LANTERNS METROPOLITAN DISTRICT NO. 1
Douglas County, Colorado

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2023

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YEAR ENDED DECEMBER 31, 2023

Haynie & Company
Certified Public Accountants
& Management Consultants

1221 W. Mineral Avenue, Suite 202
Littleton, CO 80120
303-734-4800
303-795-3356
www.HaynieCPAs.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Lanterns Metropolitan District No. 1

Opinions

We have audited the accompanying financial statements of the governmental activities and the major funds of the Lanterns Metropolitan District No. 1, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Lanterns Metropolitan District No. 1's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major funds of the Lanterns Metropolitan District No. 1, as of December 31, 2023, and the respective changes in financial position and General Fund budgetary comparison for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lanterns Metropolitan District No. 1, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lanterns Metropolitan District No. 1's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lanterns Metropolitan District No. 1's basic financial statements. The supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information section comprises the schedules listed in the table of contents but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Haynie & Company

Littleton, Colorado
November 1, 2024

BASIC FINANCIAL STATEMENTS

LANTERNS METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION
DECEMBER 31, 2023

	Governmental Activities
ASSETS	
Cash and Investments	$ 161,338
Cash and Investments - Restricted	2,167,612
Receivable from County Treasurer	6,703
Prepaid Insurance	2,671
Property Tax Receivable	1,956,256
Capital Assets:	
Capital Assets Net of Depreciation	5,156,820
Total Assets	9,451,400
LIABILITIES	
Accounts Payable	7,667
Accrued Interest Payable - Bonds	78,083
Noncurrent Liabilities:	
Due Within One Year	95,000
Due in More Than One Year	30,869,744
Total Liabilities	31,050,494
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	1,956,256
Total Deferred Inflows of Resources	1,956,256
NET POSITION	
Restricted for:	
Emergency Reserve	5,600
Debt Service	610,643
Unrestricted	(24,171,593)
Total Net Position	$ (23,555,350)

See accompanying Notes to Basic Financial Statements.

LANTERNS METROPOLITAN DISTRICT NO. 1
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023

		Program Revenues			Net Revenues (Expenses) and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
FUNCTIONS/PROGRAMS					
Primary Government:					
Governmental Activities:					
General Government	$ 177,260	$ -	$ -	$ 15,583,089	$ 15,405,829
Transfer of Public Improvements to Another Government	29,252,529	-	-	-	(29,252,529)
Interest on Long-Term Debt and Related Costs	1,665,048	-	-	-	(1,665,048)
Total Governmental Activities	$ 31,094,837	$ -	$ -	$ 15,583,089	(15,511,748)
Business-Type Activities:					
Water/Sewer Facilities	$ -	$ -	$ -	$ -	-
Total Business-Type Activities	$ -	$ -	$ -	$ -	-
GENERAL REVENUES					
Property Taxes					1,094,263
Specific Ownership Taxes					103,641
Interest Income					122,988
Total General Revenues and Transfers					1,320,892
CHANGES IN NET POSITION					(14,190,856)
Net Position - Beginning of Year, as Restated					(9,364,494)
NET POSITION - END OF YEAR					$ (23,555,350)

See accompanying Notes to Basic Financial Statements.

LANTERNS METROPOLITAN DISTRICT NO. 1
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2023

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and Investments	$ 161,338	$ -	$ -	$ 161,338
Cash and Investments - Restricted	5,600	2,162,012	-	2,167,612
Prepaid Insurance	2,671	-	-	2,671
Property Tax Receivable	288,442	1,667,814	-	1,956,256
Receivable from County Treasurer	988	5,715	-	6,703
Total Assets	$ 459,039	$ 3,835,541	$ -	$ 4,294,580
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	$ 7,667	$ -	$ -	$ 7,667
Total Liabilities	7,667	-	-	7,667
DEFERRED INFLOWS OF RESOURCES				
Deferred Property Tax	288,442	1,667,814	-	1,956,256
Total Deferred Inflows of Resources	288,442	1,667,814	-	1,956,256
FUND BALANCES				
Nonspendable:				
Prepaid Expense	2,671	-	-	2,671
Restricted for:				
Emergency Reserves	5,600	-	-	5,600
Debt Service	-	2,167,727	-	2,167,727
Unassigned	154,659	-	-	154,659
Total Fund Balances	162,930	2,167,727	-	2,330,657
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 459,039	$ 3,835,541	$ -	

Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,156,820
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	(22,120,000)
Bond Interest Payable	(1,497,306)
Premium on Series 2019A Bonds	(344,346)
Accrued Interest Payable - Bonds	(78,083)
Developer Advances	(6,034,165)
Accrued Interest Payable - Developer Advance	(968,927)
Net Position of Governmental Activities	$ (23,555,350)

See accompanying Notes to Basic Financial Statements.

LANTERNS METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2023

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
Property Taxes	$ 161,349	$ 932,914	$ -	$ 1,094,263
Specific Ownership Taxes	15,282	88,359	-	103,641
Interest Income	9,516	113,472	-	122,988
Total Revenues	186,147	1,134,745	-	1,320,892
EXPENDITURES				
Current:				
Accounting	26,278	-	-	26,278
Auditing	5,900	-	-	5,900
County Treasurer'S Fee	2,421	14,001	-	16,422
Election	4,264	-	-	4,264
Engineering	-	-	28,020	28,020
Insurance	8,878	-	-	8,878
Legal	25,902	-	-	25,902
Miscellaneous	947	-	-	947
Bond Interest - Series 2019A Bonds	-	937,000	-	937,000
Paying Agent Fees	-	9,500	-	9,500
Capital Projects:				
Capital Outlay	-	-	4,772,359	4,772,359
Total Expenditures	74,590	960,501	4,800,379	5,835,470
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	111,557	174,244	(4,800,379)	(4,514,578)
OTHER FINANCING SOURCES (USES)				
Developer Advance	-	-	4,772,359	4,772,359
Transfers In (Out)	(28,020)	-	28,020	-
Total Other Financing Sources (Uses)	(28,020)	-	4,800,379	4,772,359
NET CHANGE IN FUND BALANCES	83,537	174,244	-	257,781
Fund Balances - Beginning of Year	79,393	1,993,483	-	2,072,876
FUND BALANCES - END OF YEAR	$ 162,930	$ 2,167,727	$ -	$ 2,330,657

See accompanying Notes to Basic Financial Statements.

LANTERNS METROPOLITAN DISTRICT NO. 1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023

Net Change in Fund Balances - Total Governmental Funds	$ 257,781
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. In the statement of activities capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset. Therefore, this is the amount of capital outlay, depreciation and dedication of capital assets to other governments, in the current period.	
Capital Outlay	4,772,359
Transfer of Public Improvements to Lanterns MD No. 2	(6,267,211)
Transfer of Public Improvements from Lanterns MD No. 2	15,583,089
Depreciation Expense	(102,668)
Transfer of Public Improvements to Other Governments	(22,985,319)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net position.	
Amortization of Bond Premium	19,109
Developer Advance	(4,772,359)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Accrued Interest Payable - Change in Liability	(388,267)
Accrued Interest Payable Developer Advance - Change in Liability	(307,370)
Changes in Net Position of Governmental Activities	$ (14,190,856)

See accompanying Notes to Basic Financial Statements.

