue Discount/Premium

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Deferred Inflows of Resources

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

Equity

Net Position

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

Fund Balance

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

LANTERNS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

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

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

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

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

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

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

Deficit

The Capital Project Fund reported a deficit in the fund financial statements as of December 31, 2020. The deficit in the fund financial statements as of December 31, 2021 was eliminated with the receipt of developer advances in 2021. The adopted 2021 budget anticipated receiving revenues in excess of expenditures in 2021 such that the excess revenue remedied the deficit ending fund balance as of December 31, 2020.

NOTE 3 CASH AND INVESTMENTS

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

Statement of Net Position:

Cash and Investments	\$ 12,907
Cash and Investments - Restricted	3,084,367
Total Cash and Investments	<u>\$ 3,097,274</u>

LANTERNS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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

Deposits with Financial Institutions	\$ 13,007
Investments	<u>3,084,267</u>
Total Cash and Investments	<u><u>\$ 3,097,274</u></u>

Cash Deposits

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

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

At December 31, 2020, the District's cash deposits had a bank balance and a carrying balance of \$13,007.

Investments

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

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

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

LANTERNS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

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

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

Fair Value Measurement and Application

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation in 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, and Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series), money market funds (generally held by Bank Trust Department in their role as paying agent or trustee), CSAFE (which are recorded at amortized cost), and COLOTRUST (which are recorded at net asset value).

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

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
U.S. Treasury Money Market Fund	Weighted-Average Under 60 Days	<u>\$ 3,084,267</u>

Morgan Stanley Institutional Liquidity Funds – Treasury

The debt service money that is included in the trust accounts at United Missouri Bank (successor of American National Bank) is invested in the SEI Daily Income Treasury Portfolio. This portfolio is a money market fund that is managed by SEI Investments and each share is equal in value to \$1.00. The fund is AAA rated and invests exclusively in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. The average maturity of the underlying securities is 90 days or less.

LANTERNS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 4 CAPITAL ASSETS

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

	Balance - December 31, 2019	Increases	Decreases	Balance - December 31, 2020
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 7,618,796	\$ 5,948,192	\$ -	\$ 13,566,988
Total Capital Assets, Not Being Depreciated	<u>\$ 7,618,796</u>	<u>\$ 5,948,192</u>	<u>\$ -</u>	<u>\$ 13,566,988</u>

NOTE 5 LONG-TERM OBLIGATIONS

The following is an analysis of changes in the District's long-term obligations for the year ended December 31, 2020:

	Balance - December 31, 2019	Additions	Reductions	Balance - December 31, 2020	Due Within One Year
Bonds Payable:					
Limited Tax General Obligation Bonds:					
Senior - Series 2019A	\$ 18,740,000	\$ -	\$ -	\$ 18,740,000	\$ -
Subordinate - Series 2019B	2,051,000	-	-	2,051,000	-
Junior Lien - Series 2019C	1,329,000	-	-	1,329,000	-
Premium on Series 2019A Bonds	420,784	-	19,110	401,674	-
Accrued Interest on:					
Series 2019B Bonds	66,422	170,723	-	237,145	-
Series 2019C Bonds	55,584	143,997	-	199,581	-
Subtotal of Bonds Payable	<u>22,662,790</u>	<u>314,720</u>	<u>19,110</u>	<u>22,958,400</u>	<u>-</u>
Other Debts:					
Developer Advances - Organization Costs - Jefferson	145,171	-	-	145,171	-
Developer Advances - O&M - Toll Brothers	144,314	74,452	-	218,766	-
Developer Advances - Capital - Toll Brothers	36,701	5,948,192	5,948,192	36,701	-
Developer Advances - O&M - Jefferson	92,368	-	-	92,368	-
Developer Advances - Capital - Jefferson	105,686	-	-	105,686	-
Developer Advances - Infrastructure - Toll Brothers	14,804	-	14,804	-	-
Accrued Interest on:					
Developer Advances - Organization Costs - Jefferson	122,076	-	-	122,076	-
Developer Advances - O&M - Toll Brothers	9,093	13,916	-	23,009	-
Developer Advances - Capital - Toll Brothers	4,183	2,944	-	7,127	-
Developer Advances - O&M - Jefferson	46,953	7,389	-	54,342	-
Developer Advances - Capital - Jefferson	57,391	8,455	-	65,846	-
Developer Advances - Infrastructure - Toll Brothers	1,504	10,958	-	12,462	-
Subtotal of Other Debts	<u>780,244</u>	<u>6,066,306</u>	<u>5,962,996</u>	<u>883,554</u>	<u>-</u>
Total Long-Term Obligation	<u>\$ 23,443,034</u>	<u>\$ 6,381,026</u>	<u>\$ 5,982,106</u>	<u>\$ 23,841,954</u>	<u>\$ -</u>

