

**LANTERNS METROPOLITAN DISTRICT NO. 2**

**ANNUAL BUDGET**

**FOR THE YEAR ENDING DECEMBER 31, 2022**

**LANTERNS METROPOLITAN DISTRICT NO. 2**  
**SUMMARY**  
**2023 BUDGET**  
**WITH 2021 ACTUAL AND 2022 ESTIMATED**  
**For the Years Ended and Ending December 31,**

1/23/23

	ACTUAL 2021	ESTIMATED 2022	BUDGET 2023
BEGINNING FUND BALANCES	\$ -	\$ 13,323,216	\$ 2,090,011
<b>REVENUES</b>			
Property taxes	-	251,740	446,533
Specific ownership tax	-	20,453	40,188
Interest income	1,710	83,275	2,500
Developer advance	11,367,874	11,264,260	2,065,467
Other revenue	2	-	-
Bond proceeds	25,482,000	-	-
Total revenues	<u>36,851,586</u>	<u>11,619,728</u>	<u>2,554,688</u>
Total funds available	<u>36,851,586</u>	<u>24,942,944</u>	<u>4,644,699</u>
<b>EXPENDITURES</b>			
General Fund	19,189	47,756	70,000
Debt Service Fund	-	233,219	418,423
Capital Projects Fund	23,509,181	22,571,958	4,130,934
Total expenditures	<u>23,528,370</u>	<u>22,852,933</u>	<u>4,619,357</u>
Total expenditures and transfers out requiring appropriation	<u>23,528,370</u>	<u>22,852,933</u>	<u>4,619,357</u>
ENDING FUND BALANCES	<u>\$ 13,323,216</u>	<u>\$ 2,090,011</u>	<u>\$ 25,342</u>
EMERGENCY RESERVE	\$ 100	\$ 1,300	\$ 2,200
TOTAL RESERVE	<u>\$ 100</u>	<u>\$ 1,300</u>	<u>\$ 2,200</u>

**LANTERNS METROPOLITAN DISTRICT NO. 2**  
**PROPERTY TAX SUMMARY INFORMATION**  
**2023 BUDGET**  
**WITH 2021 ACTUAL AND 2022 ESTIMATED**  
**For the Years Ended and Ending December 31,**

1/23/23

ACTUAL	ESTIMATED	BUDGET
2021	2022	2023

**ASSESSED VALUATION**

Commercial	\$ -	\$ 430	\$ 430
Agricultural	1,990	730	-
Vacant land	3,040	3,349,970	5,985,270
Certified Assessed Value	\$ 5,030	\$ 3,351,130	\$ 5,985,700

**MILL LEVY**

General	0.000	11.077	11.000
Debt Service	0.000	64.044	63.600
Total mill levy	0.000	75.121	74.600

**PROPERTY TAXES**

General	\$ -	\$ 37,120	\$ 65,843
Debt Service	-	214,620	380,690
Levied property taxes	-	251,740	446,533
Adjustments to actual/rounding	-	-	-
Budgeted property taxes	\$ -	\$ 251,740	\$ 446,533

**BUDGETED PROPERTY TAXES**

<b>General</b>	<b>\$ -</b>	<b>\$ 37,120</b>	<b>\$ 65,843</b>
<b>Debt Service</b>	<b>\$ -</b>	<b>\$ 214,620</b>	<b>\$ 380,690</b>
	<b>\$ -</b>	<b>\$ 251,740</b>	<b>\$ 446,533</b>

**LANTERNS METROPOLITAN DISTRICT NO. 2  
GENERAL FUND  
2023 BUDGET  
WITH 2021 ACTUAL AND 2022 ESTIMATED  
For the Years Ended and Ending December 31,**

1/23/23

	ACTUAL 2021	ESTIMATED 2022	BUDGET 2023
BEGINNING FUND BALANCES	\$ -	\$ 18,630	\$ 23,073
<b>REVENUES</b>			
Property taxes	-	37,120	65,843
Specific ownership tax	-	3,283	5,926
Interest income	-	375	500
Developer advance	37,817	11,421	-
Other revenue	2	-	-
Total revenues	37,819	52,199	72,269
Total funds available	37,819	70,829	95,342
<b>EXPENDITURES</b>			
General and administrative			
Accounting	9,781	22,000	25,000
County Treasurer's fee	-	557	988
Auditing	-	5,400	6,000
Dues and licenses	400	316	2,000
Election expense	-	1,950	2,000
Insurance and bonds	1,856	2,533	7,000
Legal services	7,152	15,000	25,000
Contingency	-	-	2,012
Total expenditures	19,189	47,756	70,000
Total expenditures and transfers out requiring appropriation	19,189	47,756	70,000
ENDING FUND BALANCES	\$ 18,630	\$ 23,073	\$ 25,342
EMERGENCY RESERVE	\$ 100	\$ 1,300	\$ 2,200
TOTAL RESERVE	\$ 100	\$ 1,300	\$ 2,200

No assurance provided. See summary of significant assumption.

