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INDEPENDENT AUDITOR'S REPORT

July 22, 2021

To the Board of Directors
Lewis Pointe Metropolitan District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major funds of Lewis Pointe 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 and 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 entity's preparation and fair presentation of the financial statements in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities and the major funds of Lewis Pointe Metropolitan District, as of December 31, 2020 and the respective changes in financial position and the budgetary comparison for the General Fund, Reserve Fund and Debt 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 an opinion on the financial statements that collectively comprise Lewis Pointe Metropolitan District's financial statements as a whole. The supplementary information section is presented for purposes of additional analysis and is not a required part of the financial statements.

The Supplementary information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

B F Boyner CPA PC

**Certified Public Accountants
Lakewood, CO**

LEWIS POINTE METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
December 31, 2020

| | Governmental Activities |
|--|------------------------------------|
| ASSETS | |
| Cash and investments | \$ 106,392 |
| Cash and investments – restricted | 1,575,810 |
| Accounts receivable – specific ownership taxes | - |
| Accounts receivable – due from homeowners | 25,864 |
| Property taxes receivable | 1,320,700 |
| Prepaid expenses | 13,678 |
| Series 2017C Bond discount | 208,795 |
| Capital assets, net | 1,710,300 |
| Land and water rights | 16,500 |
| Total Assets | \$ 4,978,039 |
| LIABILITIES | |
| Accounts payable and accrued liabilities | \$ 977 |
| Prepaid homeowner maintenance fees | 19,706 |
| Accrued interest payable | 252,994 |
| Current portion of municipal bonds | 5,000 |
| Municipal bonds | 11,402,000 |
| Total Liabilities | 11,680,677 |
| DEFERRED INFLOWS OF RESOURCES | |
| Property tax revenue | 1,320,700 |
| NET POSITION | |
| Restricted: | |
| Emergency reserves | 14,700 |
| Debt service | 1,555,110 |
| Capital projects | 6,000 |
| Non-spendable | 13,678 |
| Unassigned: | (9,612,826) |
| Total Net Position | (\$ 8,023,338) |

These financial statements should be read only in connection with
the accompanying notes to the financial statements.

LEWIS POINTE METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
For the 12-Month Period Ended December 31, 2020

| Functions/Programs | Expenses | Program Revenue | | | Net (Expense) Revenue and Changes in Net Position |
|--|-----------------------|----------------------|------------------------------------|----------------------------------|---|
| | | Charges For Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities |
| Primary Government: | | | | | |
| Government Activities: | | | | | |
| General government activities | (\$ 470,984) | \$ 246,180 | \$ - | \$ - | (\$ 224,804) |
| Interest and related costs on long-term debt | (794,169) | - | - | - | (794,169) |
| Capital project activities | (7,407,267) | - | - | - | (7,407,267) |
| | <u>(\$ 8,672,420)</u> | <u>\$ 246,180</u> | <u>\$ -</u> | <u>\$ -</u> | <u>(8,426,240)</u> |
| General Revenues | | | | | |
| | | | | | \$ 1,131,809 |
| | | | | | 82,855 |
| | | | | | 33,119 |
| | | | | | 200 |
| | | | | | <u>1,247,983</u> |
| | | | | | <u>238,010</u> |
| | | | | | <u>(8,261,348)</u> |
| | | | | | <u>(\$ 8,023,338)</u> |

These financial statements should be read only in connection with the accompanying notes to the financial statements.

LEWIS POINTE METROPOLITAN DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
December 31, 2020

| | General | Debt Service | Capital Projects | Total Government Funds |
|---|-------------------|---------------------|---------------------|------------------------------|
| ASSETS | | | | |
| Cash and investments | \$ 106,392 | \$ - | \$ - | \$ 106,392 |
| Cash and investments - Restricted | 14,700 | 1,555,110 | 6,000 | 1,575,810 |
| Accounts receivable – spec ownership taxes | - | - | - | - |
| Accounts receivable-due from homeowners | 25,864 | - | - | 25,864 |
| Property taxes receivable | 474,000 | 846,700 | - | 1,320,700 |
| Prepaid expenses | 13,678 | - | - | 13,678 |
| TOTAL ASSETS | \$ 634,634 | \$ 2,401,810 | \$ 6,000 | \$ 3,042,444 |
| LIABILITIES | | | | |
| Accounts payable and accrued liabilities | 977 | - | - | 977 |
| Prepaid homeowner maintenance fees | 19,706 | - | - | 19,706 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Property tax revenue | 474,000 | 846,700 | - | 1,320,700 |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | 494,683 | 846,700 | - | 1,341,383 |
| FUND BALANCES | | | | |
| Restricted: | | | | |
| Emergencies (TABOR) | 14,700 | - | - | 14,700 |
| Debt service | - | 1,555,110 | - | 1,555,110 |
| Capital projects | - | - | 6,000 | 6,000 |
| Non-spendable | 13,678 | - | - | 13,678 |
| Unrestricted | 111,573 | - | - | 111,573 |
| Total Fund Balances | 139,951 | 1,555,110 | 6,000 | 1,701,061 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 634,634 | \$ 2,401,810 | \$ 6,000 | |

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

Other long-term assets are not available or otherwise cannot be converted to cash to pay for current expenditures and, therefore, are recorded as expenditures in the funds

Land, property, structures and equipment, net 1,726,800

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds

Bonds payable (11,407,000)

Accrued interest payable and bond premium (44,199)

Net position of governmental activities (\$ 8,023,338)

These financial statements should be read only in connection with
the accompanying notes to the financial statements.

LEWIS POINTE METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
12-Month Period Ended December 31, 2020

| | General | Debt Service | Capital Projects | Total Government Funds |
|--|-------------------|--------------------|---------------------|------------------------------|
| REVENUES | | | | |
| Property taxes | \$ 298,065 | \$ 833,744 | \$ - | \$ 1,131,809 |
| Specific ownership taxes | 21,811 | 61,044 | - | 82,855 |
| Maintenance fees | 246,180 | - | - | 246,180 |
| Property violation fines | 200 | - | - | 200 |
| Facility Fees | - | - | - | - |
| Net investment income | 6,138 | 16,877 | - | 23,015 |
| Total revenues | 572,394 | 911,665 | - | 1,484,059 |
| EXPENDITURES | | | | |
| General and administration | 136,880 | - | - | 136,880 |
| Landscaping maintenance | 212,946 | - | - | 212,946 |
| Other district expenses | 41,628 | - | - | 41,628 |
| Trash pick-up services | 60,426 | - | - | 60,426 |
| Debt service | | | | |
| Direct and indirect collection costs | - | 16,528 | - | 16,528 |
| Bond interest – Series 2015 bonds | - | 466,500 | - | 466,500 |
| Bond interest – Series 2017B Bonds | - | 509,378 | - | 509,378 |
| Bond principal – Series 2017B Bonds | - | 141,000 | - | 141,000 |
| Public infrastructure acquisitions | - | - | - | - |
| Total Expenditures | 451,880 | 1,133,406 | - | 1,585,286 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 120,514 | (221,741) | - | (101,227) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Fund transfers in (out) | (10,104) | 10,104 | - | - |
| Total other financing sources (uses) | (10,104) | 10,104 | - | - |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | 110,410 | (211,637) | - | (101,227) |
| FIND BALANCES – BEGINNING OF YEAR | 29,541 | 1,766,747 | 6,000 | 1,802,288 |
| FUND BALANCES – END OF YEAR | <u>\$ 139,951</u> | <u>\$1,555,110</u> | <u>\$ 6,000</u> | <u>\$ 1,701,061</u> |

These financial statements should be read only in connection with
the accompanying notes to the financial statements.

