

LANTERNS METROPOLITAN DISTRICT NO. 1
Douglas County, Colorado

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2025

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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 each major fund of Lanterns Metropolitan District No. 1 as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise Lanterns Metropolitan District No. 1 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 each major fund of Lanterns Metropolitan District No. 1, as of December 31, 2025, and the respective changes in financial position and budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for 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 Auditor's 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 the 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 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 schedule of revenues, expenditures and changes in fund balance – budget and actual for the Debt Service Fund and the schedule of revenues, expenditures and changes in fund balance – budget and actual for the Capital Projects Fund, 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 schedule of revenues, expenditures and changes in fund balance – budget and actual for the Debt Service Fund and the schedule of revenues, expenditures and changes in fund balance – budget and actual for the Capital Projects Fund 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, as listed in the table of contents, included in the annual report. 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.

A handwritten signature in cursive script, appearing to read "Haynie".

Littleton, Colorado
July 30, 2026

BASIC FINANCIAL STATEMENTS

LANTERNS METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION
DECEMBER 31, 2025

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 119,144
Cash and Investments - Restricted	585,736
Receivable from County Treasurer	13,406
Property Tax Receivable	1,520,040
Capital Assets:	
Capital Assets Net of Depreciation	<u>4,806,188</u>
Total Assets	<u>7,044,514</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Cost of Refunding, Net	<u>943,677</u>
Total Deferred Outflows of Resources	<u>943,677</u>
 LIABILITIES	
Accounts Payable	12,503
Accrued Interest - Series 2024A Bonds	102,056
Noncurrent Liabilities:	
Due Within One Year	365,000
Due in More Than One Year	<u>28,114,265</u>
Total Liabilities	<u>28,593,824</u>
 DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	<u>1,520,040</u>
Total Deferred Inflows of Resources	<u>1,520,040</u>
 NET POSITION	
Net Investment in Capital Assets	(3,654,082)
Restricted for:	
Emergency Reserve	10,200
Unrestricted	<u>(18,481,791)</u>
 Total Net Position	 <u><u>\$ (22,125,673)</u></u>

See accompanying Notes to Basic Financial Statements.

LANTERNS METROPOLITAN DISTRICT NO. 1
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025

FUNCTIONS/PROGRAMS	Program Revenues			Capital Grants and Contributions	Net Revenues (Expenses) and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions		
Primary Government:					
Governmental Activities:					
General Government	\$ 290,527	\$ -	\$ -	\$ 651,527	\$ 361,000
Interest on Long-Term Debt and Related Costs	<u>1,420,361</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,420,361)</u>
Total Governmental Activities	<u>\$ 1,710,888</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 651,527</u>	<u>(1,059,361)</u>
GENERAL REVENUES					
Property Taxes					2,070,738
Specific Ownership Taxes					160,508
Interest Income					50,028
Total General Revenues and Transfers					<u>2,281,274</u>
CHANGES IN NET POSITION					
Net Position - Beginning of Year					1,221,913
					<u>(23,347,586)</u>
NET POSITION - END OF YEAR					<u>\$ (22,125,673)</u>

See accompanying Notes to Basic Financial Statements.

LANTERNS METROPOLITAN DISTRICT NO. 1
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2025

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 119,144	\$ -	\$ -	\$ 119,144
Cash and Investments - Restricted	10,200	575,536	-	585,736
Receivable from County Treasurer	1,977	11,429	-	13,406
Property Tax Receivable	332,570	1,187,470	-	1,520,040
Total Assets	<u>\$ 463,891</u>	<u>\$ 1,774,435</u>	<u>\$ -</u>	<u>\$ 2,238,326</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 12,503	\$ -	\$ -	\$ 12,503
Total Liabilities	12,503	-	-	12,503
DEFERRED INFLOWS OF RESOURCES				
Deferred Property Tax	332,570	1,187,470	-	1,520,040
Total Deferred Inflows of Resources	332,570	1,187,470	-	1,520,040
FUND BALANCES				
Restricted for:				
Emergency Reserves	10,200	-	-	10,200
Debt Service	-	586,965	-	586,965
Unassigned	108,618	-	-	108,618
Total Fund Balances	<u>118,818</u>	<u>586,965</u>	<u>-</u>	<u>705,783</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 463,891</u>	<u>\$ 1,774,435</u>	<u>\$ -</u>	
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				4,806,188
Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds.				
Cost of Refunding, Net				943,677
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 - Series 2024A				(28,785,000)
Discount on Series 2024A Bonds				644,115
Accrued Interest - Series 2024A Bonds				(102,056)
Developer Advances				(212,469)
Accrued Interest Payable - Developer Advance				<u>(125,911)</u>
Net Position of Governmental Activities				<u>\$ (22,125,673)</u>