LANTERNS METROPOLITAN DISTRICT NO. 1
GENERAL FUND – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2023

	Budget		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Property Taxes	$ 164,791	$ 164,791	$ 161,349	$ (3,442)
Specific Ownership Taxes	14,831	14,831	15,282	451
Interest Income	1,800	1,800	9,516	7,716
Total Revenues	181,422	181,422	186,147	4,725
EXPENDITURES				
Accounting	33,000	33,000	26,278	6,722
Auditing	5,800	5,800	5,900	(100)
County Treasurer's Fee	2,472	2,472	2,421	51
Insurance	4,000	4,000	8,878	(4,878)
Legal	45,000	45,000	25,902	19,098
Miscellaneous	500	500	947	(447)
Election	3,000	3,000	4,264	(1,264)
Contingency	6,228	11,228	-	11,228
Total Expenditures	100,000	105,000	74,590	30,410
EXCESS OF REVENUES OVER EXPENDITURES	81,422	76,422	111,557	35,135
OTHER FINANCING SOURCES (USES)				
Transfers To Other Fund	-	-	(28,020)	(28,020)
Total Other Financing Uses	-	-	(28,020)	(28,020)
NET CHANGE IN FUND BALANCE	81,422	76,422	83,537	7,115
Fund Balance - Beginning of Year	82,283	82,283	79,393	(2,890)
FUND BALANCE - END OF YEAR	$ 163,705	$ 158,705	$ 162,930	$ 4,225

See accompanying Notes to Basic Financial Statements.

NOTE 1 DEFINITION OF REPORTING ENTITY

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

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

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

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-Wide and Fund Financial Statements

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

The District reports the following major governmental funds:

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

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

The District amended its budget for the year ending December 31, 2023.

Pooled Cash and Investments

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

Property Taxes

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

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

Capital Assets

Capital assets, which include infrastructure assets, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation on property that will remain assets of the District is reported on the statement of activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated.

Amortization

Original Issue Discount/Premium

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

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

Deferred Inflows of Resources

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

Equity

Net Position

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

Fund Balance

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

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

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

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

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

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

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

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2023, are classified in the accompanying financial statements as follows:

Cash and Investments	$ 161,338
Cash and Investments - Restricted	2,167,612
Total Cash and Investments	$ 2,328,950

Cash and investments as of December 31, 2023, consist of the following:

Deposits with Financial Institutions	$ 6,971
Investments	2,321,979
Total Cash and Investments	$ 2,328,950

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Cash Deposits

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

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

At December 31, 2023, the District's cash deposits had a bank balance and a carrying balance of $6,971.

Investments

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

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

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

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

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

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Fair Value Measurement and Application

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation in inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series), money market funds (generally held by Bank Trust Department in their role as paying agent or trustee), CSAFE (which are recorded at amortized cost), and COLOTRUST (which are recorded at net asset value).

As of December 31, 2023, the District had the following investments:

Investment	Maturity	Amount
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted-Average Under 60 Days	$ 169,382
U.S. Treasury Money Market Fund	Weighted-Average Under 60 Days	2,152,597
		$ 2,321,979

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust currently offers three portfolios – COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE.

COLOTRUST PRIME and COLOTRUST PLUS+, which operate similarly to a money market fund and each share is equal in value to $1.00, offer daily liquidity. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

COLOTRUST EDGE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a $10.00 transactional share price. COLOTRUST EDGE may invest in securities authorized by CRS 24-75-601, including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

COLOTRUST (Continued)

A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST PRIME and COLOTRUST PLUS+ are rated AAAm by Standard & Poor's. COLOTRUST EDGE is rated AAAf/S1 by Fitch Ratings. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily or weekly, and there is no redemption notice period.

U.S. Treasury Money Market Fund

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

NOTE 4 CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2023 follows:

	Balance at December 31, 2022	Increases	Decreases	Balance at December 31, 2023
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Construction in Progress	$ 14,156,570	$ 15,095,960	$ 29,252,530	$ -
Total Capital Assets, Not Being Depreciated	14,156,570	15,095,960	29,252,530	-
Capital Assets, Being Depreciated:				
Stormwater	-	5,259,488	-	5,259,488
Total Capital Assets, Being Depreciated	-	5,259,488	-	5,259,488
Less Accumulated Depreciation for:				
Accumulated Depreciation - Stormwater	-	102,668	-	102,668
Total Accumulated Depreciation	-	102,668	-	102,668
Total Capital Assets, Being Depreciated, Net	-	5,156,820	-	5,156,820
Governmental Activities Capital Assets, Net	$ 14,156,570	$ 20,252,780	$ 29,252,530	$ 5,156,820

NOTE 4 CAPITAL ASSETS (CONTINUED)

During 2023, a significant portion of the capital assets constructed by the District were conveyed to other governmental entities. The costs of all capital assets transferred to other governmental entities were removed from the District's financial records. There is a year[s] warranty period on the capital assets conveyed to The Town of Castle Rock. The District anticipates that the costs, if any, associated with the warranty will be insignificant.

