

LANTERNS METROPOLITAN DISTRICT NO. 3

ANNUAL BUDGET

FOR THE YEAR ENDING DECEMBER 31, 2024

**LANTERNS METROPOLITAN DISTRICT NO. 3
SUMMARY
2024 BUDGET
WITH 2022 ACTUAL AND 2023 ESTIMATED
For the Years Ended and Ending December 31,**

	ACTUAL 2022	ESTIMATED 2023	BUDGET 2024
BEGINNING FUND BALANCES	\$ -	\$ -	\$ 11,050,732
REVENUES			
Property taxes	-	-	45,730
Specific ownership taxes	-	-	4,116
Interest income	-	60,000	100,050
Developer advance	-	5,050,000	7,733,806
Bond proceeds - Series 2023A-1	-	9,100,000	-
Bond proceeds - Series 2023A-2	-	5,461,793	-
Bond proceeds - Series 2023B(2)	-	2,175,000	-
Total revenues	-	21,846,793	7,883,702
TRANSFERS IN	-	3,408,500	-
Total funds available	-	25,255,293	18,934,434
EXPENDITURES			
General Fund	-	49,000	69,000
Debt Service Fund	-	71,310	668,750
Capital Projects Fund	-	10,675,751	15,427,612
Total expenditures	-	10,796,061	16,165,362
TRANSFERS OUT	-	3,408,500	-
Total expenditures and transfers out requiring appropriation	-	14,204,561	16,165,362
ENDING FUND BALANCES	\$ -	\$ 11,050,732	\$ 2,769,072
EMERGENCY RESERVE	\$ -	\$ -	\$ 1,500
TOTAL RESERVE	\$ -	\$ -	\$ 1,500

No assurance provided. See summary of significant assumptions.

**LANTERNS METROPOLITAN DISTRICT NO. 3
PROPERTY TAX SUMMARY INFORMATION
2024 BUDGET
WITH 2022 ACTUAL AND 2023 ESTIMATED
For the Years Ended and Ending December 31,**

1/22/24

ACTUAL 2022	ESTIMATED 2023	BUDGET 2024
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ASSESSED VALUATION

Agricultural	\$ 1,140	\$ 700	\$ 720
Vacant land	2,099,530	2,198,920	3,994,620
Personal property	-	-	4,500
Certified Assessed Value	\$ 2,100,670	\$ 2,199,620	\$ 3,999,840

MILL LEVY

General	0.000	0.000	11.433
Total mill levy	0.000	0.000	11.433

PROPERTY TAXES

General	\$ -	\$ -	\$ 45,730
Budgeted property taxes	\$ -	\$ -	\$ 45,730

BUDGETED PROPERTY TAXES

General	\$ -	\$ -	\$ 45,730
	\$ -	\$ -	\$ 45,730

**LANTERNS METROPOLITAN DISTRICT NO. 3
GENERAL FUND
2024 BUDGET
WITH 2022 ACTUAL AND 2023 ESTIMATED
For the Years Ended and Ending December 31,**

	ACTUAL 2022	ESTIMATED 2023	BUDGET 2024
BEGINNING FUND BALANCES	\$ -	\$ -	\$ 1,000
REVENUES			
Property taxes	-	-	45,730
Specific ownership taxes	-	-	4,116
Interest income	-	-	50
Developer advance	-	50,000	20,000
Total revenues	<u>-</u>	<u>50,000</u>	<u>69,896</u>
Total funds available	<u>-</u>	<u>50,000</u>	<u>70,896</u>
EXPENDITURES			
General and administrative			
Accounting	-	20,000	25,000
Auditing	-	-	5,000
County Treasurer's fee	-	-	686
Dues and membership	-	2,000	2,500
Insurance	-	7,000	7,000
Legal	-	20,000	25,000
Contingency	-	-	3,814
Total expenditures	<u>-</u>	<u>49,000</u>	<u>69,000</u>
Total expenditures and transfers out requiring appropriation	<u>-</u>	<u>49,000</u>	<u>69,000</u>
ENDING FUND BALANCES	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 1,896</u>
EMERGENCY RESERVE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,500</u>
TOTAL RESERVE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,500</u>

No assurance provided. See summary of significant assumptions.

