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Accountant's Compilation Report

Board of Directors
Lanterns Metropolitan District No. 1

Management is responsible for the accompanying budget of revenues, expenditures, and fund balances of Lanterns Metropolitan District No. 1 for the year ending December 31, 2020, including the estimate of comparative information for the year ending December 31, 2019, and the actual comparative information for the year ended December 31, 2018, in the format prescribed by Colorado Revised Statutes (C.R.S.) 29-1-105 and the related summary of significant assumptions in accordance with guidelines for the presentation of a budget established by the American Institute of Certified Public Accountants (AICPA). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the budget nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on the accompanying budget.

The budgeted results may not be achieved as there will usually be differences between the budgeted and actual results, because events and circumstances frequently do not occur as expected, and these differences may be material. We assume no responsibility to update this report for events and circumstances occurring after the date of this report.

We draw attention to the summary of significant assumptions which describe that the budget is presented in accordance with the requirements of C.R.S. 29-1-105, and is not intended to be a presentation in accordance with accounting principles generally accepted in the United States of America.

We are not independent with respect to Lanterns Metropolitan District No. 1.

CliftonLarsonAllen LLP

Greenwood Village, Colorado
January 9, 2019

**LANTERNS METROPOLITAN DISTRICT NO. 1
SUMMARY
2020 BUDGET
WITH 2018 ACTUAL AND 2019 ESTIMATED
For the Years Ended and Ending December 31,**

1/14/20

	ACTUAL 2018	ESTIMATED 2019	BUDGET 2020
BEGINNING FUND BALANCES	\$ 3,951	\$ (16,918)	\$ 11,672,728
REVENUES			
Property taxes	41	68	1,033
Specific ownership taxes	4	7	93
Interest income	-	4,750	15,000
Bond proceeds	-	22,120,000	-
Bond premium	-	427,207	-
Developer advance	100,424	7,712,879	5,951,212
Total revenues	<u>100,469</u>	<u>30,264,911</u>	<u>5,967,338</u>
TRANSFERS IN	<u>-</u>	<u>4,290,000</u>	<u>-</u>
Total funds available	<u>104,420</u>	<u>34,537,993</u>	<u>17,640,066</u>
EXPENDITURES			
General Fund	80,936	76,459	70,000
Debt Service Fund	-	320,000	950,000
Capital Projects Fund	40,402	18,178,806	13,587,756
Total expenditures	<u>121,338</u>	<u>18,575,265</u>	<u>14,607,756</u>
TRANSFERS OUT	<u>-</u>	<u>4,290,000</u>	<u>-</u>
Total expenditures and transfers out requiring appropriation	<u>121,338</u>	<u>22,865,265</u>	<u>14,607,756</u>
ENDING FUND BALANCES	<u>\$ (16,918)</u>	<u>\$ 11,672,728</u>	<u>\$ 3,032,310</u>
EMERGENCY RESERVE	\$ 100	\$ 100	\$ 100
DEBT SERVICE RESERVE FUND	-	1,479,000	1,479,000
CAPITALIZED INTEREST/FEEES FUND	-	2,492,250	1,553,210
TOTAL RESERVE	<u>\$ 100</u>	<u>\$ 3,971,350</u>	<u>\$ 3,032,310</u>

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

**LANTERNS METROPOLITAN DISTRICT NO. 1
PROPERTY TAX SUMMARY INFORMATION
2020 BUDGET
WITH 2018 ACTUAL AND 2019 ESTIMATED
For the Years Ended and Ending December 31,**

1/9/20

	ACTUAL 2018	ESTIMATED 2019	BUDGET 2020
ASSESSED VALUATION			
Residential	\$ -	\$ -	\$ 8,950
Agricultural	-	-	4,710
State assessed	-	-	100
Vacant land	910	910	-
Certified Assessed Value	<u>\$ 910</u>	<u>\$ 910</u>	<u>\$ 13,760</u>
MILL LEVY			
General	45.000	74.600	11.077
Debt Service	0.000	0.000	64.044
Total mill levy	<u>45.000</u>	<u>74.600</u>	<u>75.121</u>
PROPERTY TAXES			
General	\$ 41	\$ 68	\$ 152
Debt Service	-	-	881
Levied property taxes	<u>41</u>	<u>68</u>	<u>1,033</u>
Budgeted property taxes	<u>\$ 41</u>	<u>\$ 68</u>	<u>\$ 1,033</u>
BUDGETED PROPERTY TAXES			
General	\$ 41	\$ 68	\$ 152
Debt Service	-	-	881
	<u>\$ 41</u>	<u>\$ 68</u>	<u>\$ 1,033</u>

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

**LANTERNS METROPOLITAN DISTRICT NO. 1
GENERAL FUND
2020 BUDGET
WITH 2018 ACTUAL AND 2019 ESTIMATED
For the Years Ended and Ending December 31,**