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, 2025

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
Property Taxes	\$ 305,320	\$ 1,765,418	\$ -	\$ 2,070,738
Specific Ownership Taxes	23,666	136,842	-	160,508
Interest Income	9,915	40,113	-	50,028
Intergovernmental Revenues	-	-	651,527	651,527
Total Revenues	<u>338,901</u>	<u>1,942,373</u>	<u>651,527</u>	<u>2,932,801</u>
EXPENDITURES				
Current:				
Accounting	40,030	-	-	40,030
Auditing	7,000	-	-	7,000
County Treasurer's Fee	4,586	26,517	-	31,103
Insurance	14,431	-	-	14,431
Legal	25,857	-	-	25,857
Miscellaneous	873	-	-	873
Election	3,611	-	-	3,611
Engineering	16,714	-	-	16,714
Directors' Fees	1,600	-	-	1,600
Dues And Membership	387	-	-	387
Payroll Taxes	122	-	-	122
Debt Service:				
Paying Agent Fees	-	4,900	-	4,900
Bond Interest - Series 2024A Bonds	-	1,136,824	-	1,136,824
Bond Principal - Series 2024A Bonds	-	235,000	-	235,000
Capital Projects:				
Bond Issue Costs	-	-	55,000	55,000
Total Expenditures	<u>115,211</u>	<u>1,403,241</u>	<u>55,000</u>	<u>1,573,452</u>
EXCESS OF REVENUES OVER EXPENDITURES	223,690	539,132	596,527	1,359,349
OTHER FINANCING SOURCES (USES)				
Repay Developer Advance	(500,000)	-	(651,527)	(1,151,527)
Transfers In (Out)	-	19,537	(19,537)	-
Total Other Financing Sources (Uses)	<u>(500,000)</u>	<u>19,537</u>	<u>(671,064)</u>	<u>(1,151,527)</u>
NET CHANGE IN FUND BALANCES	(276,310)	558,669	(74,537)	207,822
Fund Balances - Beginning of Year	<u>395,128</u>	<u>28,296</u>	<u>74,537</u>	<u>497,961</u>
FUND BALANCES - END OF YEAR	<u>\$ 118,818</u>	<u>\$ 586,965</u>	<u>\$ -</u>	<u>\$ 705,783</u>

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, 2025

Net Change in Fund Balances - Total Governmental Funds	\$ 207,822
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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.

Depreciation Expense	(175,316)
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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.

Bond Principal - Series 2024A Bonds	235,000
Bond Discount - Series 2024A Bonds	(33,461)
Cost of Refunding	(49,022)
Developer Advance Repayment	1,151,527

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	(102,056)
Accrued Interest Payable Developer Advance - Change in Liability	(12,581)

Changes in Net Position of Governmental Activities	\$ <u>1,221,913</u>
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LANTERNS METROPOLITAN DISTRICT NO. 1
GENERAL FUND – STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2025

	Budget Original and Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 307,474	\$ 305,320	\$ (2,154)
Specific Ownership Taxes	27,673	23,666	(4,007)
Interest Income	18,000	9,915	(8,085)
Total Revenues	<u>353,147</u>	<u>338,901</u>	<u>(14,246)</u>
EXPENDITURES			
Accounting	37,000	40,030	(3,030)
Auditing	6,500	7,000	(500)
County Treasurer's Fee	4,612	4,586	26
Insurance	40,000	14,431	25,569
Directors' Fees	-	1,600	(1,600)
Dues And Membership	-	387	(387)
Legal	45,000	25,857	19,143
Miscellaneous	1,000	873	127
Election	2,000	3,611	(1,611)
Engineering	-	16,714	(16,714)
Contingency	5,888	-	5,888
Payroll Taxes	-	122	(122)
Website	1,000	-	1,000
Total Expenditures	<u>143,000</u>	<u>115,211</u>	<u>27,789</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>210,147</u>	<u>223,690</u>	<u>13,543</u>
OTHER FINANCING SOURCES (USES)			
Repay Developer Advance	(500,000)	(500,000)	-
Total Other Financing Uses	<u>(500,000)</u>	<u>(500,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(289,853)</u>	<u>(276,310)</u>	<u>13,543</u>
Fund Balance - Beginning of Year	<u>395,472</u>	<u>395,128</u>	<u>(344)</u>
FUND BALANCE - END OF YEAR	<u>\$ 105,619</u>	<u>\$ 118,818</u>	<u>\$ 13,199</u>

See accompanying Notes to Basic Financial Statements.