NOTE 5 LONG-TERM OBLIGATIONS

The following is an analysis of changes in the District's long-term obligations for the year ended December 31, 2023:

	Balance at December 31, 2022	Additions	Reductions	Balance at December 31, 2023	Due Within One Year
Bonds Payable:					
Limited Tax General Obligation Bonds					
Senior - Series 2019A	$ 18,740,000	$ -	$ -	$ 18,740,000	$ 95,000
Subordinate - Series 2019B	2,051,000	-	-	2,051,000	-
Junior Lien - Series 2019C	1,329,000	-	-	1,329,000	-
Premium on Series 2019A Bonds	363,455	-	19,109	344,346	-
Accrued Interest					
Series 2019B Bonds	596,573	204,674	-	801,247	-
Series 2019C Bonds	512,466	183,593	-	696,059	-
Subtotal Bonds Payable	23,592,494	388,267	19,109	23,961,652	95,000
Other Debts:					
Developer Advances - Organization Costs - Toll Brothers (Assigned)	145,171	-	-	145,171	-
Developer Advances - O&M - Toll Brothers	274,648	-	-	274,648	-
Developer Advances - Capital - Toll Brothers	643,933	4,772,359	-	5,416,292	-
Developer Advances - O&M - Toll Brothers (Assigned)	92,368	-	-	92,368	-
Developer Advances - Capital - Toll Brothers (Assigned)	105,686	-	-	105,686	-
Developer Advances - Infrastructure - Toll Brothers	-	-	-	-	-
Accrued Interest on:					
Developer Advances - Organization Costs - Toll Brothers (Assigned)	122,076	-	-	122,076	-
Developer Advances - O&M - Toll Brothers	63,992	21,972	-	85,964	-
Developer Advances - Capital - Toll Brothers	311,149	269,554	-	580,703	-
Developer Advances - O&M - Toll Brothers (Assigned)	69,122	7,389	-	76,511	-
Developer Advances - Capital - Toll Brothers (Assigned)	82,756	8,455	-	91,211	-
Developer Advances - Infrastructure - Toll Brothers	12,462	-	-	12,462	-
Subtotal Other Debts	1,923,363	5,079,729	-	7,003,092	-
Total Long-Term Obligations	$ 25,515,857	$ 5,467,996	$ 19,109	$ 30,964,744	$ 95,000

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

The details of the District's general obligation bonds outstanding during 2023 are as follows:

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

Bond Details

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

Senior Bonds Details

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

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

Senior Bonds Pledged Revenue

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

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Senior Bonds Pledged Revenue (Continued)

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

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

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

Senior Required Mill Levy

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

Additional Security for Senior Bonds

The Senior Bonds are additionally secured by capitalized interest which was funded from proceeds of the Bonds in the amount of $2,811,000 and by amounts in the Senior Surplus Fund (if any). The Senior Surplus Fund was partially funded in the amount of the Initial Deposit of $1,479,000 on the date of issuance of the Senior Bonds. The Senior Surplus Fund will be further funded from Senior Pledged Revenue that is not needed to pay debt service on the Senior Bonds (if any) in any year up to the Maximum Surplus Amount of $3,748,000. The balance in the Senior Surplus Fund as of December 31, 2023, is $2,150,586.