LANTERNS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

The details of the District's general obligation bonds outstanding during 2020 are as follows:

Limited Tax General Obligation Bonds, Series 2019A (the Senior Bonds), Subordinate Limited Tax General Obligation Bonds, Series 2019B (the Subordinate Bonds), and Junior Lien Limited Tax General Obligation Bonds, Series 2019C (the Junior Lien Bonds, and together with the Senior Bonds and the Subordinate Bonds, the Bonds)

Bond Details

The District issued the Bonds on July 31, 2019, in the par amounts of \$18,740,000 for the Senior Bonds, \$2,051,000 for the Subordinate Bonds, and \$1,329,000 for the Junior Lien Bonds. Proceeds of the Senior Bonds were used to: (i) fund and reimburse a portion of the costs of acquiring, constructing, and installing certain public improvements; (ii) pay capitalized interest on the Senior Bonds; (iii) fund the initial deposit to the Senior Surplus Fund; and (iv) pay other costs in connection with the issuance of the Bonds. Proceeds of the Subordinate Bonds were used to fund and reimburse additional public improvements related to the Development and pay certain costs of issuance. The Junior Lien Bonds were issued to pay a portion of amounts due and payable to the Developer under the Acquisition and Reimbursement Agreement.

Senior Bonds Details

The Senior Bonds were issued as two term bonds with respective maturities of December 1, 2039 and December 1, 2049. The Senior Bonds bear interest at 5.000% per annum, payable semiannually on June 1 and December 1 of each year commencing December 1, 2019, and mature on December 1, 2049. Annual mandatory sinking fund principal payments are due on December 1, beginning on December 1, 2024.

To the extent the principal of any Senior Bond is not paid when due, such principal shall remain outstanding until paid subject to the discharge date of December 1, 2054. To the extent interest on any Senior Bond is not paid when due, such interest shall compound semiannually on each June 1 and December 1 at the interest rate then borne by the Senior Bond until the total repayment obligation of the District for the Senior Bonds equals the amount permitted by law and the Election in repayment of the Senior Bonds. In the event that any amount of principal of or interest on the Senior Bonds remains unpaid after the application of all Senior Pledged Revenue available therefor on December 1, 2054, the Senior Bonds and the lien of the Senior Indenture shall be deemed discharged.

Senior Bonds Pledged Revenue

The Senior Bonds are payable solely from and to the extent of Senior Pledged Revenue, net of any costs of collection, as follows: (a) all Senior Property Tax Revenues; (b) all Senior Specific Ownership Tax Revenues; (c) all Capital Fees, if any; and (d) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Senior Bond Fund.

LANTERNS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

“Senior Property Tax Revenues” are generally defined as all moneys derived from imposition by the District of the Senior Required Mill Levy. Senior Property Tax Revenues are net of the costs of collection and any tax refunds or abatements authorized by or on behalf of the County. Senior Property Tax Revenues do not include Senior Specific Ownership Tax Revenues.

“Senior Specific Ownership Tax Revenues” mean the specific ownership taxes remitted to the District as a result of its imposition of the Senior Required Mill Levy.

“Capital Fees” are defined as all fees, rates, tolls, penalties, and charges of a capital nature (excluding periodic, recurring service charges) imposed by the District for services, programs, or facilities furnished by the District. Capital Fees do not include any other fee imposed by the District solely for the purpose of funding operation and maintenance expenses. While Capital Fees are pledged to the payment of the Bonds, the District currently does not impose Capital Fees.