1/9/20

	ACTUAL 2018	ESTIMATED 2019	BUDGET 2020
BEGINNING FUND BALANCES	\$ 2,882	\$ (16,395)	\$ 100
REVENUES			
Property taxes	41	68	152
Specific ownership taxes	4	7	14
Developer advance	61,614	92,879	69,834
Total revenues	<u>61,659</u>	<u>92,954</u>	<u>70,000</u>
Total funds available	<u>64,541</u>	<u>76,559</u>	<u>70,100</u>
EXPENDITURES			
General and administrative			
Accounting	9,505	25,000	20,000
Treasurer's fees	-	1	2
Audit	328	-	5,000
Insurance	3,108	3,658	4,000
District management	16,017	2,800	-
Legal	30,996	45,000	30,000
Miscellaneous	-	-	-
Election	20,001	-	5,000
Contingency	981	-	5,998
Total expenditures	<u>80,936</u>	<u>76,459</u>	<u>70,000</u>
Total expenditures and transfers out requiring appropriation	<u>80,936</u>	<u>76,459</u>	<u>70,000</u>
ENDING FUND BALANCES	<u>\$ (16,395)</u>	<u>\$ 100</u>	<u>\$ 100</u>
EMERGENCY RESERVE	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 100</u>
TOTAL RESERVE	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 100</u>

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

**LANTERNS METROPOLITAN DISTRICT NO. 1
DEBT SERVICE FUND
2020 BUDGET
WITH 2018 ACTUAL AND 2019 ESTIMATED
For the Years Ended and Ending December 31,**

1/14/20

	ACTUAL 2018	ESTIMATED 2019	BUDGET 2020
BEGINNING FUND BALANCES	\$ -	\$ -	\$ 3,971,250
REVENUES			
Interest income	-	1,250	10,000
Specific ownership taxes	-	-	79
Property taxes	-	-	881
Total revenues	<u>-</u>	<u>1,250</u>	<u>10,960</u>
TRANSFERS IN			
Transfer from other funds`	<u>-</u>	<u>4,290,000</u>	<u>-</u>
Total funds available	<u>-</u>	<u>4,291,250</u>	<u>3,982,210</u>
EXPENDITURES			
General and administrative			
Treasurer fees	-	-	13
Paying agent fee	-	-	7,500
Contingency	-	5,064	5,487
Debt Service			
Bond interest	<u>-</u>	<u>314,936</u>	<u>937,000</u>
Total expenditures	<u>-</u>	<u>320,000</u>	<u>950,000</u>
Total expenditures and transfers out requiring appropriation	<u>-</u>	<u>320,000</u>	<u>950,000</u>
ENDING FUND BALANCES	<u>\$ -</u>	<u>\$ 3,971,250</u>	<u>\$ 3,032,210</u>
DEBT SERVICE RESERVE FUND	\$ -	\$ 1,479,000	\$ 1,479,000
CAPITALIZED INTEREST/FEEES FUND	-	2,492,250	1,553,210
TOTAL RESERVE	<u>\$ -</u>	<u>\$ 3,971,250</u>	<u>\$ 3,032,210</u>

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

**LANTERNS METROPOLITAN DISTRICT NO. 1
CAPITAL PROJECTS FUND
2020 BUDGET
WITH 2018 ACTUAL AND 2019 ESTIMATED
For the Years Ended and Ending December 31,**

1/14/20

	ACTUAL 2018	ESTIMATED 2019	BUDGET 2020
BEGINNING FUND BALANCES	\$ 1,069	\$ (523)	\$ 7,701,378
REVENUES			
Bond proceeds	-	22,120,000	-
Bond premium	-	427,207	-
Interest income	-	3,500	5,000
Developer advance	38,810	7,620,000	5,881,378
Total revenues	<u>38,810</u>	<u>30,170,707</u>	<u>5,886,378</u>
Total funds available	<u>39,879</u>	<u>30,170,184</u>	<u>13,587,756</u>
EXPENDITURES			
Repay developer advances	-	7,620,000	5,881,378
Capital outlay	-	7,620,000	5,881,378
Bond issue costs	-	337,476	-
Underwriter's Discount	-	436,330	-
Accounting	2,096	-	-
District management	3,025	-	-
Legal	34,861	-	-
Engineering	420	25,000	25,000
Intergovernmental	-	2,140,000	1,800,000
Total expenditures	<u>40,402</u>	<u>18,178,806</u>	<u>13,587,756</u>
TRANSFERS OUT			
Transfer to other funds	-	4,290,000	-
Total expenditures and transfers out requiring appropriation	<u>40,402</u>	<u>22,468,806</u>	<u>13,587,756</u>
ENDING FUND BALANCES	<u>\$ (523)</u>	<u>\$ 7,701,378</u>	<u>\$ -</u>

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

**LANERNS METROPOLITAN DISTRICT NO. 1
2020 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Services Provided

Lanterns Metropolitan District No. 1, 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, in Douglas County. 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 overlay 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 Service Plan for District Nos. 1-3 limits the aggregate amount of debt that they may issue together to \$87,000,000.