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Subordinate Bonds Details

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

In the event that Subordinate Pledged Revenue is insufficient to pay the Subordinate Bonds, the unpaid principal will continue to bear interest and the unpaid interest will compound annually until the total repayment obligation of the District for the Subordinate Bonds equals the amount permitted by law and the Election in repayment of the Subordinate Bonds. In the event that any amount of principal 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.

Subordinate Bonds Pledged Revenue

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

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

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

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

Subordinate Required Mill Levy

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

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Junior Lien Bonds Details

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

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

Junior Lien Bonds Pledged Revenue

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

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

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

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

Junior Lien Required Mill Levy

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

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Senior Bonds Debt Service

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

Year Ending December 31,	Principal	Interest	Total
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
2029-2033	2,030,000	4,200,250	6,230,250
2034-2038	2,945,000	3,606,000	6,551,000
2039-2043	4,110,000	2,759,000	6,869,000
2044-2049	8,465,000	1,727,250	10,192,250
Total	$ 18,740,000	$ 16,884,250	$ 35,624,250

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

At December 31, 2023, the District had authorized, but unissued general obligation indebtedness in the following amounts for the following purposes:

	Authorized on November 6, 2018	Authorization Used, Series 2019 Bonds	Remaining at December 31, 2023
Operations and Maintenance	$ 87,000,000	$ -	$ 87,000,000
Refunding of Debt	870,000,000	-	870,000,000
Intergovernmental Agreements	87,000,000	-	87,000,000
Private Agreements	87,000,000	-	87,000,000
Mortgage	87,000,000	-	87,000,000
Streets	87,000,000	10,617,600	76,382,400
Parks and Recreation	87,000,000	442,400	86,557,600
Water	87,000,000	3,539,200	83,460,800
Sanitation/Storm Sewer	87,000,000	7,520,800	79,479,200
Transportation	87,000,000	-	87,000,000
Mosquito Control	87,000,000	-	87,000,000
Safety Protection	87,000,000		87,000,000
Fire Protection	87,000,000	-	87,000,000
Television Relay	87,000,000	-	87,000,000
Security	87,000,000	-	87,000,000
Total	$ 2,088,000,000	$ 22,120,000	$ 2,065,880,000

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Authorized Debt

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

At December 31, 2023, with the issuance of the Series 2019 Bonds, the District had authorized but unissued indebtedness authorized by election remaining in the amount of $847,880,000 for public improvements and refunding and authorized but unissued indebtedness authorized by the service plan in the amount of $64,880,000. The District also had $870,000,000 in authorized but unissued general obligation indebtedness for refunding purposes.

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

On August 19, 2021, The Lanterns Metropolitan District No. 2 issued its Limited Tax General Obligation Bonds, Series 2021A(3) in the par amount of $24,482,000. The remaining Service Plan authorized debt is $18,278,000 as of December 31, 2023.

Developer Advances

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

NOTE 6 NET POSITION

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

Restricted net position consists of assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position as of December 31, 2023, as follows:

	Governmental Activities
Restricted Net Position:	
Emergencies	$ 5,600
Debt Service Reserve	610,643
Total Restricted Net Position	$ 616,243

NOTE 6 NET POSITION (CONTINUED)

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

NOTE 7 AGREEMENTS

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

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

The First IGA was terminated on July 13, 2023 pursuant to the Termination of Amended and Restated Master Intergovernmental Agreement.

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

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

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

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

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

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

NOTE 7 AGREEMENTS (CONTINUED)

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

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

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

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

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

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

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

The District entered into an Amended and Restated Development and Cost Reimbursement Agreement with Crystal Crossing Metropolitan District and Crystal Valley Metropolitan District No. 1 dated November 11, 2005, as amended on June 12, 2014, for the design and installation of a four-lane bridge over Plum Creek and Union Pacific Railroad tracts. Reimbursement to Crystal Crossing Metropolitan District in the amount of $180,065.41 is to occur within 7 days of the first recorded subdivision plat of the land within the District service plan. Reimbursement to Crystal Valley Metropolitan District No. 1 in the amount of $990,086.93 is to occur within 7 days of the first recorded subdivision plat of the land within the District service plan. Reimbursement to Crystal Valley Metropolitan District No. 1 in the estimated amount of $360,000.00, in the event of increased density due to rezoning, is to occur within 7 days following recording of each subdivision plat following rezoning. No payments were made during 2023.