Senior Required Mill Levy

The District has covenanted to impose a Senior Required Mill Levy on all taxable property of the District each year in an amount that generates Senior Property Tax Revenues sufficient to pay the principal of, premium if any, and interest on the Senior Bonds when due (less any amounts then on deposit in the Senior Bond Fund and the Senior Surplus Fund), but not in excess of 63.600 mills (subject to adjustment for changes in the method of calculating assessed valuation occurring after January 1, 2018). For so long as the amount on deposit in the Senior Surplus Fund is less than the Maximum Surplus Amount, the Senior Required Mill Levy shall be equal to 63.600 mills (subject to adjustment) or such lesser amount that generates Senior Property Tax Revenues (A) sufficient to pay the principal of, premium if any, and interest on the Senior Bonds when due, and to fully fund the Senior Surplus Fund to the Maximum Surplus Amount, or (B) which, when combined with moneys then on deposit in the Senior Bond Fund and the Senior Surplus Fund, will pay the Senior Bonds in full in the year such levy is collected.

Additional Security for Senior Bonds

The Senior Bonds are additionally secured by capitalized interest which was funded from proceeds of the Bonds in the amount of \$2,811,000 and by amounts in the Senior Surplus Fund (if any). The Senior Surplus Fund was partially funded in the amount of the Initial Deposit of \$1,479,000 on the date of issuance of the Senior Bonds. The Senior Surplus Fund will be further funded from Senior Pledged Revenue that is not needed to pay debt service on the Senior Bonds (if any) in any year up to the Maximum Surplus Amount of \$3,748,000. The balance in the Senior Surplus Fund as of December 31, 2020, is \$1,494,631.

LANTERNS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Subordinate Bonds Details

The Subordinate Bonds bear interest at 7.750% and mature on December 15, 2049. The Subordinate Bonds constitute subordinate “cash flow” bonds, meaning that no regularly scheduled principal payments are due prior to the maturity date, and interest payments not paid when due will accrue and compound until sufficient Subordinate Pledged Revenue is available for payment. Principal and interest payments are due on the Subordinate Bonds on each December 15, beginning December 15, 2019, through December 15, 2049, only to the extent of available Subordinate Pledged Revenue.

In the event that Subordinate Pledged Revenue is insufficient to pay the Subordinate Bonds, the unpaid principal will continue to bear interest and the unpaid interest will compound annually until the total repayment obligation of the District for the Subordinate Bonds equals the amount permitted by law and the Election in repayment of the Subordinate Bonds. In the event that any amount of principal or interest on the Subordinate Bonds remains unpaid after the application of all available Subordinate Pledged Revenue on December 15, 2054, the Subordinate Bonds shall be deemed discharged and shall no longer be due and outstanding.

Subordinate Bonds Pledged Revenue

The Subordinate Bonds are payable solely from and to the extent of the Subordinate Pledged Revenue, net of any costs of collection, as follows: (a) all Subordinate Property Tax Revenues; (b) all Subordinate Specific Ownership Tax Revenues; (c) all Subordinate Capital Fee Revenue, if any; and (d) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Subordinate Bond Fund.

“Subordinate Property Tax Revenues” are defined as all moneys derived from imposition by the District of the Subordinate Required Mill Levy. Subordinate Property Tax Revenues are net of the costs of collection and any tax refunds or abatements authorized by or on behalf of the County. Subordinate Property Tax Revenues do not include Subordinate Specific Ownership Tax Revenues.

“Subordinate Specific Ownership Tax Revenues” mean the specific ownership taxes remitted to the District as a result of its imposition of the Subordinate Required Mill Levy.

“Subordinate Capital Fee Revenue” means any revenue from Capital Fees remaining after deduction of any amount applied to the payment of any Senior Obligations.

Subordinate Required Mill Levy

The District has covenanted to impose a Subordinate Required Mill Levy on all taxable property of the District each year in an amount equal to (i) 63.600 mills (as adjusted) less the Senior Obligation Mill Levy, or (ii) such lesser amount, which if imposed by the District for collection in the succeeding calendar year, would generate Subordinate Property Tax Revenues which, when combined with moneys then on deposit in the Subordinate Bond Fund, will pay the Subordinate Bonds in full in the year such levy is collected. The Senior Obligation Mill Levy is the sum of the Senior Required Mill Levy and any other mill levy required to be imposed for the payment of Senior Obligations.

LANTERNS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Junior Lien Bonds Details

The Junior Lien Bonds bear interest at 10.000% and mature on December 15, 2049. The Junior Lien Bonds constitute subordinate “cash flow” bonds, meaning that no regularly scheduled principal payments are due prior to the maturity date, and interest payments not paid when due will accrue and compound until sufficient Junior Lien Pledged Revenue is available for payment. Principal and interest payments are due on the Junior Lien Bonds on each December 15, beginning December 15, 2019, through December 15, 2049, only to the extent of available Subordinate Pledged Revenue.