LEWIS POINTE METROPOLITAN DISTRICT
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**
12-Month Period Ended December 31, 2020

| | |
|---|-------------------|
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Net change in fund balances – Total government funds | (\$ 101,227) |
| The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. | |
| Principal repayment on series 2017B bonds | 141,000 |
| 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. | |
| Decrease in accrued bond interest payable | 194,011 |
| Amortization of Series 2017C Bond discount | 4,226 |
| Changes in net position of governmental activities | \$ 238,010 |

These financial statements should be read only in connection with
the accompanying notes to the financial statements.

LEWIS POINTE METROPOLITAN DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL
12-Month Period Ended December 31, 2020

| | Original Budget | Actual Amounts | Positive / (Negative) Variance with Original Budget |
|--|--------------------|-------------------|--|
| REVENUES | | | |
| Property taxes | \$ 297,326 | \$ 298,065 | \$ 739 |
| Specific ownership taxes | 23,786 | 21,811 | (1,975) |
| Maintenance Fees | 246,840 | 246,180 | (660) |
| Property violation fines | - | 200 | 200 |
| Net investment income | 50 | 6,138 | 6,088 |
| Total revenues | <u>568,002</u> | <u>572,394</u> | <u>4,392</u> |
| EXPENDITURES | | | |
| General and administration | 131,912 | 136,880 | (4,968) |
| Landscaping maintenance | 295,500 | 212,946 | 82,554 |
| Other district expenses | 50,000 | 41,628 | 8,372 |
| Trash pick-up services | 60,588 | 60,426 | 162 |
| Total expenditures | <u>538,000</u> | <u>451,880</u> | <u>86,120</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>30,002</u> | <u>120,514</u> | <u>90,512</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in (out) | - | (10,104) | (10,104) |
| Total other financing sources (uses) | <u>-</u> | <u>(10,104)</u> | <u>(10,104)</u> |
| EXCESS OF REVENUES AND OTHER FINANCIAL SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | <u>30,002</u> | <u>110,410</u> | <u>80,408</u> |
| FUND BALANCE – BEGINNING OF YEAR | <u>16,548</u> | <u>29,541</u> | <u>12,993</u> |
| FUND BALANCE – END OF YEAR | <u>\$ 46,550</u> | <u>\$ 139,951</u> | <u>\$ 93,401</u> |

These financial statements should be read only in connection with
the accompanying notes to the financial statements.

**LEWIS POINTE METROPOLITAN DISTRICT
GENERAL FUND EXPENDITURE
DETAILS– BUDGET AND ACTUAL
12-Month Period Ended December 31, 2020**

| | Original Budget | Actual Amounts | Positive / (Negative) Variance with Original Budget |
|--|--------------------|-------------------|--|
| GENERAL AND ADMINISTRATION | | | |
| 1. District management and accounting fees | \$ 85,500 | \$ 81,598 | \$ 3,902 |
| 2. Administrative costs | 2,600 | 763 | 1,837 |
| 3. Audit fees | 6,000 | 5,900 | 100 |
| 4. Collection fees – County Treasurer | 4,460 | 4,478 | (18) |
| 5. Board of Directors’ fees | - | 4,300 | (4,300) |
| 6. Board training and conferences | - | - | - |
| 7. Insurance | 10,500 | 11,574 | (1,074) |
| 8. Legal fees | 20,000 | 28,267 | (8,267) |
| 9. Contingency | 2,852 | - | 2,852 |
| Total General and Administration | \$ 131,912 | \$ 136,880 | (\$ 4,968) |
| LANDSCAPING MAINTENANCE | | | |
| 1. Ground maintenance fees | \$ 82,500 | \$ 95,148 | (\$ 12,648) |
| 2. Tree maintenance/replacement | 8,000 | 800 | 7,200 |
| 3. Perimeter fence maintenance | 20,000 | 8,748 | 11,252 |
| 4. Monument sign maintenance | - | 7,137 | (7,137) |
| 5. Sprinkler repairs | 20,000 | 456 | 19,544 |
| 6. Sprinklers – water | 100,000 | 96,992 | 3,008 |
| 7. Sprinklers – electricity | 25,000 | 1,085 | 23,915 |
| 8. Grounds improvements | 20,000 | - | 20,000 |
| 9. Other landscape maintenance services | 20,000 | 2,580 | 17,420 |
| Total Landscaping Maintenance | \$ 295,500 | \$ 212,946 | \$ 82,554 |
| OTHER DISTRICT EXPENSES | | | |
| 1. Snow removal | \$ 15,000 | \$ 16,061 | (\$ 1,061) |
| 2. Covenant enforcement services | 24,000 | 11,499 | 12,501 |
| 3. Election costs | 1,000 | 3,692 | (2,692) |
| 4. Holiday decorations | 10,000 | 8,760 | 1,240 |
| 5. Park & recreation events | - | 1,616 | (1,616) |
| 6. Vandalism | - | - | - |
| Total Other District Expenses | \$ 50,000 | \$ 41,628 | \$ 8,372 |

These financial statements should be read only in connection with
the accompanying notes to the financial statements.

LEWIS POINTE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
12-Month Period Ended December 31, 2020

NOTE 1 – DEFINITION OF REPORTING ENTITY

Lewis Pointe Metropolitan District (District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized on January 03, 2009, and is governed pursuant to provisions of the Colorado Special District Act (Title 32). The District operates under a service plan approved by City of Thornton (City) on August 12, 2008. The District's boundaries encompass 373-single-family homes within the Lewis Pointe subdivision located in Adams County, Colorado entirely within the boundaries of the City. The District was established to provide financing for the design, acquisition, construction and installation of streets, traffic and safety controls, park and recreation, sanitary sewer, storm drainage and other improvements (Public Improvements) within and without the District boundaries that benefit the taxpayers and inhabitants of the District. The District was also established to (1) maintain various open spaces within the District (not otherwise owned and maintained by the City), (2) maintain perimeter fencing, and (3) provide covenant enforcement and architectural review 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 organizations 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 organizations 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 has no employees and all operations and administrative functions are contracted.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the District are 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.