NOTE 7 AGREEMENTS (CONTINUED)

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

The District entered into a Development and Cost Reimbursement Agreement with Crystal Crossing Metropolitan District, Crystal Valley Metropolitan District No. 1, and Crystal Valley Metropolitan District No. 2 dated February 17, 2009, as amended on June 12, 2014 for the design, construction, and installation of street lighting, signalization, irrigation and landscaping within and along Crystal Valley Parkway. Reimbursement to Crystal Crossing Metropolitan District in the amount of $197,480.00 is to occur within 7 days following the first recorded subdivision plat of the land with the District service plan. Reimbursement to Crystal Valley Metropolitan District No.1 and District No. 2 in the amount of $22,284.00, collectively, is to occur within 7 days following the first recorded subdivision plat of land within the District service plan. No payments were made during 2023.

Agreements with Premise Real Estate, LLC

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

Termination of Agreements with Premise Real Estate, LLC

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

Operation Funding Agreements with Jefferson 500 LLC

The District entered into Operation and Funding agreements with Jefferson dated April 9, 2014; December 8, 2014; December 9, 2015; December 13, 2016, and; November 8, 2017 (as amended September 6, 2018 and December 6, 2018), pursuant to which Jefferson agrees to advance funds to the District for certain operation and maintenance expenses. The District agrees to repay these advances, together with accrued interest at a rate of 8% per annum accruing from the date of each advance. The term of repayment shall not extend beyond 20 years from the effective date of each agreement. This agreement was terminated in 2021 and assigned to Toll Southwest LLC.

NOTE 7 AGREEMENTS (CONTINUED)

Facilities Acquisition and Reimbursement Agreement with Jefferson 500 LLC

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

Funding and Reimbursement Agreement with Toll Southwest LLC

The District entered into the Funding and Reimbursement Agreement (Operations and Maintenance) (O&M Agreement) with Toll Southwest, LLC (Developer) dated July 8, 2019. Pursuant to the O&M Agreement, the Developer agrees to advance funds to the District, for operation and maintenance expenses, one or more sums of money, not to exceed the aggregate of $50,000 per annum for two years. The maximum amount to be advanced for Operations and Maintenance Expenses pursuant to this agreement is $100,000. The District agrees to repay these advances together with accrued simple interest at a rate of 8% per annum accruing from the date any such advance is made. The term of repayment under the O&M Agreement shall not extend beyond 20 years from the date of the O&M Agreement.

Infrastructure Acquisition and Reimbursement Agreement with Toll Southwest, LLC

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

NOTE 8 RELATED PARTIES

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

NOTE 9 RISK MANAGEMENT

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

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

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

NOTE 10 TAX, SPENDING, AND DEBT LIMITATIONS

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

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

On November 6, 2018, a majority of the District's electors authorized the District to collect and spend or retain in a reserve the full amount of all currently levied taxes and fees of the District annually, without regard to any limitations under TABOR.

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

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

NOTE 11 RESTATEMENT

A prior period adjustment was made to correct an error in construction in progress from 2020 that was not accrued. Developer advance interest was not accrued and a prior period adjustment was made to correct the error. A reconciliation of the prior period ending net position to the current year beginning net position is as follows:

	Total Government Activities
Beginning Net Position	$ (9,068,093)
Balance, as Previously Reported Adjustment to Correct Interest Accrued/Payable	(296,401)
Beginning Net Position, as Restated	$ (9,364,494)