LANTERNS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 1 DEFINITION OF REPORTING ENTITY

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

LANTERNS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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.

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 debt of the governmental funds.

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

LANTERNS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

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.

Pooled Cash and Investments

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

Property Taxes

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

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

Capital Assets

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

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

**LANTERNS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

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 expense has been computed using the straight-line method over the estimated useful life:

Stormwater	30 Years
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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.

LANTERNS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

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:

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.

LANTERNS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures (Statement 102)*. Statement 102 requires note disclosure when (a) a concentration or constraint is known prior to issuance of the financial statements, (b) it makes the reporting unit vulnerable to the risk of a substantial impact, and (c) an event associated with the concentration or constraint has occurred, has begun to occur, or is more likely than not to begin to occur within 12 months of issuance.

The District adopted the requirements of the guidance effective January 1, 2025, and has elected to apply the provisions of this standard to the beginning of the period of adoption. Management performed the analysis required under Statement 102 and did not identify any concentrations or constraints that require disclosure.

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2025, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 119,144
Cash and Investments - Restricted	585,736
Total Cash and Investments	<u>\$ 704,880</u>

Cash and investments as of December 31, 2025, consist of the following:

Deposits with Financial Institutions	\$ 69,282
Investments	635,598
Total Cash and Investments	<u>\$ 704,880</u>

Cash Deposits

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

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

At December 31, 2025, the District's cash deposits had a bank balance and a carrying balance of \$69,282.

LANTERNS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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

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).

LANTERNS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Fair Value Measurement and Application (Continued)

As of December 31, 2025, the District had the following investments:

Investment	Maturity	Amount
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted-Average Under 60 Days	\$ 89,005
U.S. Treasury Money Market Fund	Weighted-Average Under 60 Days	546,593
Total		<u>\$ 635,598</u>

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.

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 AAAs/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.

LANTERNS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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, 2025, follows:

	Balance at December 31, 2024	Increases	Decreases	Balance at December 31, 2025
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ -	\$ -	\$ -	\$ -
Total Capital Assets, Not Being Depreciated	-	-	-	-
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	277,984	175,316	-	453,300
Total Accumulated Depreciation	277,984	175,316	-	453,300
Total Capital Assets, Being Depreciated, Net	4,981,504	(175,316)	-	4,806,188
Governmental Activities Capital Assets, Net	\$ 4,981,504	\$ (175,316)	\$ -	\$ 4,806,188

Depreciation expense for 2025 was \$175,316, which was charged to the General Government function of the District.

LANTERNS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

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, 2025:

	Balance at December 31, 2024	Additions	Reductions	Balance at December 31, 2025	Due Within One Year
Bonds Payable:					
General Obligation Refunding and Improvement Bonds:					
Refunding - Series 2024A	\$ 29,020,000	\$ -	\$ 235,000	\$ 28,785,000	\$ 365,000
Bond Discount - Series 2024A Bonds	(677,576)	-	(33,461)	(644,115)	-
Subtotal Bonds Payable	<u>28,342,424</u>	<u>-</u>	<u>201,539</u>	<u>28,140,885</u>	<u>365,000</u>
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 - O&M - Toll Brothers (Assigned)	92,368	-	25,070	67,298	-
Developer Advances - Capital - Toll Brothers (Assigned)	105,686	-	105,686	-	-
Accrued Interest on:					
Developer Advances - Organization Costs - Toll Brothers (Assigned)	122,076	-	-	122,076	-
Developer Advances - O&M - Toll Brothers	107,936	6,320	114,256	-	-
Developer Advances - Capital - Toll Brothers	433,413	-	433,413	-	-
Developer Advances - O&M - Toll Brothers (Assigned)	83,900	5,961	86,026	3,835	-
Developer Advances - Capital - Toll Brothers (Assigned)	99,666	300	99,966	-	-
Developer Advances - Infrastructure - Toll Brothers	12,462	-	12,462	-	-
Subtotal Other Debts	<u>1,477,326</u>	<u>12,581</u>	<u>1,151,527</u>	<u>338,380</u>	<u>-</u>
Total Long-Term Obligations	<u>\$ 29,819,750</u>	<u>\$ 12,581</u>	<u>\$ 1,353,066</u>	<u>\$ 28,479,265</u>	<u>\$ 365,000</u>