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

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

These notes are an integral part of the accompanying financial statements.

benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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 and specific ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

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

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

When both restricted and unassigned resources are available for use, it is the District's policy to use restricted resources first, then unassigned resources as they are needed.

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 funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated. On November 14, 2019, the Board adopted the District's 2020 budget.

These notes are an integral part of the accompanying financial statements.

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.

Investments are carried at fair value.

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.

On November 04, 2008, District voters authorized the District to assess property taxes up to \$500,000 annually, without limitation to rate, to pay the District's operations, maintenance and other expenses. Additionally, the District voters approved a revenue change to allow the District to retain and spend all revenue, other than ad valorem taxes, in excess of TABOR spending, revenue raising or other limitations.

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

Specific Ownership Taxes

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on vehicle licensing within the County as a whole. The specific ownership taxes are allocated by the County Treasurer to all taxing entities within the County. In 2019, the District's share of Specific ownership taxes is equal to approximately 7.5% of the property taxes collected.

Specific ownership tax is allocated proportionally between each fund based on the ratio of property tax revenue collected for each fund compared to total property revenue collected by the District.

Facility Fees

On April 29, 2015, the District adopted a resolution, pursuant to 32-1-1001(1)(j)(I) CRS, imposing Facilities Fees upon all real property within the District (Facility Fee Resolution). Specifically, a one-time Facility Fee is payable to the District by the owner of each platted lot that is developed within the District. The Facility Fee imposed on each lot is secured by a perpetual lien. Per the Facility Fee Resolution, the Facility Fee is \$2,000 per single-family home lot (\$373 homes x \$2,000 = \$746,000). Facility Fees are payable to the District upon issuance of a building permit by the City, and all Facility Fees are pledged towards the repayment of the Series 2016 Senior and Subordinate bonds. As of December 31, 2019, the District has collected Facility Fees on all 373 home lots.

These notes are an integral part of the accompanying financial statements.

Property Maintenance Fines

Covenant violation fines are assessed, in accordance with the District's covenant enforcement policy, against homeowners whom the District deems to be in violation of the restrictive covenants provided in the Declaration of Covenants, Conditions and Restrictions for Lewis Pointe filed with the Adams County Clerk & Recorder's Office on July 08, 2015 at reception number 2015000053962 (the Declaration). Covenant violation fines are recognized as income after the violation has been identified, the homeowner has been notified and the period has expired for the homeowner to request a hearing to dispute the violation. Pursuant to 32-1-1001(1)(j)(I) CRS, fines and reimbursable costs are secured on and against each respective property by a perpetual lien.

Reimbursable Costs

Legal fees and other costs incurred by the District related to covenant enforcement actions and other services provided to specific properties within the District are charged back to the respective property owners. The District presents reimbursable costs on a net basis. Factors considered by the District in determining whether to present reimbursable cost chargeback revenue on a gross or net basis include whether risks exist that the District will be unable to recover such costs from property owners. Pursuant to 32-1-1001(1)(j)(I) CRS, fines and reimbursable costs are secured on and against each respective property by a perpetual lien, which has priority over all other encumbrances on a property.

Deferred Outflows of Resources and Deferred Inflows of Resources

A deferred inflow of resources is an acquisition of net position by a government that is applicable to a future reporting period and a deferred outflow of resources is a consumption of net position by a government that is applicable to a future reporting period. Both deferred inflows and outflows are reported in the statement of net position but are not recognized in the financial statement as revenues and expenses until the period(s) to which they relate. Deferred inflows of resources in the governmental fund financial statements of the District for the 12-month period ended December 31, 2020 are comprised of property taxes due from Adams County that will not be collected within 60 days of the end of the current calendar year. Deferred inflows of resources in the government-wide financial statements represents property taxes for which an enforceable legal claim to assets exists, but for which the levy pertains to the subsequent year.

Equity

Net Position

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the government'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: non-spendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental

These notes are an integral part of the accompanying financial statements.

fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

- **Non-spendable fund balance** – The portion of a fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts) or legally or contractually required to be maintained intact.
- **Restricted fund balance** – The portion of a 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 a 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 a 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 a 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 policy to use the most restrictive classification first.

NOTE 3 – CASH AND INVESTMENTS

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

| | |
|-------------------------------------|---------------------|
| Statement of net position: | |
| Cash and investments – unrestricted | \$ 106,392 |
| Cash and investments – restricted | 1,575,810 |
| Total cash and investments | \$ 1,682,202 |

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

| | |
|--------------------------------------|---------------------|
| Deposits with financial institutions | \$ 164,775 |
| Investments | 1,517,427 |
| Total cash and investments | \$ 1,682,202 |

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. 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

These notes are an integral part of the accompanying financial statements.

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 of \$162,577 and a carrying balance of \$164,775.

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 listed 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 disclosure requirements or subject to 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.

Revenue bonds of local government securities, corporate and bank securities, and guaranteed investment contracts not purchased with bond proceeds, are limited to maturities of three years or less.

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 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 purchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

As of December 31, 2020, the District's investments were comprised of the following:

| Investment | Maturity | Amortized Cost |
|---|-----------------------------------|-----------------------|
| Colorado Surplus Asset Fund Trust (CSAFE) | Weighted Average Under 60 Days | \$ 1,517,427 |

These notes are an integral part of the accompanying financial statements.

CSAFE

The District holds investments in the Colorado Surplus Asset Fund Trust (CSAFE), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing CSAFE. CSAFE operates similarly to a money market fund and each share is equal in value to \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper. CSAFE measures its investments at amortized cost, which value is not materially different (less than 0.005% difference) than the fair value measurement of such investments. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption period notice. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. No limitations exist on the District's ability to withdraw funds invested in CSAFE. CSAFE is rated AAAM by Standard & Poor's.