In the event that Junior Lien Pledged Revenue is insufficient to pay the Junior Lien Bonds, the unpaid principal will continue to bear interest and the unpaid interest will compound annually until the total repayment obligation of the District for the Junior Lien Bonds equals the amount permitted by law and the Election in repayment of the Junior Lien Bonds. In the event that any amount of principal or interest on the Junior Lien Bonds remains unpaid after the application of all available Junior Lien Pledged Revenue on December 15, 2054, the Junior Lien Bonds shall be deemed discharged and shall no longer be due and outstanding.

Junior Lien Bonds Pledged Revenue

The Junior Lien Bonds are payable solely from and to the extent of the Junior Lien Pledged Revenue, net costs of collection, as follows: (a) all Junior Lien Property Tax Revenues; (b) all Junior Lien Specific Ownership Tax Revenues; (c) all Junior Lien Capital Fee Revenue, if any; and (d) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Junior Lien Bond Fund.

“Junior Lien Property Tax Revenues” are defined as all moneys derived from imposition by the District of the Junior Lien Required Mill Levy. Junior Lien Property Tax Revenues are net of the costs of collection and any tax refunds or abatements authorized by or on behalf of the County. Junior Lien Property Tax Revenues do not include Junior Lien Specific Ownership Tax Revenues.

“Junior Lien Specific Ownership Tax Revenues” mean the specific ownership taxes remitted to the District as a result of its imposition of the Junior Lien Required Mill Levy.

“Junior Lien Capital Fee Revenue” means any revenue from Capital Fees remaining after deduction of any amount applied to the payment of any Senior/Subordinate Obligations.

Junior Lien Required Mill Levy

The District has covenanted to impose a Junior Lien Required Mill Levy on all taxable property of the District each year in an amount equal to (i) 63.600 mills (as adjusted) less the Senior/Subordinate Required Mill Levy (which is defined as the sum of the Senior Required Mill Levy, the Subordinate Required Mill Levy, and any other ad valorem property tax levy required to be imposed by the District for the payment of other Senior/Subordinate Obligations), or (ii) such lesser amount which, if imposed by the District for collection in the succeeding calendar year, would generate Junior Lien Property Tax Revenues which, when combined with moneys then on deposit in the Junior Lien Bond Fund, will pay the Junior Lien Bonds in full in the year such levy is collected.

LANTERNS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Senior Bonds Debt Service

The outstanding principal and interest of the Senior Bonds are due as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ -	\$ 937,000	\$ 937,000
2022	-	937,000	937,000
2023	-	937,000	937,000
2024	95,000	937,000	1,032,000
2025	220,000	932,250	1,152,250
2026-2030	1,595,000	4,460,500	6,055,500
2031-2035	2,365,000	3,988,500	6,353,500
2036-2040	3,380,000	3,301,500	6,681,500
2041-2045	4,670,000	2,333,750	7,003,750
2046-2049	6,415,000	930,750	7,345,750
Total	<u>\$ 18,740,000</u>	<u>\$ 19,695,250</u>	<u>\$ 38,435,250</u>

The annual debt service requirements on the Subordinate Bonds and Junior Lien Bonds are not currently determinable since they are payable only from available Subordinate Pledged Revenue and Junior Lien Pledged Revenue, respectively.

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

	<u>Authorized November 6, 2018 Election</u>	<u>Authorization Used, Series 2019 Bonds</u>	<u>Remaining at December 31, 2020</u>
Operations and Maintenance	\$ 87,000,000	\$ -	\$ 87,000,000
Refunding of Debt	870,000,000	-	870,000,000
Intergovernmental Agreements	87,000,000	-	87,000,000
Private Agreements	87,000,000	-	87,000,000
Mortgage	87,000,000	-	87,000,000
Streets	87,000,000	10,617,600	76,382,400
Parks and Recreation	87,000,000	442,400	86,557,600
Water	87,000,000	3,539,200	83,460,800
Sanitation/Storm Sewer	87,000,000	7,520,800	79,479,200
Transportation	87,000,000	-	87,000,000
Mosquito Control	87,000,000	-	87,000,000
Safety Protection	87,000,000	-	87,000,000
Fire Protection	87,000,000	-	87,000,000
Television Relay	87,000,000	-	87,000,000
Security	87,000,000	-	87,000,000
Total	<u>\$ 2,088,000,000</u>	<u>\$ 22,120,000</u>	<u>\$ 2,065,880,000</u>

LANTERNS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Authorized Debt

At an election conducted November 6, 2018, a majority of the qualified electors of the District who voted in the elections authorized the issuance of general obligation indebtedness in an amount not to exceed \$870,000,000 for providing public improvements. However, the Service Plan limits the total issuance of general obligation debt for District Nos. 1-3 to an aggregate amount of \$87,000,000.