The details of the District's general obligation bonds outstanding during 2025 are as follows:

Limited Tax General Obligation Refunding and Improvement Bonds, Series 2024A, (the Bonds)

2024A Bonds

The District issued bonds on December 31, 2024, in par amount of \$29,020,000, for the Series 2024A Limited Tax General Obligation Refunding and Improvement Bonds (the Bonds).

Proceeds of the 2024A Bonds

The Bonds are being issued for the purpose of: (a) refunding the 2019 Bonds (Refunded Bonds), (b) paying or reimbursing Project Costs (including reimbursing the Developer for amounts due and owing under the Acquisition and Reimbursement Agreement), (c) paying other costs in connection with the issuance of the Bonds and refunding the (Refunded Bonds), and (d) funding the Initial Surplus Fund Deposit to the Surplus Fund. The 2024A Bonds have no outstanding lines of credit.

LANTERNS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

2024A Bonds Details

The 2024A Bonds will bear interest at rates ranging from 4.000% to 5.000% payable semi-annually on June 1 and December 1, beginning on December 1, 2025. Annual mandatory sinking fund principal payments are due annually on December 1, beginning on December 1, 2025. The 2024A Bonds mature on December 1, 2053.

To the extent principal of any Bond is not paid when due, such principal shall remain outstanding until paid, subject to discharge. To the extent interest on any 2024A Bond is not paid when due such interest shall compound semi-annually on each interest payment date, at the rate then borne by the 2024A Bond. The District shall not be obligated to pay more than the amount permitted by law in repayment of the 2024A Bonds. If any amount of principal of or interest on the Bonds remains unpaid after the application of all Pledged Revenue available therefor on December 1, 2054, the Bonds and the lien of the Indenture securing payment thereof are to be deemed discharged.

2024A Bonds Pledged Revenue

The Bonds are secured by and payable solely from and to the extent of Pledged Revenue. The Indenture defines Pledged Revenue as the moneys derived by the District from the following sources:

- (a) all Property Tax Revenues;
- (b) all Specific Ownership Tax Revenues, and
- (c) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Bond Fund.

2024A Bonds Required Mill Levy

Subject to the paragraph below, an ad valorem mill levy (a mill being equal to 1/10 of 1 cent) imposed upon all taxable property of the District each year in an amount necessary to generate Property Tax Revenues sufficient to pay the principal of, premium if any, and interest on the Bonds as the same become due and payable (less any amount thereof for which amounts are then on deposit in the Bond Fund), and replenishing the Reserve Fund to the Reserve Requirement or repaying the Bond Insurer for draws on the Reserve Policy, as applicable, but not in excess of 63.600 mills; provided, however, if, on or after January 1, 2018, changes are made in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut or abatement, the maximum mill levy of 63.600 mills provided herein will be increased or decreased to reflect such changes, such increases or decreases to be determined by the Board in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenues generated by the mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes. For purposes of the foregoing, a change in residential rate as defined in Section 39-1-104.2, C.R.S. shall be deemed to be a change in the method of calculating assessed valuation.

**LANTERNS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

2024A Bonds Required Mill Levy (Continued)

Notwithstanding anything herein to the contrary, in no event may the Required Mill Levy be established at a mill levy which would cause the District to derive tax revenue in any year in excess of the maximum tax increases permitted by the District's electoral authorization, and if the Required Mill Levy as calculated pursuant to the foregoing would cause the amount of taxes collected in any year to exceed the maximum tax increase permitted by the District's electoral authorization, the Required Mill Levy shall be reduced to the point that such maximum tax increase is not exceeded.

