

LANTERNS METROPOLITAN DISTRICT NO. 2

ANNUAL BUDGET

FOR THE YEAR ENDING DECEMBER 31, 2022

LANTERNS METROPOLITAN DISTRICT NO. 2
SUMMARY
2022 BUDGET
WITH 2020 ACTUAL AND 2021 ESTIMATED
For the Years Ended and Ending December 31,

1/21/22

	ACTUAL 2020	ESTIMATED 2021	BUDGET 2022
BEGINNING FUND BALANCES	\$ -	\$ -	\$ 13,330,301
REVENUES			
Property taxes	-	-	251,740
Specific ownership tax	-	-	20,140
Interest income	-	500	100
Developer advance	-	62,984	42,400
Other revenue	-	1	-
Bond issuance	-	25,482,000	-
Total revenues	<u>-</u>	<u>25,545,485</u>	<u>314,380</u>
Total funds available	<u>-</u>	<u>25,545,485</u>	<u>13,644,681</u>
EXPENDITURES			
General Fund	-	60,951	67,000
Debt Service Fund	-	-	230,000
Capital Projects Fund	-	12,154,233	13,330,251
Total expenditures	<u>-</u>	<u>12,215,184</u>	<u>13,627,251</u>
Total expenditures and transfers out requiring appropriation	<u>-</u>	<u>12,215,184</u>	<u>13,627,251</u>
ENDING FUND BALANCES	<u>\$ -</u>	<u>\$ 13,330,301</u>	<u>\$ 17,430</u>
EMERGENCY RESERVE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,300</u>
TOTAL RESERVE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,300</u>

LANTERNS METROPOLITAN DISTRICT NO. 2
PROPERTY TAX SUMMARY INFORMATION
2022 BUDGET
WITH 2020 ACTUAL AND 2021 ESTIMATED
For the Years Ended and Ending December 31,

1/21/22

	ACTUAL 2020	ESTIMATED 2021	BUDGET 2022
ASSESSED VALUATION			
Commercial	\$ -	\$ -	\$ 430
Agricultural	-	1,990	730
Vacant land	-	3,040	3,349,970
Certified Assessed Value	<u>\$ -</u>	<u>\$ 5,030</u>	<u>\$ 3,351,130</u>
MILL LEVY			
General	0.000	0.000	11.077
Debt Service	0.000	0.000	64.044
Total mill levy	<u>0.000</u>	<u>0.000</u>	<u>75.121</u>
PROPERTY TAXES			
General	\$ -	\$ -	\$ 37,120
Debt Service	-	-	214,620
Levied property taxes	<u>-</u>	<u>-</u>	<u>251,740</u>
Budgeted property taxes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 251,740</u>
BUDGETED PROPERTY TAXES			
General	\$ -	\$ -	\$ 37,120
Debt Service	\$ -	\$ -	\$ 214,620
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 251,740</u>

LANTERNS METROPOLITAN DISTRICT NO. 2
GENERAL FUND
2022 BUDGET
WITH 2020 ACTUAL AND 2021 ESTIMATED
For the Years Ended and Ending December 31,

1/21/22

	ACTUAL 2020	ESTIMATED 2021	BUDGET 2022
BEGINNING FUND BALANCES	\$ -	\$ -	\$ 50
REVENUES			
Property taxes	-	-	37,120
Specific ownership tax	-	-	2,970
Interest income	-	-	50
Developer advance	-	61,000	42,400
Other revenue	-	1	-
Total revenues	<u>-</u>	<u>61,001</u>	<u>82,540</u>
Total funds available	<u>-</u>	<u>61,001</u>	<u>82,590</u>
EXPENDITURES			
General and administrative			
Accounting	-	15,000	20,000
County Treasurer's fee	-	-	557
Audit	-	-	6,000
Dues and membership	-	2,000	2,000
Election expense	-	-	2,000
Insurance and bonds	-	7,000	7,000
Legal services	-	22,000	25,000
Contingency	-	-	4,443
Operations and maintenance			
Engineering	-	14,951	-
Total expenditures	<u>-</u>	<u>60,951</u>	<u>67,000</u>
Total expenditures and transfers out requiring appropriation	<u>-</u>	<u>60,951</u>	<u>67,000</u>
ENDING FUND BALANCES	<u>\$ -</u>	<u>\$ 50</u>	<u>\$ 15,590</u>
EMERGENCY RESERVE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,300</u>
TOTAL RESERVE	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,300</u></u>