At December 31, 2020, with the issuance of the Series 2019 Bonds, the District had authorized but unissued indebtedness authorized by election remaining in the amount of \$847,880,000 for public improvements and refunding and authorized but unissued indebtedness authorized by the service plan in the amount of \$64,880,000. The District also had \$870,000,000 in authorized but unissued general obligation indebtedness for refunding purposes.

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

On August 19, 2021, The Lanterns Metropolitan District No. 2 issued its Limited Tax General Obligation Bonds, Series 2021A(3) in the par amount of \$24,482,000.

Developer Advances

The District entered into Funding and Reimbursement Agreement and Infrastructure Acquisition and Reimbursement Funding Agreement with Toll Southwest, LLC (the Developer), in 2019, for the purpose of funding certain operation and maintenance expenses and construction and acquisition of public improvements (see Note 7).

NOTE 6 NET POSITION

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

Restricted net position consists of assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position as of December 31, 2020, as follows:

Restricted Net Position:	
Emergency Reserves	\$ 100
Debt Service	1,407,974
Total Restricted Net Position	<u>\$ 1,408,074</u>

The District has a deficit in unrestricted net position. This deficit amount is a result of the District being responsible for the repayment of bonds issued for public improvements and expenses paid by advances from Developer.

**LANTERNS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 7 AGREEMENTS

Amended and Restated Master Intergovernmental Agreement with the Town of Castle Rock

The District entered into a Master Intergovernmental Agreement (First IGA) with the Town of Castle Rock (Town) dated September 2, 2004, as amended on September 16, 2014. Pursuant to the First IGA, the District agrees to dedicate the public improvements to the Town or other appropriate jurisdiction in a manner contemplated under the approved development plan and other rules and regulations of the Town and applicable provisions of the Town Code. The District is authorized, but not obligated, to own, operate and maintain public improvements not otherwise dedicated to the Town or other public entity.

Intergovernmental Agreement between Lantern Metropolitan Districts Nos. 1-5 (Districts) and the Town of Castle Rock

The District, in conjunction with Lanterns Metropolitan District Nos. 2-5, entered into an Intergovernmental Agreement (Second IGA) with the Town dated February 25, 2019. Pursuant to the Second IGA, the Districts agree to certain items, inclusive of the following items.

Operations and Maintenance – District Nos. 1-3 are authorized to implement the Capital Plan and Financial Plan within their respective boundaries. District No. 4 and District No. 5 are organized to provide operations and maintenance services to the service area. The Districts shall dedicate the public improvements to the Town or other appropriate jurisdiction or owners association in accordance with the then current Town requirements. The Districts are authorized, but not obligated, to own, operate and maintain public improvements not otherwise dedicated to the Town or other public entity.

Fire Protection – The Districts are not authorized to provide fire protection facilities or services unless provided pursuant to an intergovernmental agreement with the Town. This agreement does not limit the authority to provide fire hydrants and related water systems. The Districts will obtain fire protection and emergency response services from the Town.

Privately Placed Debt Limitation – District Nos. 1-3 will obtain the certification of an external financial advisor prior to the issuance of any privately placed debt.

Total Debt Issuance – District Nos. 1-3 shall not issue debt in excess of \$87,000,000. The limitation shall not apply for the purpose of refunding, refinancing, reissuing, or restructuring outstanding debt. District No. 4 and District no. 5 shall not be permitted to issue debt.

**LANTERNS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 7 AGREEMENTS (CONTINUED)

Intergovernmental Agreement between Lantern Metropolitan Districts Nos. 1-5 (Districts) and the Town of Castle Rock (Continued)

Fee Limitation – District Nos. 1-3 may impose and collect a development fee, imposed for repayment of debt and capital costs, not to exceed \$2,000 per unit, plus a 1% cost of living adjustment from January 1, 2016 forward.