SUPPLEMENTARY INFORMATION

LANTERNS METROPOLITAN DISTRICT NO. 1
DEBT SERVICE FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2023

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	$ 952,817	$ 932,914	$ (19,903)
Specific Ownership Taxes	85,754	88,359	2,605
Interest Income	30,000	113,472	83,472
Total Revenues	1,068,571	1,134,745	66,174
EXPENDITURES			
County Treasurer's Fee	14,292	14,001	291
Paying Agent Fees	9,500	9,500	-
Bond Interest - Series 2019A Bonds	937,000	937,000	-
Contingency	4,208	-	4,208
Total Expenditures	965,000	960,501	4,499
NET CHANGE IN FUND BALANCE	103,571	174,244	70,673
Fund Balance - Beginning of Year	1,973,909	1,993,483	19,574
FUND BALANCE - END OF YEAR	$ 2,077,480	$ 2,167,727	$ 90,247

LANTERNS METROPOLITAN DISTRICT NO. 1
CAPITAL PROJECTS FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2023

	Budget		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Total Revenues	$ -	$ -	$ -	$ -
EXPENDITURES				
Engineering	-	20,282	28,020	(7,738)
Capital Outlay	-	5,259,488	4,772,359	487,129
Total Expenditures	-	5,279,770	4,800,379	479,391
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(5,279,770)	(4,800,379)	479,391
OTHER FINANCING SOURCES (USES)				
Developer Advance	-	5,259,488	4,772,359	(487,129)
Transfers From Other Funds	-	20,282	28,020	7,738
Total Other Financing Sources (Uses)	-	5,279,770	4,800,379	(479,391)
NET CHANGE IN FUND BALANCE	-	-	-	-
Fund Balance - Beginning of Year	-	-	-	-
FUND BALANCE - END OF YEAR	$ -	$ -	$ -	$ -

OTHER INFORMATION

LANTERNS METROPOLITAN DISTRICT NO. 1
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2023

	$18,740,000 Senior Limited Tax General Obligation Bonds Series 2019A Dated July 31, 2019 Interest Rate 5.00% Payable June 1 and December 1 Principal Due December 1		
Year Ending December 31,	Principal	Interest	Total
2024	$ 95,000	$ 937,000	$ 1,032,000
2025	220,000	932,250	1,152,250
2026	270,000	921,250	1,191,250
2027	285,000	907,750	1,192,750
2028	320,000	893,500	1,213,500
2029	340,000	877,500	1,217,500
2030	380,000	860,500	1,240,500
2031	400,000	841,500	1,241,500
2032	445,000	821,500	1,266,500
2033	465,000	799,250	1,264,250
2034	515,000	776,000	1,291,000
2035	540,000	750,250	1,290,250
2036	590,000	723,250	1,313,250
2037	620,000	693,750	1,313,750
2038	680,000	662,750	1,342,750
2039	715,000	628,750	1,343,750
2040	775,000	593,000	1,368,000
2041	815,000	554,250	1,369,250
2042	880,000	513,500	1,393,500
2043	925,000	469,500	1,394,500
2044	1,000,000	423,250	1,423,250
2045	1,050,000	373,250	1,423,250
2046	1,130,000	320,750	1,450,750
2047	1,190,000	264,250	1,454,250
2048	1,275,000	204,750	1,479,750
2049	2,820,000	141,000	2,961,000
Total	$ 18,740,000	$ 16,884,250	$ 35,624,250

LANTERNS METROPOLITAN DISTRICT NO. 1
SCHEDULE OF ASSESSED VALUATION , MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2023

		Total Mills Levied		Total Property Taxes		Percent
Year Ended December 31,	Assessed Valuation	General Operations	Debt Service	Levied	Collected	Collected to Levied
2019	$ 910	74.600	0.000	$ 68	$ 68.00	100.00 %
2020	13,760	11.077	64.044	1,033	1,013	98.06
2021	2,463,200	11.077	64.044	185,038	185,039	100.00
2022	9,189,540	11.077	64.044	690,328	667,204	96.65
2023	14,735,810	11.183	64.660	1,117,608	1,094,263	97.91
Estimated for Year Ending December 31, 2024	$ 23,412,510	12.320	71.236	$ 1,956,256		

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