**LANTERNS METROPOLITAN DISTRICT NO. 2  
DEBT SERVICE FUND  
2023 BUDGET  
WITH 2021 ACTUAL AND 2022 ESTIMATED  
For the Years Ended and Ending December 31,**

1/23/23

	ACTUAL 2021	ESTIMATED 2022	BUDGET 2023
BEGINNING FUND BALANCES	\$ -	\$ -	\$ 1,471
<b>REVENUES</b>			
Property taxes	-	214,620	380,690
Specific ownership tax	-	17,170	34,262
Interest income	-	2,900	2,000
Total revenues	-	234,690	416,952
Total funds available	-	234,690	418,423
<b>EXPENDITURES</b>			
General and administrative			
County Treasurer's fee	-	3,219	5,710
Paying agent fees	-	4,000	6,000
Contingency	-	-	3,250
Debt Service			
Bond interest	-	226,000	403,463
Total expenditures	-	233,219	418,423
Total expenditures and transfers out requiring appropriation	-	233,219	418,423
ENDING FUND BALANCES	\$ -	\$ 1,471	\$ -

**LANTERNS METROPOLITAN DISTRICT NO. 2  
CAPITAL PROJECTS FUND  
2023 BUDGET  
WITH 2021 ACTUAL AND 2022 ESTIMATED  
For the Years Ended and Ending December 31,**

1/23/23

	ACTUAL 2021	ESTIMATED 2022	BUDGET 2023
BEGINNING FUND BALANCES	\$	-	\$ 13,304,586
			\$ 2,065,467
<b>REVENUES</b>			
Bond proceeds	25,482,000	-	-
Interest income	1,710	80,000	-
Developer advance	11,330,057	11,252,839	2,065,467
Total revenues	<u>36,813,767</u>	<u>11,332,839</u>	<u>2,065,467</u>
Total funds available	<u>36,813,767</u>	<u>24,637,425</u>	<u>4,130,934</u>
<b>EXPENDITURES</b>			
General and Administrative			
Accounting	1,984	6,250	-
Bond issue costs	822,176	-	-
Capital outlay	11,330,057	11,252,839	2,065,467
Engineering	23,845	60,000	-
Legal services	1,062	30	-
Repay developer advance	11,330,057	11,252,839	2,065,467
Total expenditures	<u>23,509,181</u>	<u>22,571,958</u>	<u>4,130,934</u>
Total expenditures and transfers out requiring appropriation	<u>23,509,181</u>	<u>22,571,958</u>	<u>4,130,934</u>
ENDING FUND BALANCES	<u>\$ 13,304,586</u>	<u>\$ 2,065,467</u>	<u>\$ -</u>

**LANTERNS METROPOLITAN DISTRICT NO. 2  
2023 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  
2023 BUDGET  
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

**Revenues (Continued)**

**Property Taxes (continued)**

Senate Bill 21-293 among other things, designates multi-family residential real property (defined generally, as property that is a multi-structure of four or more units) as a new subclass of residential real property. For tax collection year 2023, the assessment rate for single family residential property decreases to 6.95% from 7.15%. The rate for multifamily residential property, the newly created subclass, decreases to 6.80% from 7.15%. Agricultural and renewable energy production property decreases to 26.4% from 29.0%. Producing oil and gas remains at 87.5%. All other nonresidential property stays at 29%.

**Specific Ownership Taxes**

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on vehicle licensing within the County as a whole. The specific ownership taxes are allocated by the County Treasurer to all taxing entities within the County. The budget assumes that the District's share will be equal to approximately 9.00% of the property taxes collected.

**Net Investment Income**

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

**Expenditures**

**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  
2023 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  
2023 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, 2021	Additions	Reductions	Balance at December 31, 2022
Series 2021A Cashflow Bonds	\$ 25,482,000	\$ -	\$ -	\$ 25,482,000
Developer Advance - O&M	37,817	11,421	-	49,238
Accrued Interest on:				
Series 2021A Cashflow Bonds	421,672	1,165,665	226,000	1,361,337
Developer Advance - O&M	268	1,926	-	2,194
Total	<u>\$ 25,941,757</u>	<u>\$ 1,179,012</u>	<u>\$ 226,000</u>	<u>\$ 26,894,769</u>
	Balance at December 31, 2022	Additions	Reductions	Balance at December 31, 2023
Series 2021A Cashflow Bonds	\$ 25,482,000	\$ -	\$ -	\$ 25,482,000
Developer Advance - O&M	49,238	-	-	49,238
Accrued Interest on:				
Series 2021A Cashflow Bonds	1,361,337	1,433,912	403,463	2,391,786
Developer Advance - O&M	2,194	1,969	-	4,163
Total	<u>\$ 26,894,769</u>	<u>\$ 1,435,881</u>	<u>\$ 403,463</u>	<u>\$ 27,927,187</u>

**Reserves**

**Emergency Reserve**

The District has provided for an emergency reserve fund equal to at least 3% of fiscal year spending for 2023 as defined under TABOR.

**This information is an integral part of the accompanying budget.**