Maximum Debt Mill Levy – The Maximum Debt Mill Levy shall not exceed 63.600 mills, as adjusted for changes in the method of calculating assessed valuation on or after January 1, 2018.

Maximum Debt Mill Levy Imposition Term – The Districts shall not impose a levy for repayment of debt which exceeds 35 years after the year of initial imposition of such mill levy unless a majority of the board of directors of the District are residents of the District and have voted in favor of a refunding of all or part of the debt and such refunding will result in a net present value savings.

Operations and Maintenance Mill Levy – A District shall not impose a mill levy for operations, which when combined with its debt service mill levy exceeds 74.600 mills, as adjusted for changes in the method of calculating assessed valuation on or after January 1, 2018.

Agreements with Crystal Crossing Metropolitan District, Crystal Valley Metropolitan District No. 1, and Crystal Valley Metropolitan District No. 2

The District entered into a Cost Reimbursement Agreement with Crystal Crossing Metropolitan District dated November 11, 2005, as amended on June 12, 2014, for the design and installation of improvement on Plum Creek Parkway south of Crystal Valley Parkway. Reimbursement in the amount of \$388,951.00 is to occur within 7 days following the first to occur: (1) approval and recording of the second subdivision plat of land within the District service plan, or (2) June 12, 2017. Principal of \$388,951.00 and interest of \$120,283.07 was paid during 2019.

The District entered into an Amended and Restated Development and Cost Reimbursement Agreement with Crystal Crossing Metropolitan District and Crystal Valley Metropolitan District No. 1 dated November 11, 2005, as amended on June 12, 2014, for the design and installation of a four-lane bridge over Plum Creek and Union Pacific Railroad tracts. Reimbursement to Crystal Crossing Metropolitan District in the amount of \$180,065.41 is to occur within 7 days of the first recorded subdivision plat of the land within the District service plan. Reimbursement to Crystal Valley Metropolitan District No. 1 in the amount of \$990,086.93 is to occur within 7 days of the first recorded subdivision plat of the land within the District service plan. Reimbursement to Crystal Valley Metropolitan District No. 1 in the estimated amount of \$360,000.00, in the event of increased density due to rezoning, is to occur within 7 days following recording of each subdivision plat following rezoning. No payments were made during 2020.

LANTERNS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 7 AGREEMENTS (CONTINUED)

Agreements with Crystal Crossing Metropolitan District, Crystal Valley Metropolitan District No. 1, and Crystal Valley Metropolitan District No. 2 (Continued)

The District entered into a Development and Cost Reimbursement Agreement with Crystal Crossing Metropolitan District, Crystal Valley Metropolitan District No. 1, and Crystal Valley Metropolitan District No. 2 dated February 17, 2009, as amended on June 12, 2014 for the design, construction, and installation of street lighting, signalization, irrigation and landscaping within and along Crystal Valley Parkway. Reimbursement to Crystal Crossing Metropolitan District in the amount of \$197,480.00 is to occur within 7 days following the first recorded subdivision plat of the land with the District service plan. Reimbursement to Crystal Valley Metropolitan District No.1 and District No. 2 in the amount of \$22,284.00, collectively, is to occur within 7 days following the first recorded subdivision plat of land within the District service plan. No payments were made during 2020.

Agreements with Premise Real Estate, LLC

The District entered into a Facilities Acquisition and Reimbursement Agreement with Premise Real Estate, LLC (Premise) dated February 24, 2005 and Operation Funding Agreements with Premise dated February 24, 2005; March 23, 2006; November 22, 2006; November 30, 2007; November 20, 2008; November 18, 2009; November 17, 2010; November 14, 2011; November 14, 2012, and; November 13, 2013, pursuant to which Premise agrees to advance funds to the District for certain operation and maintenance expenses. The District agrees to repay these advances, together with accrued interest at a rate of 7% per annum accruing from the date of each advance. The agreements with Premise were terminated in 2014 as detailed below.

Termination of Agreements with Premise Real Estate, LLC

The District entered into the Termination of Facilities Acquisition and Reimbursement Agreement and Operation Funding Agreements (Termination Agreement) with Premise and Jefferson 500 LLC (Jefferson) dated April 9, 2014. Pursuant to the Termination Agreement, Premise and the District agree to terminate the Facilities Acquisition and Reimbursement Agreement and various Operation Funding Agreements. Upon execution of the agreement, any amounts due and owing to Premise under the agreements are now due and owing to Jefferson 500 LLC in accordance with the Facilities Acquisition and Reimbursement Agreement and the 2014 Operation Funding agreement between the District and Jefferson.