Additional Security for the 2024A Bonds

The Bonds are additionally secured by the Reserve Fund, which is required to be replenished with future excess Pledged Revenue, if any, up to the Maximum Reserve Amount of \$2,043,300. The Reserve Fund shall be maintained in the amount of up to the Maximum Reserve Amount for so long as any Bond is outstanding. It is acknowledged by the District that the law places certain restrictions upon the use of Bond proceeds and debt service mill levies which may be credited to the Reserve Fund.

2024A Bonds Optional Redemption

The Bonds are subject to redemption prior to maturity, at the option of the District, on December 1, 2028, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed as follows:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
December 1, 2028 to November 30, 2029	3.00 %
December 1, 2029 to November 30, 2030	2.00
December 1, 2030 to November 30, 2031	1.00
December 1, 2031 and Thereafter	-

Events of Default of the 2024A Bonds

Events of default occur if the District fails to impose the Required Mill Levy, or to apply the Pledged Revenues as required by the Indenture and does not comply with other customary terms and conditions consistent with normal municipal financing as described in the Indenture.

Acceleration of the Bonds shall not be an available remedy for an Event of Default.

LANTERNS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

2024A Bonds Debt Service

The outstanding principal and interest of the 2024A Bonds are due as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 365,000	\$ 1,224,675	\$ 1,589,675
2027	385,000	1,206,425	1,591,425
2028	435,000	1,187,175	1,622,175
2029	455,000	1,165,425	1,620,425
2030	510,000	1,142,675	1,652,675
2031-2035	3,175,000	5,292,125	8,467,125
2036-2040	4,410,000	4,495,975	8,905,975
2041-2045	5,820,000	3,505,775	9,325,775
2046-2050	7,620,000	2,178,694	9,798,694
2051-2053	5,610,000	484,925	6,094,925
Total	<u>\$ 28,785,000</u>	<u>\$ 21,883,869</u>	<u>\$ 50,668,869</u>

Authorized Debt

Pursuant to the Service Plan, the District is permitted to issue bond indebtedness of up to \$87,000,000 (Service Plan Debt Issuance Limit). In no event is the District authorized to issue debt in excess of the Service Plan Debt Issuance Limit, with the exception that such limit is not applicable to refunding of the debt authorized to be issued under the Service Plan.

The District has voter authorization in excess of the Service Plan Debt Issuance Limit as at the time of the election, the actual costs of construction were not known. Without knowing the costs of construction, it is not possible to allocate the Service Plan Debt Issuance Limit by power (such as water, sewer or streets). Therefore, the Service Plan Debt Issuance Limit was voted in every power relative to debt for public improvements. With that understanding, on November 6, 2018, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$870,000,000. At December 31, 2025, the District had authorized but unissued indebtedness of \$840,702,660.

After the issuance of the Districts 2024A Bonds, the District together with The Lanterns Metropolitan District No. 2 and The Lanterns Metropolitan District No. 3 have \$15,666,207 in aggregate debt limit remaining under the Service Plan as of December 31, 2025.

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).

LANTERNS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 6 NET POSITION

The District has net position consisting of three components – net investment in capital assets, restricted, and unrestricted.

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings, that are attributable to the acquisition, construction, or improvements of those assets. The District has restricted net position as of December 31, 2025 as follows:

	Governmental Activities
Net Investment in Capital Assets:	
Capital Assets, Net	\$ 732,405
Current Portion of Long-Term Obligations	(55,622)
Noncurrent Portion of Long-Term Obligations	(4,330,865)
Net Investment in Capital Assets	<u>\$ (3,654,082)</u>

The restricted component of net position includes 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, 2025, as follows:

	Governmental Activities
Restricted Net Position:	
Emergency Reserve	\$ 10,200
Total Restricted Net Position	<u>\$ 10,200</u>

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

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.

LANTERNS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 7 AGREEMENTS (CONTINUED)

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

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.

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.

**LANTERNS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 7 AGREEMENTS (CONTINUED)

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

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 seven 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 seven 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 seven 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 seven days following recording of each subdivision plat following rezoning. No payments were made during 2025.

LANTERNS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

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 seven 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 seven days following the first recorded subdivision plat of land within the District service plan. No payments were made during 2025.

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.

LANTERNS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

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 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.

LANTERNS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 8 RISK MANAGEMENT (CONTINUED)

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 9 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.

Section 29-1-1702, C.R.S., contains limitations on revenues generated from property tax revenues that apply to certain local governments within the state of Colorado.