NOTE 4 – CAPITAL ASSETS

An analysis of the changes in capital assets for the 12-month period ended December 31, 2020, follows:

| | Balance at Dec. 31, 2019 | Constructed Additions | Dedications | Balance at Dec 31, 2020 |
|--|-----------------------------|--------------------------|-----------------------|----------------------------|
| Capital assets not being depreciated | | | | |
| Land and water rights | \$ - | \$ 16,500 | \$ - | \$ 16,500 |
| Construction in process | 1,726,800 | - | (1,726,800) | - |
| Total capital assets not being depreciated | 1,726,800 | 16,500 | (1,726,800) | 16,500 |
| Capital assets subject to depreciation | | | | |
| Perimeter fencing – split rail | - | 191,100 | - | 191,100 |
| Perimeter fencing – 6ft privacy | - | 771,200 | - | 771,200 |
| Monument sign | - | 30,000 | - | 30,000 |
| Sidewalks | - | 360,000 | - | 360,000 |
| Sprinkler systems | - | 325,000 | - | 325,000 |
| Backflow valves | - | 33,000 | - | 33,000 |
| Total capital assets subject to depreciation | - | 1,710,300 | - | 1,710,300 |
| Governmental activities – Capital assets, net | \$ 1,726,800 | \$ 1,726,800 | (\$ 1,726,800) | \$ 1,726,800 |

The District owns and maintains approximately 16.5 acres of public open spaces located across 17 land tracts within the Lewis Pointe subdivision. The Developer dedicated these land tracts to the District on February 10, 2017, and the District has recorded the public land and related water rights at a nominal value of \$16,500.

These notes are an integral part of the accompanying financial statements.

NOTE 5 – LONG-TERM DEBT

The following is a summary of the changes in the District's long-term debt for the 12-month period ended December 31, 2020:

| | Balance at Dec. 31, 2019 | Additions | Retirements | Balance at Dec. 31, 2020 | Due within one year |
|---|-----------------------------|-------------------|----------------------|-----------------------------|------------------------|
| Series 2015A G.O. Bonds | \$ 7,775,000 | \$ - | \$ - | \$ 7,775,000 | \$ 5,000 |
| Accrued Interest – Series 2015 G.O. Bonds | 38,875 | 466,500 | (466,500) | 38,875 | - |
| Series 2017B G.O. Bonds | 3,237,000 | - | (141,000) | 3,096,000 | - |
| Accrued Interest – Series 2017B G.O. Bonds | 262,882 | 257,014 | (509,378) | 10,518 | - |
| Series 2017C G.O. Bonds | 536,000 | - | - | 536,000 | - |
| Accrued Interest – Series 2017C G.O. Bonds | 145,248 | 58,353 | - | 203,601 | - |
| Bond Discount | (204,569) | | (4,226) | (208,795) | - |
| Total | \$ 11,790,436 | \$ 781,867 | (\$1,121,104) | \$ 11,451,199 | \$ 5,000 |

Details regarding the District's long-term obligations are as follows:

Series 2015A General Obligation Bonds (Senior Bonds)

On June 10, 2015, the District issued \$7,775,000 Limited Tax (Convertible to Unlimited Tax) General Obligation Bonds, Series 2015A ("Senior Bonds"). The proceeds from the sale of the Senior Bonds were used as follows:

| | |
|---|---------------------|
| Bond proceeds | \$ 7,775,000 |
| Less: | |
| Capitalized interest costs | (1,381,308) |
| Fund the Senior Reserve Fund | (694,300) |
| Legal, accounting and other costs of issuance | (367,905) |
| Net bond proceeds available for funding costs of public improvements within and without the District | \$ 5,331,487 |

The Senior Bonds were issued as term bonds that bear interest at 6.000% and are payable semi-annually on June 1 and December 1, beginning on December 1, 2018. Annual mandatory sinking fund principal payments are due on December 1, beginning on December 1, 2015. The Senior Bonds mature on December 1, 2044.

The Senior Bonds are secured by and payable solely from Senior Pledged Revenue, net of any costs of collection, which is comprised of the following:

- a) all Senior Property Tax Revenues (generated by the imposition of the Senior Required Mill Levy);
- b) all Senior Specific Ownership Taxes (attributable to the Senior Required Mill Levy);
- c) all Capital Fees and Facility Fees; and
- d) any other legally available amounts that the District determines, in its absolute discretion, to credit to the Senior Bond Fund.

These notes are an integral part of the accompanying financial statements.

The Senior Required Mill Levy is defined as the mill levy necessary to generate sufficient property tax revenue during the year to (1) fully pay the annual principal and interest payment due on the Senior Bonds, (2) ensure the Senior Reserve Fund is replenished to \$694,300 (the Senior Reserve Requirement), and (3) the Surplus Fund is fully funded at \$777,500 (Maximum Surplus Amount). For 2020, the Senior Required Mill Levy cannot exceed 55.664 mills, which shall be adjusted in future years inversely to any future changes made by the State of Colorado to the Residential Assessment Rate (i.e. the ratio of assessed taxable value of property to actual property value).

Amounts on deposit in the Senior Reserve Fund and, prior to the Conversion Date, amounts on deposit in the Senior Surplus Fund also secure payment of the Senior Bonds. Available Senior Pledged Revenue, if any, is to be accumulated in the Senior Surplus Fund in accordance with the Senior Indenture up to the Maximum Surplus Amount.

The Senior Bonds are subject to redemption prior to maturity, at the option of the District on December 01, 2020, and on any date thereafter.

Outstanding bond principal and interest on the Senior Bonds mature as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------|---------------------|---------------------|----------------------|
| 2021 | \$ 5,000 | \$ 466,500 | \$ 471,500 |
| 2022 | 90,000 | 466,200 | 556,200 |
| 2023 | 110,000 | 460,800 | 570,800 |
| 2024 | 125,000 | 454,200 | 579,200 |
| 2025 | 135,000 | 446,700 | 581,700 |
| 2026 to 2030 | 915,000 | 2,093,100 | 3,008,100 |
| 2031 to 2035 | 1,390,000 | 1,765,200 | 3,155,200 |
| 2036 to 2040 | 2,050,000 | 1,273,500 | 3,323,500 |
| 2041 to 2044 | 2,955,000 | 518,100 | 3,473,100 |
| Total | \$ 7,775,000 | \$ 7,944,300 | \$ 15,719,300 |

The District's detail debt service schedule for its Senior Bonds is provided on page 27.

Series 2017B Subordinate Limited Tax G.O. Bonds (Subordinate Bonds)

On March 23, 2017, the District issued \$3,252,000 Subordinate Limited Tax General Obligation Bonds, Series 2017B ("Subordinate Bonds"). The proceeds from the sale of the Subordinate Bonds were used as follows:

| | |
|---|---------------------|
| Bond proceeds | \$ 3,252,000 |
| Less: | |
| Legal, accounting and other costs of issuance | (266,214) |
| Net bond proceeds available for funding costs of public improvements within and without the District | \$ 2,985,786 |

The Subordinate Bonds were issued at the rate of 7.750% per annum and are payable annually on December 15, beginning December 15, 2017, from, and to the extent of, Subordinate Pledged Revenue available, if any, and mature on December 15, 2047. The Subordinate Bonds are structured as cash flow bonds meaning that there are no

These notes are an integral part of the accompanying financial statements.

scheduled payments of principal or interest prior to the final maturity date. Unpaid interest on the Subordinate Bonds compounds annually on each December 15.