LANTERNS METROPOLITAN DISTRICT NO. 2
DEBT SERVICE FUND
2022 BUDGET
WITH 2020 ACTUAL AND 2021 ESTIMATED
For the Years Ended and Ending December 31,

1/21/22

	ACTUAL 2020	ESTIMATED 2021	BUDGET 2022
BEGINNING FUND BALANCES	\$ -	\$ -	\$ -
REVENUES			
Property taxes	-	-	214,620
Specific ownership tax	-	-	17,170
Interest income	-	-	50
Total revenues	<u>-</u>	<u>-</u>	<u>231,840</u>
Total funds available	<u>-</u>	<u>-</u>	<u>231,840</u>
EXPENDITURES			
General and administrative			
County Treasurer's fee	-	-	3,219
Paying agent fees	-	-	6,000
Contingency	-	-	1,611
Debt Service			
Bond interest - Series 2021A	-	-	219,170
Total expenditures	<u>-</u>	<u>-</u>	<u>230,000</u>
Total expenditures and transfers out requiring appropriation	<u>-</u>	<u>-</u>	<u>230,000</u>
ENDING FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,840</u>

**LANERNS METROPOLITAN DISTRICT NO. 2
CAPITAL PROJECTS FUND
2022 BUDGET
WITH 2020 ACTUAL AND 2021 ESTIMATED
For the Years Ended and Ending December 31,**

1/21/22

	ACTUAL 2020	ESTIMATED 2021	BUDGET 2022
BEGINNING FUND BALANCES	\$ -	\$ -	\$ 13,330,251
REVENUES			
Bond issuance	-	25,482,000	-
Interest income	-	500	-
Total revenues	-	25,484,484	-
Total funds available	-	25,484,484	13,330,251
EXPENDITURES			
Bond issue costs	-	824,176	-
Capital outlay	-	11,330,057	13,330,251
Total expenditures	-	12,154,233	13,330,251
Total expenditures and transfers out requiring appropriation	-	12,154,233	13,330,251
ENDING FUND BALANCES	\$ -	\$ 13,330,251	\$ -

**LANTERNS METROPOLITAN DISTRICT NO. 2
2022 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Services Provided

Lanterns Metropolitan District No. 2, a quasi-municipal corporation and a political subdivision of the State of Colorado, was organized by order and decree of the District Court for the Town of Castle Rock in February 2004, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District operates under a Service Plan approved by the Town Council of the Town of Castle Rock, and as modified on September 16, 2014. The District's service area is located in the Town of Castle Rock, in Douglas County. District Nos. 1-3 are authorized to implement the Capital Plan and Financial Plan within their respective boundaries.

The District was established to provide financing for the design, acquisition, installation, construction and completion of public improvements and services, including water, sanitation, street, safety protection, park and recreation, transportation, television relay and translation and mosquito control improvements and services. The Service Plans for District Nos. 1-3 limits the aggregate amount of debt that they may issue together to \$87,000,000.

The District has no employees and all administrative functions are contracted

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

Revenues

Developer Advances

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

Property Taxes

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

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

**LANERNS METROPOLITAN DISTRICT NO. 2
2022 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Revenues (Continued)

Specific Ownership Taxes

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on vehicle licensing within the County as a whole. The specific ownership taxes are allocated by the County Treasurer to all taxing entities within the County. The budget assumes that the District's share will be equal to approximately 8.00% of the property taxes collected.

Expenditures

Administrative and Operating Expenditures

Operating and administrative expenditures include the estimated services necessary to maintain the District's administrative viability such as legal, accounting, insurance, and other administrative expenditures.

County Treasurer's Fees

County Treasurer's collection fees have been computed at 1.50% of property taxes.

Capital Outlay

Anticipated expenditures for capital outlay are reflected in the Capital Projects fund page of the budget.