Annual operating revenue is limited to a 5.25% increase, such increase is determined based on a prior assessment period and adjusted for allowable exclusions and exemptions from qualified property tax revenues.

The District's management believes it is in compliance with the provisions of Section 29-1-1702, C.R.S. However, this section of the C.R.S. is complex and subject to interpretation.

SUPPLEMENTARY INFORMATION

LANTERNS METROPOLITAN DISTRICT NO. 1
DEBT SERVICE FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2025

	Budget Original and Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 1,777,873	\$ 1,765,418	\$ (12,455)
Specific Ownership Taxes	160,009	136,842	(23,167)
Interest Income	500	40,113	39,613
Total Revenues	<u>1,938,382</u>	<u>1,942,373</u>	<u>3,991</u>
EXPENDITURES			
County Treasurer's Fee	26,668	26,517	151
Paying Agent Fees	9,500	4,900	4,600
Bond Interest - Series 2024A Bonds	1,136,824	1,136,824	-
Bond Principal - Series 2024A Bonds	235,000	235,000	-
Contingency	42,008	-	42,008
Total Expenditures	<u>1,450,000</u>	<u>1,403,241</u>	<u>46,759</u>
EXCESS OF REVENUES OVER EXPENDITURES	488,382	539,132	50,750
OTHER FINANCING SOURCES (USES)			
Transfers From Other Funds	-	19,537	19,537
Total Other Financing Sources	<u>-</u>	<u>19,537</u>	<u>19,537</u>
NET CHANGE IN FUND BALANCE	488,382	558,669	70,287
Fund Balance - Beginning of Year	<u>321,669</u>	<u>28,296</u>	<u>(293,373)</u>
FUND BALANCE - END OF YEAR	<u>\$ 810,051</u>	<u>\$ 586,965</u>	<u>\$ (223,086)</u>

LANTERNS METROPOLITAN DISTRICT NO. 1
CAPITAL PROJECTS FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2025

	Budget Original and Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental Revenues	\$ -	\$ 651,527	\$ 651,527
Total Revenues	-	651,527	651,527
EXPENDITURES			
Bond Issue Costs	-	55,000	(55,000)
Capital Outlay	6,000,000	-	6,000,000
Total Expenditures	6,000,000	55,000	5,945,000
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(6,000,000)	596,527	6,596,527
OTHER FINANCING SOURCES (USES)			
Transfers To Other Fund	-	(19,537)	(19,537)
Repay Developer Advance	(6,000,000)	(651,527)	5,348,473
Developer Advance	6,000,000	-	(6,000,000)
Total Other Financing Uses	-	(671,064)	(671,064)
NET CHANGE IN FUND BALANCE	(6,000,000)	(74,537)	5,925,463
Fund Balance - Beginning of Year	6,000,000	74,537	(5,925,463)
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ -

OTHER INFORMATION

LANTERNS METROPOLITAN DISTRICT NO. 1
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2025

\$29,020,000
General Obligation Refunding and Improvement Bonds
Series 2024A
Dated December 31, 2024
Interest Rates 5.000%, 4.125%, 4.250%
Payable June 1 and December 1
Principal Due December 1

Year Ending December 31,	Principal	Interest	Total
2026	\$ 365,000	\$ 1,224,675	\$ 1,589,675
2027	385,000	1,206,425	1,591,425
2028	435,000	1,187,175	1,622,175
2029	455,000	1,165,425	1,620,425
2030	510,000	1,142,675	1,652,675
2031	535,000	1,117,175	1,652,175
2032	595,000	1,090,425	1,685,425
2033	630,000	1,060,675	1,690,675
2034	690,000	1,029,175	1,719,175
2035	725,000	994,675	1,719,675
2036	790,000	965,675	1,755,675
2037	820,000	934,075	1,754,075
2038	885,000	901,275	1,786,275
2039	920,000	865,875	1,785,875
2040	995,000	829,075	1,824,075
2041	1,035,000	789,275	1,824,275
2042	1,110,000	747,875	1,857,875
2043	1,155,000	703,475	1,858,475
2044	1,235,000	657,275	1,892,275
2045	1,285,000	607,875	1,892,875
2046	1,375,000	554,869	1,929,869
2047	1,430,000	498,150	1,928,150
2048	1,530,000	439,163	1,969,163
2049	1,590,000	376,050	1,966,050
2050	1,695,000	310,463	2,005,463
2051	1,770,000	238,425	2,008,425
2052	1,880,000	163,200	2,043,200
2053	1,960,000	83,300	2,043,300
Total	<u>\$ 28,785,000</u>	<u>\$ 21,883,869</u>	<u>\$ 50,668,869</u>