The Subordinate Bonds are secured by and payable from Subordinate Pledged Revenue, net of any costs of collection, which includes:

- a) all Subordinate Property Taxes (generated by the imposition of the Subordinate Required Mill Levy);
- b) all Subordinate Specific Ownership Taxes (attributable to the Subordinate Required Mill Levy);
- c) all Subordinate Capital Fee and Facility Fee Revenue (meaning any Capital Fee and Facility Fee Revenue remaining after deduction of any amounts applied to the payment of the Senior Bonds);
- d) any amounts in the Senior Surplus Fund upon the termination of such fund pursuant to the terms of the Senior Indenture; and
- e) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Subordinate Bond Fund.

Per section 4.05(f) of the Subordinate Bonds Indenture of Trust, if the Subordinate Pledged Revenue is insufficient or is anticipated to be insufficient to pay the principal of, premium if any, and interest on the Subordinate Bonds when due, the District has irrevocably covenanted to use its best efforts to refinance, refund, or otherwise restructure the Bonds so as to avoid such payment shortfall. In the event any amount of principal or interest on the Subordinate Bonds remains unpaid on December 15, 2056 after application of (1) all Subordinate Pledged Revenue and (2) proceeds from refinancing, refunding or restructuring the Subordinate Bonds, the Subordinate Bonds will be discharged and the bondholders will have no recourse against the District.

Payments toward interest and principal on the Subordinate Bonds cannot be made until after the Series 2015A Bonds are paid off in full. The District is required to impose the minimum required mill levy of 55.664 mills until the Subordinate Series 2017B Bonds are fully paid or discharged on December 15, 2056; however, only revenues resulting from the number of mills equal to 55.664 mills less the Senior Required Mill Levy are pledged to payment of the Subordinate Series 2017B Bonds.

Series 2017C Junior Lien Limited Tax G.O. Bonds (Junior Lien Bonds)

On March 23, 2017, the District issued Junior Lien Limited Tax G.O. Bonds, Series 2017C in the amount of \$536,000. The Junior Lien Bonds were issued at the rate of 9.000% per annum and are payable annually on December 15, beginning December 15, 2017, from, and to the extent of, Junior Lien Pledged Revenue available, if any, and mature on December 15, 2047. The proceeds from the sale of the Subordinate Bonds were used as follows:

| | | | |
|---|-----------|----------------|------------|
| Bond face value | \$ | 536,000 | 100% |
| Less: | | | |
| Bond discount | (| 208,795) | (39%) |
| Legal, accounting and other costs of issuance | (| 16,080) | (3%) |
| Net bond proceeds available for funding costs of public improvements within and without the District | \$ | 311,125 | 58% |

The Junior Lien Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal or interest prior to the final maturity date. Unpaid interest on the Junior Lien Bonds compounds annually on each December 15. In no event is any principal or interest to be paid on the Junior Lien Bonds until the Subordinate Bonds,

These notes are an integral part of the accompanying financial statements.

and to the extent required by the applicable Senior/Subordinate Obligation Indentures, any other Senior/Subordinate Obligations, have been paid in full or defeased.

The Junior Lien Bonds are secured by and payable from Junior Lien Pledged Revenue, net of any costs of collection, which includes:

- a) all Junior Lien Property Taxes (generated by the imposition of the Junior Lien Required Mill Levy);
- b) all Junior Lien Specific Ownership Taxes (attributable to the Junior Lien Required Mill Levy);
- c) all Junior Lien Capital Fee and Facility Fee Revenue (meaning any Capital Fee and Facility Fee Revenue remaining after deduction of any amounts applied to the payment of the Senior Bonds and the Subordinate Bonds);
- d) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Junior Lien Bond Fund.

Per section 4.05(f) of the Junior Lien Indenture of Trust, if the Junior Lien Pledged Revenue is insufficient or is anticipated to be insufficient to pay the principal of, premium if any, and interest on the Junior Lien Bonds when due, the District has irrevocably covenanted to use its best efforts to refinance, refund, or otherwise restructure the Bonds so as to avoid such payment shortfall. In the event any amount of principal or interest on the Junior Lien Bonds remains unpaid on December 15, 2057 after application of (1) all Junior Lien Pledged Revenue and (2) proceeds from refinancing, refunding or restructuring the Junior Lien Bonds, the Junior Lien Bonds will be discharged and the bondholders will have no recourse against the District.

Per the 2017 Financial Forecast included with the Junior Lien Bond Offering document, the Junior Lien Bonds were projected to be repaid in full by 2040. Interest payments and the bond discount per the 2017 Financial Forecast totaled \$3,047,871, which equates to an annual net effective interest rate of 38.8%.

Debt Authorization

Debt Authorization – Service Plan

The District's Service Plan, which was approved by the City of Thornton on August 12, 2008, authorizes the District to issue up to \$11.7 million in debt at over a term not to exceed 40 years. The repayment of the District's debt can exceed 40 years if the majority of the District's Board are residents of the District and the District's Board has voted in favor of refunding a part or all of the District's debt (which must result in a net present value savings). The District's Service Plan also requires the District to issue debt at market comparable interest rates.

The District's Service Plan also establishes a Maximum Mill levy the District is permitted to impose on taxable property within the District for the payment of debt. As long as the District's total outstanding debt exceeds 50% of the assessed valuation of all taxable property within the District, the Maximum Debt Mill Levy is 50 mills, as adjusted by the State of Colorado for changes in the ratio of taxable valuation to assessed valuation of real property since January 1, 2004. As of January 1, 2004, the ratio was 7.96%. The ratio for 2021 was 7.15%, which caused the District's Maximum Allowable Mill Levy for debt service for 2021 to be 55.664. (The required debt mill levy for 2021 per the District's Series 2018 Senior and Subordinate bonds is 55.664, which is the same as the District's Maximum Allowable Mill Levy.)

These notes are an integral part of the accompanying financial statements.

As of December 31, 2020, total remaining debt issuance authorization under the District's Amended and Restated Service Plan is as follows:

| | |
|---|---------------|
| Authorized maximum debt issuance per Service Plan | \$ 11,700,000 |
| Less: | |
| Series 2015 Bonds | (7,775,000) |
| Series 2017B Subordinate Bonds | (3,252,000) |
| Series 2017C Junior Lien Bonds | (536,000) |
| North Holly capital advance agreement | (136,911) |
| Unused, authorized debt issuance as of Dec. 31, 2020 | \$ 89 |

Debt Authorization – TABOR

On November 04, 2008, the District's electors authorized (1) the issuance of indebtedness in an amount not to exceed \$81.9 million to fund various public infrastructure improvements at a net effective interest rate not to exceed 18%, (2) the issuance of up to \$11.7 million for refunding the District's debt and (3) the District to assess up to \$11.7 million in tax revenue to fund amounts due under intergovernmental agreements.