The District has no employees and all administrative functions are contracted

The District prepares its budget on the modified accrual basis of accounting in accordance with the requirements of Colorado Revised Statutes C.R.S. 29-1-105 using its best estimates as of the date of the budget hearing. These estimates are based on expected conditions and its expected course of actions. The assumptions disclosed herein are those that the District believes are significant to the budget. There will usually be differences between the budget and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

Revenues

Developer Advances

The District is in the development stage. As such, the operating and administrative expenditures will be mainly funded by the Developer. A major portion of the capital expenditures are also expected to be funded by the Developer. Developer advances are recorded as revenue for budget purposes with an obligation for future repayment when the District is financially able to reimburse the Developer from bond proceeds and other legally available revenue.

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, sale of the

**LANTERNS METROPOLITAN DISTRICT NO. 1
2020 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Revenues – (continued)

tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

The calculation of the taxes levied is displayed on the Property Tax Summary page of the budget using the adopted mill levy imposed by the District.

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. The budget assumes that the District's share will be equal to approximately 9% of the property taxes collected.

Net Investment Income

Investments earned on the District's funds available have been estimated at historical interest rates earnings.

Expenditures

General and Administrative Expenditures

General and administrative expenditures include the estimated costs of services necessary to maintain the District's administrative viability such as legal, management, accounting, insurance and other administrative expenses.

County Treasurer's Fees

County Treasurer's fees have been computed at 1.5% of property tax collections.

Capital Outlay

The District anticipates infrastructure improvements as noted in the Capital Projects fund.

Debt Service

Principal and interest payments are provided based on the debt amortization schedule for the Series 2019A Limited Tax General Obligations Bonds. There is no schedule of debt amortization for the Series 2019B Subordinate Limited Tax General Obligation Bonds and the Series 2019C Junior Lien Limited Taxed General Obligations Bonds as they are structured as cash flow bonds as discussed aforementioned.

**LANERNS METROPOLITAN DISTRICT NO. 1
2020 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Debt and Leases

On July 31, 2019, the District issued Series 2019A Limited Tax General Obligation Bonds, Series 2019B Subordinate Limited Tax General Obligation Bonds, and Series 2019C Junior Lien Limited Tax General Obligation Bonds in the total amount of \$22,120,000.

Proceeds of the Senior Bonds will be 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 will be used to fund and reimburse additional public improvements related to the Development and pay certain costs of issuance.

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

To the extent the principal of any Senior Bond is not paid when due, such principal shall remain outstanding until paid or discharged as described below. 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 rate borne by the Senior Bond. The District shall not be obligated to pay more than the amount permitted by law and the Election in repayment of the Senior Bonds. In the event any amount of principal of or interest on the Senior Bonds remains unpaid after the application of all available Senior Pledged Revenue on December 1, 2054, the Senior Bonds shall be deemed discharged and shall no longer be due and outstanding.

The Subordinate Bonds will 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 only to the extent of available Subordinate Pledged Revenue.

In the event that the 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 on December 15 until the total repayment obligation of the District for the Subordinate Bonds equals the amount permitted by law and the Election. In the event that any amount of principal of 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.

The Junior Lien Bonds are assumed to bear interest at 10.000% and mature on December 15, 2049. The Junior Lien Bonds constitute junior lien "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.

**LANTERNS METROPOLITAN DISTRICT NO. 1
2020 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Debt and Leases – (continued)

Principal and interest payments are due on the Junior Lien Bonds on each December 15 only to the extent of available Junior Lien 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 on December 15 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 no event are any amounts to be paid on the Junior Lien Bonds until such time as there has been paid in full or defeased the Subordinate Bonds, and, to the extent required by the applicable Senior/Subordinate Obligation Indentures, any other Senior/Subordinate Obligations issued by the District. In the event that any amount or principal of 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.

District has no outstanding debt, nor any operating or capital leases.

Reserves

Emergency Reserve

The District has provided for an emergency reserve fund equal to at least 3% of fiscal year spending as defined under TABOR.

Debt Service Reserve

The Series 2019 Bonds are secured by required funds held by the Trustee in the Reserve Funds.

This information is an integral part of the accompanying budget.

LANTERNS METROPOLITAN DISTRICT NO. 1
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY

Bonds and Interest Maturing in the Year Ending December 31,	\$18,740,000		
	Limited Tax General Obligation Bonds		
	Series 2019A		
	Dated July 31, 2019		
	Interest Rates: 5.000%		
	Interest Payable June 1 and December 1		
	Principal Due December 1		
	Principal	Interest	Total
2020	\$ -	\$ 937,000	\$ 937,000
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
	\$ 18,740,000	\$ 20,632,250	\$ 39,372,250