Debt Service

There is no schedule of debt amortization for the Series 2021A(3) Limited Tax General Obligation Bonds as they are structured as cash flow bonds as discussed in the Bond Details.

**LANERNS METROPOLITAN DISTRICT NO. 2
2022 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Debt and Leases

Series 2021A(3) Bonds

The District issued Limited Tax General Obligation Bonds, Series 2021A(3) on August 19, 2021, in the par amount of \$25,482,000 (the Bonds). Proceeds from the sale of the Bonds were used to (a) pay or reimburse Project Costs and (b) pay other costs in connection with the issuance of the Bonds.

Bond Details

The Bonds bear interest at 4.50% and mature on December 1, 2050. The Bonds constitute Senior “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 Pledged Revenue is available for payment. Principal and interest payments are due on the Bonds on December 1 of each year, beginning on December 1, 2021, only to the extent of available Pledged Revenue.

In the event that the Pledged Revenue is insufficient to pay the Bonds when due, the unpaid principal will continue to bear interest and the unpaid interest will compound annually on each December 1, at the rate then borne by the Bond; provided however, that notwithstanding anything hereinto the contrary, the District shall not be obligated to pay more than the amount permitted by law and the Election in repayment of the Bonds, including all payments of principal, premium if any, and interest, and all Bonds will be deemed defeased and no longer Outstanding upon the payment by the District of such amount.

Optional Redemption

The Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity, and in whole or partial maturities on September 1, 2026, 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>
September 1, 2026, to August 31, 2027	3.00%
September 1, 2027, to August 31, 2028	2.00
September 1, 2028, to August 31, 2029	1.00
September 1, 2029, and thereafter	0.00

Pledged Revenue

The Bonds are secured by and payable solely from and to the extent of Pledged Revenue, generally consisting of:

- (a) the Property Tax Revenues;
- (b) the portion of the Specific Ownership Tax which is collected as a result of the imposition of the Required Mill Levy; and
- (c) any other legally available moneys that the District determines, in its absolute discretion, to transfer to the Trustee for application as Pledged Revenue.

The Indenture defines “Property Tax Revenues” as the ad valorem property taxes derived from the District’s imposition of the Required Mill Levy, net of the costs of collection of the County and any tax refunds or abatements authorized by or on behalf of the County.

**LANTERNS METROPOLITAN DISTRICT NO. 2
2022 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Debt and Leases (Continued)

Required Mill Levy

The District has covenanted to impose an ad valorem debt service mill levy upon all taxable property of the District each year in the amount equal to 63.600 mills or such lesser amount (subject to adjustment for changes in the method of calculating assessed valuation after January 1, 2018) that will generate Property Tax Revenues which, when combined with moneys then on deposit in the Bond fund, will pay the Bonds in full in the year such levy is collected

The District has no operating or capital leases

The following is a summary of the District's long-term obligations:

	Balance at December 31, 2020	Additions	Reductions	Balance at December 31, 2021
Series 2021A Cashflow Bonds	\$ -	\$ 25,482,000	\$ -	\$ 25,482,000
Developer Advance - O&M	-	61,000	-	61,000
Accrued Interest on:				
Series 2021A Cashflow Bonds	-	324,896	-	324,896
Developer Advance - O&M	-	455	-	455
Total	<u>\$ -</u>	<u>\$ 25,868,351</u>	<u>\$ -</u>	<u>\$ 25,868,351</u>

	Balance at December 31, 2021	Additions	Reductions	Balance at December 31, 2022
Series 2021A Cashflow Bonds	\$ 25,482,000	\$ -	\$ -	\$ 25,482,000
Developer Advance - O&M	61,000	42,400	-	103,400
Accrued Interest on:				
Series 2021A Cashflow Bonds	324,896	1,161,310	219,170	1,267,036
Developer Advance - O&M	455	6,590	-	7,045
Total	<u>\$ 25,868,351</u>	<u>\$ 1,210,300</u>	<u>\$ 219,170</u>	<u>\$ 26,859,481</u>

Reserves

Emergency Reserve

The District has provided for an emergency reserve fund equal to at least 3% of fiscal year spending for 2022 as defined under TABOR.

This information is an integral part of the accompanying budget.