The District's authorized but unissued indebtedness in the following amounts allocated for the following purposes is as follows:

| | Authorized June 2015 Election | Authorization Used for 2015 Bonds | Authorization Used for 2017B/C Bonds | Authorized Used for North Holly | Authorization Remaining at Dec 31, 2020 |
|----------------------------------|-------------------------------------|---|--|---------------------------------------|---|
| Street improvements | \$ 11,700,000 | \$ 5,413,203 | \$ 1,288,299 | \$ - | \$ 4,998,498 |
| Park and recreational facilities | 11,700,000 | - | 715,932 | - | 10,984,068 |
| Sanitary supply | 11,700,000 | 834,367 | 1,206,857 | 136,911 | 9,521,865 |
| Water supply | 11,700,000 | 1,527,430 | 576,912 | - | 9,595,658 |
| Public transportation system | 11,700,000 | - | - | - | 11,700,000 |
| Traffic and safety controls | 11,700,000 | - | - | - | 11,700,000 |
| Mosquito control | 11,700,000 | - | - | - | 11,700,000 |
| Operations and maintenance | 500,000 | - | - | - | 500,000 |
| Intergovernmental agreements | 11,700,000 | - | - | - | 11,700,000 |
| Subtotal | 94,100,000 | 7,775,000 | 3,788,000 | 136,911 | 82,400,089 |
| Refunding of debt | 11,700,000 | - | - | - | 11,700,000 |
| Total | \$105,800,000 | \$ 7,770,000 | \$ 3,788,000 | \$ 136,911 | \$ 94,100,089 |

Per C.R.S 32-1-1101(2), the remaining, unused debt issuance authorization obtained from the District's electors will expire as follows:

- \$82,400,089 will expire in June 2035 - 20 years after the original debt authorization election.
- Debt refunding authorization will expire when the District's current general obligation debt is paid down to a balance of \$400,000 or less

These notes are an integral part of the accompanying financial statements.

NOTE 6 – CONTINGENT OBLIGATIONS

The District has entered into three contingent obligation agreements with Lennar Colorado, LLC (“Developer”) and with Clark Carlson, Clay Carlson, Kent Carlson, Steve Young, Scott Carlson, Craig Thornton, Lee Carlson, and Ryan Carlson (collectively, “Prior Developers”). The District has neither registered nor filed a notice of claim of exemption regarding these contingent obligation agreements with the Colorado Securities Commissioner. None of these contingent obligation agreements are transferrable to third parties. The contingent obligations of the District contemplated in the agreements identified below are subject to annual appropriation and are not multiple-fiscal year obligations for the purposes of Article X, Section 20 of the Colorado Constitution. The following contingent obligations exist, but are not necessarily owing, as of December 31, 2020:

Infrastructure Acquisition Agreement. The District and the Developer entered into an agreement dated April 29, 2015, whereby the District requested the Developer to design and construct certain improvements, for which the District issues general obligation bonds and the District will acquire the Improvements from the Developer (“IA Agreement”). The specific acquisition, purchase price, and conveyance of the Improvements from the Developer to the District are outlined in the IA Agreement. Improvement acquisition procedures include (a) Improvement Notice (b) Application for Acquisition (c) Engineer Certification of Costs and (d) District Acceptance of Improvements (including the “Acceptance Letter”). Interest begins to accrue on the stated and accepted amount of District costs at 8.0% per annum (non-compounding), upon the date of the issuance of the Acceptance Letter from the District. The IA Agreement expires upon either (1) full performance of both parties under the IA Agreement or (2) both parties mutually agree to terminate the IA Agreement.

The outstanding balance under the IA Agreement as of December 31, 2020 is as follows:

| | Costs | Interest | Total |
|---|-------------------|-------------------|-------------------|
| Beginning Balance (January 01, 2020) | \$ 328,913 | \$ 141,313 | \$ 470,226 |
| Additional advances received | - | - | - |
| Accrued interest | | 26,313 | 26,313 |
| Payments to the Developer | - | - | - |
| Ending Balance (December 31, 2020) | \$ 328,913 | \$ 167,626 | \$ 496,539 |

North Holly Capital Advance Agreement. In order to pay the initial funding amount due under the North Holly IGA, the District entered into an Advance and reimbursement Agreement for Capital Advances dated August 13, 2014 (the North Holly Advance Agreement), with the Prior Developers. Pursuant to such agreement, the Prior Developers agreed to provide an advance of \$136,911 to the District. Such advance is evidenced by a promissory note that bears interest at a non-compounding rate of 8.0% per annum and matures on August 13, 2054. The North Holly Advance Agreement is a multiple fiscal year obligation of the District. Amounts owed on the Note are payable from all moneys reimbursed to the District pursuant to the North Holly IGA or any other legally available moneys which the District determines, in its absolute discretion, to apply to the principal of and interest due on the Note. The Pledged Revenue for the Bonds is not pledged to pay amounts due under the North Holly Advance Agreement. The outstanding balance under this agreement at December 31, 2020 is as follows:

| | Costs | Interest | Total |
|---|------------------|------------------|------------------|
| Beginning Balance (January 01, 2020) | \$ 43,587 | \$ 10,709 | \$ 54,296 |
| Additional advances received | - | - | - |
| Accrued interest | | 3,487 | 3,487 |
| Payments to the Developer | - | - | - |
| Ending Balance (December 31, 2020) | \$ 43,587 | \$ 14,196 | \$ 57,783 |

These notes are an integral part of the accompanying financial statements.

Operation Funding and Reimbursement Agreement (“OFR Agreement”). On April 29, 2015, the District entered into a contingent obligation agreement with the Developer to reimburse the Developer for funding the District’s operations and maintenance costs. The contingent obligation bears simple interest at 8% per annum. In the event that all or any portion of advances remain outstanding as of December 31, 2034, such amounts shall be deemed forever discharged and satisfied in full.