LANTERNS METROPOLITAN DISTRICT NO. 1
SCHEDULE OF ASSESSED VALUATION , MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2025

Year Ended December 31,	Assessed Valuation	Total Mills Levied		Total Property Taxes		Percent Collected to Levied
		General Operations	Debt Service	Levied	Collected	
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
2024	23,412,510	12.320	71.236	1,956,256	1,955,874	99.98
2025	24,676,910	12.460	72.046	2,085,347	2,070,738	99.30
Estimated for Year Ending December 31, 2026	\$ 26,388,220	12.603	45.000	\$ 1,520,040		

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.

CONTINUING DISCLOSURE OBLIGATIONS

**LANTERNS METROPOLITAN DISTRICT NO. 1
HISTORY OF THE DISTRICT'S ASSESSED VALUATION,
"ACTUAL" VALUATION, AND MILL LEVIES
DECEMBER 31, 2025**

<u>Levy/Collection Year</u>	<u>Assessed Valuation</u>	<u>General Fund Mill Levy</u>	<u>Debt Service Fund Mill Levy</u>	<u>Total Mill Levy</u>
2015/2016	\$ 850	45.000	0.000	45.000
2016/2017	850	45.000	0.000	45.000
2017/2018	910	45.000	0.000	45.000
2018/2019	910	74.600	0.000	74.600
2019/2020	13,760	11.077	64.044	75.121
2020/2021	2,463,200	11.077	64.044	75.121
2021/2022	9,189,540	11.077	64.044	75.121
2022/2023	14,735,810	11.183	64.660	75.843
2023/2024	23,412,510	12.320	71.236	83.556
2024/2025	24,676,910	12.460	72.046	84.506
2025/2026	26,388,220	12.603	45.000	57.603

Sources: Colorado Department of Local Affairs, Division of Property Taxation, annual reports, 2015-2025, and the County Assessor's Office.

LANTERNS METROPOLITAN DISTRICT NO. 1
HISTORY OF THE DISTRICT'S PROPERTY TAX COLLECTIONS
DECEMBER 31, 2025

<u>Levy/Collection Year</u>	<u>Taxes Levied</u>	<u>Taxes Collected (1)</u>	<u>Tax Collections as Percent of Tax Levied</u>
2015/2016	38	38	100.00 %
2016/2017	38	38	100.00
2017/2018	41	41	100.00
2018/2019	68	68	100.00
2019/2020	1,033	1,013	98.06 (2)
2020/2021	185,038	185,039	100.00
2021/2022	690,328	667,204	96.65
2022/2023	1,117,608	1,094,263	97.91
2023/2024	1,956,256	1,955,874	99.98
2024/2025	2,085,347	2,070,738	99.30
2025/2026	1,520,040	950,719 (3)	62.55

(1) Figures include current taxes.

(2) According to the District account, property tax collections lower due to abatements.

(3) Property tax collections through April 30, 2026.

Sources: Colorado Department of Local Affairs, Division of Property Taxation, annual reports, 2015-2025; District December 31, 2020, through December 31, 2025, audits, the district and the County Treasurer.

LANTERNS METROPOLITAN DISTRICT NO. 1
ASSESSED AND "ACTUAL" VALUATION OF CLASSES OF PROPERTY IN THE DISTRICT
DECEMBER 31, 2025

<u>Class</u>	<u>Assessed Valuation</u>	<u>Percent of Assessed Valuation</u>	<u>"Actual" Valuation</u>	<u>Percent of "Actual" Valuation</u>
Valuation Year - 2025				
Residential	\$ 24,289,830	92.05 %	\$ 388,636,052	98.04 %
Vacant Land	1,807,860	6.85	6,695,826	1.69
Personal Property	290,240	1.10	1,074,577	0.27
Natural Resources	290	0.00	1,068	0.00
Total	<u>\$ 26,388,220 (1)</u>	<u>100.00 %</u>	<u>\$ 396,407,523</u>	<u>100.00 %</u>

(1) Based on a District 2025 certified assessed valuation of \$26,388,220.