Operation Funding Agreements with Jefferson 500 LLC

The District entered into Operation and Funding agreements with Jefferson dated April 9, 2014; December 8, 2014; December 9, 2015; December 13, 2016, and; November 8, 2017 (as amended September 6, 2018 and December 6, 2018), pursuant to which Jefferson agrees to advance funds to the District for certain operation and maintenance expenses. The District agrees to repay these advances, together with accrued interest at a rate of 8% per annum accruing from the date of each advance. The term of repayment shall not extend beyond twenty years from the effective date of each agreement. This agreement was terminated in 2021.

LANTERNS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 7 AGREEMENTS (CONTINUED)

Facilities Acquisition and Reimbursement Agreement with Jefferson 500 LLC

The District entered into a Facilities Acquisition and Reimbursement Agreement with Jefferson dated April 9, 2014 pursuant to which Jefferson agrees to make advances to the District for the purpose of the acquisition, financing, construction, and installation of public improvements. The District agrees to acquire certain public improvements constructed or caused to be constructed by Jefferson to be owned by the District. The District agrees to repay these advances and reimburse Jefferson for the certified District eligible costs, together with accrued simple interest at a rate of 8% per annum from the date of payment or the date of the related acceptance resolution. This agreement was terminated in 2021.

Funding and Reimbursement Agreement with Toll Southwest LLC

The District entered into the Funding and Reimbursement Agreement (Operations and Maintenance) (O&M Agreement) with Toll Southwest, LLC (Developer) dated July 8, 2019. Pursuant to the O&M Agreement, the Developer agrees to advance funds to the District, for operation and maintenance expenses, one or more sums of money, not to exceed the aggregate of \$50,000 per annum for fiscal years 2019 through 2020. The maximum amount to be advanced for Operations and Maintenance Expenses pursuant to this agreement is \$100,000. The District agrees to repay these advances together with accrued simple interest at a rate of 8% per annum accruing from the date any such advance is made. The term of repayment under the O&M Agreement shall not extend beyond twenty years from the date of the O&M Agreement.

Infrastructure Acquisition and Reimbursement Agreement with Toll Southwest, LLC

The District entered into the Infrastructure Acquisition and Reimbursement Agreement (IA Agreement) with the Developer dated July 8, 2019, pursuant to which the Developer agrees to make advances to the District for the purpose of the acquisition, financing, construction, and installation of public improvements. The District agrees to acquire certain public infrastructure constructed or caused to be constructed by the Developer to be owned by the District. The District agrees to repay these advances and reimburse the developer for the certified District eligible costs, together with accrued simple interest at a rate of 8% per annum from the date of payment or the date of the related acceptance resolution.

NOTE 8 RELATED PARTIES

The property within the District is being developed by Toll Southwest LLC (Developer). The Developer has advanced funds to the District. The members of the board of directors of the District hold direct or indirect ownership interests in the Toll Southwest LLC or are otherwise associated with Toll Southwest LLC and may have conflicts of interest in dealing with the District. As and when required by law, each affected board member files a written disclosure of any potential conflicts of interest with the District and the Colorado Secretary of State, and they refrain from voting on affected matters unless allowed by law.

LANTERNS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 9 ECONOMIC DEPENDENCY

The District has not yet established a revenue base sufficient to pay for most of its operational and certain capital expenditures. Until an independent revenue base is established, continuation of the District's operation and financing of certain capital improvements are dependent upon Developer advances.

NOTE 10 RISK MANAGEMENT

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

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

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

NOTE 11 TAX, SPENDING, AND DEBT LIMITATIONS

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

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

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

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

SUPPLEMENTARY INFORMATION

LANTERNS METROPOLITAN DISTRICT NO. 1
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020

	Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 881	\$ 864	\$ (17)
Specific Ownership Taxes	79	75	(4)
Net Investment Income	\$ 10,000	\$ 17,846	\$ 7,846
Total Revenues	10,960	18,785	7,825
EXPENDITURES			
General:			
County Treasurer's Fees	13	13	-
Paying Agent Fees	7,500	9,500	(2,000)
Bond Interest	937,000	937,000	-
Contingency	5,487	-	5,487
Total Expenditures	950,000	946,513	3,487
EXCESS OF REVENUES OVER (UNDER)			
EXPENDITURES	(939,040)	(927,728)	11,312
Fund Balance - Beginning of Year	3,971,250	4,001,105	29,855
FUND BALANCE - END OF YEAR	<u>\$ 3,032,210</u>	<u>\$ 3,073,377</u>	<u>\$ 41,167</u>