For the 12-month period ended December 31, 2020, District payments made, advances received, and interest accrued under the OFR Agreement is as follows:

| | Costs | Interest | Total |
|---|-------------------|------------------|-------------------|
| Beginning Balance (January 01, 2020) | \$ 139,066 | \$ 34,232 | \$ 173,298 |
| Additional advances received | - | - | - |
| Accrued interest | | 11,125 | 11,125 |
| Payments to the Developer | - | - | - |
| Ending Balance (December 31, 2020) | \$ 139,066 | \$ 45,357 | \$ 184,423 |

NOTE 7 – NET POSITION (DEFICIT)

Correction of Error

In 2019, the District incorrectly recognized as liabilities certain contingent obligation agreements with the Developers. These contingent obligation agreements contain clauses indicating these agreements are subject to annual appropriation by the District and are not multiple-fiscal year obligations for the purposes of Article X, Section 20 of the Colorado Constitution. The District's beginning net position (deficit) has been restated to reflect the removal of these contingent obligation agreements from the liability section of the District’s Statement of Net Position. The effect of this treatment is as follows:

Between January 2015 and December 31, 2019, the District incorrectly accounted for payments to the Developer under the IA Agreement (See Note 6 for a description of the IA Agreement). When the District was under Developer control, the District and the Developer entered into agreements under the IA Agreement where the Developer agreed to sell “in-process” public infrastructure constructed by the Developer to the District. However, the purchase agreements also acknowledge the Developer will convey such public infrastructure in its completed state to the City in compliance with the Developer Agreement with the City. Because the Developer retained the right to convey the “sold” public infrastructure to the City and the Developer (not the District) was obligated to warranty the public infrastructure to the City, such public infrastructure did not meet the criteria of an asset held by the District.

The effect of this treatment on the District’s net position as follows:

| | |
|--|-----------------------|
| Net deficit - December 31, 2019, as originally stated | (\$ 1,543,222) |
| Elimination of construction in progress assets not owned by the District | (7,416,267) |
| Elimination of liabilities related to contingent obligations | 698,141 |
| Net deficit - December 31, 2019, as restated | (\$ 8,261,348) |

Restricted Net Position

The District’s restricted net position as of December 31, 2020 in the general fund, debt service fund and capital projects fund totaled \$14,700, \$1,555,110 and \$6,000, respectively. The restricted net position within the general

These notes are an integral part of the accompanying financial statements.

fund is due to spending restrictions established by TABOR. See Note 10 for further details. The restricted net position within the debt service fund is comprised of funds that are restricted to servicing the District's Series 2015 and 2017 Bonds.

Non-Spendable Net Position

The District's non-spendable net position as of December 31, 2020 in the general fund, debt service fund and capital project fund totaled \$13,678, \$0, and \$0, respectively.

Unassigned Net Position

The District's unassigned net position as of December 31, 2020 totaled (\$9,612,826). This deficit amount was a result of the District being responsible for the repayment of bonds issued for public improvements conveyed to the City of Thornton and the District.

NOTE 8 – RELATED PARTIES

For the 12-month period ended December 31, 2020, the five District residents serving on the District's board reported no conflicts of interest arising from their participation as directors on the District's board.

NOTE 9 – RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, the District may be 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 (Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

NOTE 10 – TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution—referred to 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.

These notes are an integral part of the accompanying financial statements.

On November 04, 2008, District voters authorized the District to assess property taxes at no more than \$500,000 annually, without limitation to rate, to pay the District's operations, maintenance and other expenses. Additionally, the District voters approved a revenue change to allow the District to retain and spend all revenue, other than ad valorem taxes, in excess of TABOR spending, revenue raising or other limitations.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). TABOR prohibits the District from using its emergency reserves to compensate for economic conditions and revenue shortfalls.

TABOR is complex and subject to legal interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits, may require judicial interpretation.

NOTE 11 – SUBSEQUENT EVENTS

On April 06, 2021, the District issued \$9,150,000 limited tax (convertible to unlimited tax) general obligation refunding bonds (Series 2021 Bonds). The interest rate on the bonds is 4% and the bonds mature at various dates through December 31, 2034. The proceeds from the Series 2021 Bonds were used as follows:

| | | |
|--|------------|--------------------|
| Series 2021 Bond principal | \$ | 9,150,000 |
| Series 2021 Bond premium | | 1,216,078 |
| Series 2015A Senior Bond reserve fund | | 694,300 |
| Series 2015A Senior Bond surplus account | | 776,873 |
| District cash contributions | | 432,378 |
| Total cash proceeds | \$ | 12,269,629 |
| Less: | | |
| Refund Series 2015 Bonds | (\$ | 7,775,000) |
| Refund Series 2015 Bonds – accrued interest | (| 161,979) |
| Refund Series 2017B Bonds | (| 3,096,000) |
| Refund Series 2017B Bonds – accrued interest | (| 73,981) |
| Refund Series 2017C Bonds | (| 536,000) |
| Refund Series 2017C Bonds – accrued interest | (| 224,125) |
| Insurance premium on Series 2021 Bonds | (| 67,605) |
| Legal, accounting and other costs of issuance | (| 234,939) |
| Cash contribution to District’s capital project fund | (| 100,000) |
| Uses of cash proceeds | (\$ | 12,269,629) |

The average annual principal and interest payments on the Series 2021 Bonds is \$532,744 through 2047, which will allow the District to lower the mill levy for debt service beginning in 2022.

These notes are an integral part of the accompanying financial statements.

SUPPLEMENTARY INFORMATION

LEWIS POINTE METROPOLITAN DISTRICT
DEBT SERVICE FUND –
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
12-Month Period Ended December 31, 2020

| | Original Budget | Amended Budget | Actual Amounts | Positive / (Negative) Variance with Budget |
|--|--------------------|--------------------|--------------------|---|
| REVENUES | | | | |
| Property taxes | \$ 831,676 | \$ 831,676 | \$ 833,744 | \$ 2,068 |
| Specific ownership taxes | 66,534 | 66,534 | 61,044 | (5,490) |
| Facility fees | 2,000 | 2,000 | - | (2,000) |
| Net investment income | 15,000 | 15,000 | 16,877 | 1,877 |
| Total revenues | 915,210 | 915,210 | 911,665 | (3,545) |
| EXPENDITURES | | | | |
| Direct and indirect collection costs | 23,277 | 16,600 | 16,528 | 72 |
| Debt service | | | | |
| Bond interest – 2015A Series Bonds | 466,500 | 466,500 | 466,500 | - |
| Bond interest – 2017B Series Bonds | 270,310 | 509,400 | 509,378 | 22 |
| Bond principal – 2017B Series Bonds | 152,030 | 141,000 | 141,000 | - |
| Total expenditures | 912,117 | 1,133,500 | 1,133,406 | 94 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 3,093 | (218,300) | (221,741) | (3,451) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in (out) | - | - | 10,104 | 10,104 |
| Total other financing sources (uses) | - | - | 10,104 | 10,104 |
| EXCESS OF REVENUES AND OTHER FINANCIAL SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | 3,093 | (218,300) | (211,637) | 6,653 |
| FUND BALANCE – BEGINNING OF YEAR | 1,468,707 | 1,468,707 | 1,766,747 | 298,040 |
| FUND BALANCE – END OF YEAR | \$1,471,800 | \$1,250,407 | \$1,555,110 | \$ 304,693 |