Source: County Assessor's Office

**LANTERNS METROPOLITAN DISTRICT NO. 1
LARGEST TAXPAYERS WITHIN THE DISTRICT
DECEMBER 31, 2025**

<u>Name</u>	<u>2025 Assessed Valuation</u>	<u>Percent of Total Assessed Valuation (1)</u>
Valuation Year - 2025		
GH Colorado LLC	\$ 858,330	3.25 %
Toll Southwest LLC	798,660	3.03
Homeowner	84,730	0.32
Homeowner	82,170	0.31
Homeowner	81,410	0.31
Homeowner	80,380	0.30
Homeowner	80,380	0.30
Homeowner	80,060	0.30
Homeowner	77,320	0.29
Homeowner	76,560	0.29
All Others	<u>24,088,220</u>	<u>91.28</u>
Total	<u><u>\$ 26,388,220</u></u>	<u><u>100.00 %</u></u>

(1) Based on a District 2025 certified assessed valuation of \$26,388,220.

Source: County Assessor's Office

**LANTERNS METROPOLITAN DISTRICT NO. 1
TOTAL MILL LEVIES WITHIN THE DISTRICT
DECEMBER 31, 2025**

<u>Taxing Entity</u>	<u>Mill Levy (1)</u>
Castle Rock (Town)	0.920
Cedar Hill Cemetery Association	0.104
Douglas County	19.774
Douglas County School RE-1	45.528
Douglas County Soil Conservation	0.000
Douglas Public Library District	<u>3.519</u>
Total	69.845
District	<u>57.603</u>
Total Mill Levy	<u><u>127.448</u></u>

(1) One mill equals 1/10 of one cent. Mill levies certified in 2025 are for the collection of ad valorem property taxes in 2026.

Source: County Assessor's Office

LANTERNS METROPOLITAN DISTRICT NO. 1
ESTIMATED OVERLAPPING GENERAL OBLIGATION DEBT OF THE DISTRICT
DECEMBER 31, 2025

Overlapping Entity		Outstanding General Obligation Debt	Net Outstanding General Obligation Debt Chargeable to Properties Within the District	
			Percent	Amount
Douglas County School District RE-1	(1)	\$ 527,325,000	0.58 %	<u>\$ 3,045,829</u>

(1) Other taxing entities overlap the District; however, such other entities do not currently have any outstanding general obligation debt, and therefore are not listed in this table.

Sources: County Assessor's Office and information obtained from individual entities.

LANTERNS METROPOLITAN DISTRICT NO. 1
DISTRICT HISTORICAL DEBT RATIOS
DECEMBER 31, 2025

		Fiscal Years Ended December 31						
		2019	2020	2021	2022	2023	2024	2025
Debt Outstanding		\$ 22,120,000	\$ 22,120,000	\$ 22,120,000	\$ 22,120,000	\$ 22,120,000	\$ 29,020,000	\$ 28,785,000
Estimated Population within the District	(1)	-	-	300	774	963	1,137	1,146
Debt Per Capita		N/A	N/A	\$ 73,733	\$ 28,579	\$ 22,970	\$ 25,523	\$ 25,118
Assessed Value of the District		\$ 13,760	\$ 2,463,200	\$ 9,189,540	\$ 14,735,810	\$ 23,412,510	\$ 24,676,910	\$ 26,388,220
Ratio of Debt to Assessed Value		160,755.81%	898.02%	240.71%	150.11%	94.48%	117.60%	109.08%
Personal Income Per Capita (Douglas County)		\$ 76,602	\$ 83,137	\$ 89,702	\$ 97,353	\$ 102,928	\$ 108,822	\$ 115,054 (2)
Ratio of Debt Per Capita to Personal Income Per Capita (Douglas County)		N/A	N/A	82.20%	29.36%	22.32%	23.45%	21.83%

(1) Population estimate based on certificates of occupancy reported on required disclosure filings at each year-end at three residents per home (based on household estimates for the Town prepared by the State Demography Office).

(2) Personal Income Per Capita estimate based on percentage of increase from preceding year, official data unavailable until December of subsequent year.

Sources: District's Audited Financial Statements, 2019-2025; State of Colorado Division of Property Taxation, Annual Reports 2019-2025; Regional Economics Information System Bureau of Economic Analysis, and the District.