LANTERNS METROPOLITAN DISTRICT NO. 1
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (DEFICIT) –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Net Investment Income	\$ 5,000	\$ 26,000	\$ 25,714	\$ (286)
Total Revenues	5,000	26,000	25,714	(286)
EXPENDITURES				
General:				
Accounting	-	6,000	5,895	105
Engineering	25,000	13,500	13,363	137
Intergovernmental - CCMD	1,800,000	1,800,000	1,762,157	37,843
Intergovernmental - Town of Castle Rock	-	80,000	79,603	397
Legal	-	500	484	16
Capital Projects:				
Capital Outlay	5,881,378	5,950,000	5,948,192	1,808
Total Expenditures	7,706,378	7,850,000	7,809,694	40,306
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(7,701,378)	(7,824,000)	(7,783,980)	40,020
OTHER FINANCING SOURCES (USES)				
Developer Advances	5,881,378	6,000,000	5,948,192	(51,808)
Repay Developer Advances	(5,881,378)	(5,950,000)	(5,948,192)	1,808
Total Other Financing Sources (Uses)	-	50,000	-	(50,000)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(7,701,378)	(7,774,000)	(7,783,980)	(9,980)
Fund Balance - Beginning of Year	7,701,378	7,776,151	7,776,151	-
FUND BALANCES (DEFICIT) - END OF YEAR	\$ -	\$ 2,151	\$ (7,829)	\$ (9,980)

LANTERNS METROPOLITAN DISTRICT NO. 1
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2020

\$18,740,000			
Senior Limited Tax General Obligation Bonds			
Series 2019A			
Dated July 31, 2019			
Interest Rate 5.00%			
Payable June 1 and December 1			
Principal Due December 1			
<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ -	\$ 937,000	\$ 937,000
2022	-	937,000	937,000
2023	-	937,000	937,000
2024	95,000	937,000	1,032,000
2025	220,000	932,250	1,152,250
2026	270,000	921,250	1,191,250
2027	285,000	907,750	1,192,750
2028	320,000	893,500	1,213,500
2029	340,000	877,500	1,217,500
2030	380,000	860,500	1,240,500
2031	400,000	841,500	1,241,500
2032	445,000	821,500	1,266,500
2033	465,000	799,250	1,264,250
2034	515,000	776,000	1,291,000
2035	540,000	750,250	1,290,250
2036	590,000	723,250	1,313,250
2037	620,000	693,750	1,313,750
2038	680,000	662,750	1,342,750
2039	715,000	628,750	1,343,750
2040	775,000	593,000	1,368,000
2041	815,000	554,250	1,369,250
2042	880,000	513,500	1,393,500
2043	925,000	469,500	1,394,500
2044	1,000,000	423,250	1,423,250
2045	1,050,000	373,250	1,423,250
2046	1,130,000	320,750	1,450,750
2047	1,190,000	264,250	1,454,250
2048	1,275,000	204,750	1,479,750
2049	2,820,000	141,000	2,961,000
Total	<u>\$ 18,740,000</u>	<u>\$ 19,695,250</u>	<u>\$ 38,435,250</u>

LANTERNS METROPOLITAN DISTRICT NO. 1
SCHEDULE OF ASSESSED VALUATION , MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2020

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Tax Levy	Mills Levied		Total Property Taxes		Percent Collected to Levied
		General	Debt Service	Levied	Collected	
2016	\$ 850	45.000	0.000	\$ 38	\$ 38	100.00 %
2017	850	45.000	0.000	38	38	100.00
2018	910	45.000	0.000	41	41	100.00
2019	910	74.600	0.000	68	68	100.00
2020	13,760	11.077	64.044	1,033	1,013	98.06
Estimated for the						
Year Ending						
<u>December 31,</u>						
2021	\$ 2,463,200	11.077	64.044	\$ 185,038		

NOTE: Property taxes shown as collected in any one year include collection of delinquent property taxes or abatements of property taxes assessed in prior years. This presentation does not attempt to identify specific years of assessment.