LEWIS POINTE METROPOLITAN DISTRICT
CAPITAL PROJECTS FUND –
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL

12-Month Period Ended December 31, 2020

| | Original Budget | Actual Amounts | Positive / (Negative) Variance with Budget |
|--|--------------------|-------------------|---|
| REVENUES | | | |
| Net investment income | \$ - | \$ - | \$ - |
| Total revenues | - | - | - |
| EXPENDITURES | | | |
| Capital projects | | | |
| Major capital project construction costs | - | - | - |
| Total expenditures | - | - | - |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | - | - | - |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in (out) | - | - | - |
| Total other financing sources (uses) | - | - | - |
| EXCESS OF REVENUES AND OTHER FINANCIAL SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | - | - | - |
| FUND BALANCE – BEGINNING OF YEAR | 6,000 | 6,000 | - |
| FUND BALANCE – END OF YEAR | <u>\$ 6,000</u> | <u>\$ 6,000</u> | <u>\$ -</u> |

LEWIS POINTE METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
 December 31, 2020

The District's repayment schedule for its Series 2015A general obligation bonds is as follows:

| Year Ended December 31, | Principal | Interest | Interest Rate | Total |
|----------------------------|---------------------|---------------------|------------------|----------------------|
| 2021 | \$ 5,000 | \$ 466,500 | 6.000% | \$ 471,500 |
| 2022 | 90,000 | 466,200 | 6.000% | 556,200 |
| 2023 | 110,000 | 460,800 | 6.000% | 570,800 |
| 2024 | 125,000 | 454,200 | 6.000% | 579,200 |
| 2025 | 135,000 | 446,700 | 6.000% | 581,700 |
| 2026 | 155,000 | 438,600 | 6.000% | 593,600 |
| 2027 | 160,000 | 429,300 | 6.000% | 589,300 |
| 2028 | 185,000 | 419,700 | 6.000% | 604,700 |
| 2029 | 195,000 | 408,600 | 6.000% | 603,600 |
| 2030 | 220,000 | 396,900 | 6.000% | 616,900 |
| 2031 | 230,000 | 383,700 | 6.000% | 613,700 |
| 2032 | 260,000 | 369,900 | 6.000% | 629,900 |
| 2033 | 275,000 | 354,300 | 6.000% | 629,300 |
| 2034 | 305,000 | 337,800 | 6.000% | 642,800 |
| 2035 | 320,000 | 319,500 | 6.000% | 639,500 |
| 2036 | 355,000 | 300,300 | 6.000% | 655,300 |
| 2037 | 375,000 | 279,000 | 6.000% | 654,000 |
| 2038 | 410,000 | 256,500 | 6.000% | 666,500 |
| 2039 | 435,000 | 231,900 | 6.000% | 666,900 |
| 2040 | 475,000 | 205,800 | 6.000% | 680,800 |
| 2041 | 505,000 | 177,300 | 6.000% | 682,300 |
| 2042 | 545,000 | 147,000 | 6.000% | 692,000 |
| 2043 | 580,000 | 114,300 | 6.000% | 694,300 |
| 2044 | 1,325,000 | 79,500 | 6.000% | 1,404,500 |
| | \$ 7,775,000 | \$ 7,944,300 | | \$ 15,719,300 |

The original face value of the Series 2015A bonds totaled \$7,775,000. Interest is payable each year on June 1st and December 1st, and principal payments are due each year on December 1st.

No debt-to-maturity schedule is provided for the Subordinate or Junior Lien Bonds because such obligations are payable from Subordinate Pledged Revenue, if and when such revenue is available to repay these bonds.

LEWIS POINTE METROPOLITAN DISTRICT
**SUMMARY 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 |
|----------------------------|--|--------------|--------|----------------------|-----------------------|-----------------------------------|
| | | Operations | Debt | Levied | Collected (Note A) | |
| 2016 | \$ 815,820 | 10.000 | 50.000 | \$ 48,949 | \$ 48,950 | 100.0% |
| 2017 | 2,591,810 | 10.000 | 50.000 | 155,509 | 155,509 | 100.0% |
| 2018 | 8,426,060 | 19.900 | 55.277 | 633,446 | 630,460 | 99.5% |
| 2019 | 11,958,610 | 19.900 | 55.277 | 899,012 | 899,013 | 100.0% |
| 2020 | 14,941,010 | 19.900 | 55.664 | 1,129,002 | 1,119,540 | 99.2% |
| 2021 | 15,210,940 | 31.162 | 55.664 | 1,320,700 | [TBD] | [TBD] |

NOTE A: Property taxes collected in any one year may include collection of delinquent property taxes levied in prior years.

OTHER SUPPLEMENTARY INFORMATION

LEWIS POINTE METROPOLITAN DISTRICT
CHANGE IN TOTAL OVERLAPPING MILL LEVY
 December 31, 2020

| | 2020 Mill Levy ** | 2021 Mill Levy * | Change |
|---|----------------------|---------------------|---------------|
| Lewis Pointe Metropolitan District | 75.564 | 86.826 | 11.262 |
| Adams 12 Five Star Schools | 69.984 | 69.785 | (0.199) |
| Adams County | 26.917 | 26.897 | (0.020) |
| City of Thornton | 10.210 | 10.210 | - |
| Rangeview Library District | 3.677 | 3.670 | (0.007) |
| North Metro Fire Bond | 1.400 | 1.400 | - |
| Urban Drainage and Flood Control | 0.900 | 0.900 | - |
| Urban Drainage and Flood Control – South Platte | 0.097 | 0.100 | 0.003 |
| Total Mill Levy | 188.749 | 199.788 | 11.039 |

* -- For property tax collections in 2021

** -- For property tax collections in 2020

LEWIS POINTE METROPOLITAN DISTRICT
HISTORICAL DEBT RATIOS
 December 31, 2020

| | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|--------------|---------------|---------------|---------------|---------------|
| General Obligation Bonds | \$ 7,775,000 | \$ 11,548,000 | \$ 11,548,000 | \$ 11,548,000 | \$ 11,407,000 |
| Accrued, unpaid interest - Bonds | \$ - | \$ 224,606 | \$ 100,148 | \$ 447,005 | \$ 252,994 |
| Other TABOR debt | \$ - | \$ - | \$ - | \$ - | \$ - |
| Combined assessed property values within the District | \$ 2,591,810 | \$ 8,426,060 | \$ 11,958,610 | \$14,941,010 | \$15,210,940 |
| Ratio of debt to assessed property values | 300% | 140% | 97.4% | 80.3% | 76.6% |