**LANTERNS METROPOLITAN DISTRICT NO. 3
DEBT SERVICE FUND
2024 BUDGET
WITH 2022 ACTUAL AND 2023 ESTIMATED
For the Years Ended and Ending December 31,**

	ACTUAL 2022	ESTIMATED 2023	BUDGET 2024
BEGINNING FUND BALANCES	\$ -	\$ -	\$ 3,347,190
REVENUES			
Interest income	-	10,000	50,000
Total revenues	<u>-</u>	<u>10,000</u>	<u>50,000</u>
TRANSFERS IN			
Transfers from other funds	<u>-</u>	<u>3,408,500</u>	<u>-</u>
Total funds available	<u>-</u>	<u>3,418,500</u>	<u>3,397,190</u>
EXPENDITURES			
Debt Service			
Paying agent fees	-	9,000	9,000
Bond interest	-	62,310	659,750
Total expenditures	<u>-</u>	<u>71,310</u>	<u>668,750</u>
Total expenditures and transfers out requiring appropriation	<u>-</u>	<u>71,310</u>	<u>668,750</u>
ENDING FUND BALANCES	<u>\$ -</u>	<u>\$ 3,347,190</u>	<u>\$ 2,728,440</u>

**LANERNS METROPOLITAN DISTRICT NO. 3
CAPITAL PROJECTS FUND
2024 BUDGET
WITH 2022 ACTUAL AND 2023 ESTIMATED
For the Years Ended and Ending December 31,**

	ACTUAL 2022	ESTIMATED 2023	BUDGET 2024
BEGINNING FUND BALANCES	\$ -	\$ -	\$ 7,702,542
REVENUES			
Bond proceeds - Series 2023A-1	-	9,100,000	-
Bond proceeds - Series 2023A-2	-	5,461,793	-
Bond proceeds - Series 2023B(2)	-	2,175,000	-
Developer advance	-	5,000,000	7,713,806
Interest income	-	50,000	50,000
Total revenues	-	21,786,793	7,763,806
Total funds available	-	21,786,793	15,466,348
EXPENDITURES			
General and Administrative			
Accounting	-	5,000	-
Bond issue costs	-	655,751	-
Legal	-	5,000	-
Capital Projects			
Repay developer advance	-	5,000,000	7,713,806
Engineering	-	10,000	-
Capital outlay	-	5,000,000	7,713,806
Total expenditures	-	10,675,751	15,427,612
TRANSFERS OUT			
Transfers to other fund	-	3,408,500	-
Total expenditures and transfers out requiring appropriation	-	14,084,251	15,427,612
ENDING FUND BALANCES	\$ -	\$ 7,702,542	\$ 38,736

No assurance provided. See summary of significant assumptions.

**LANTERNS METROPOLITAN DISTRICT NO. 3
2024 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Services Provided

Lanterns Metropolitan District No. 3 , 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.

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 Districts 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

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.

**LANTERNS METROPOLITAN DISTRICT NO. 3
2024 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Revenues (Continued)

Property Taxes (Continued)

For property tax collection year 2024, SB22-238 and SB23B-001 set the assessment rates and actual value reductions as follows:

Category	Rate		Category	Rate		Actual Value Reduction	Amount
Single-Family Residential	6.70%		Agricultural Land	26.40%		Single-Family Residential	\$55,000
Multi-Family Residential	6.70%		Renewable Energy Land	26.40%		Multi-Family Residential	\$55,000
Commercial	27.90%		Vacant Land	27.90%		Commercial	\$30,000
Industrial	27.90%		Personal Property	27.90%		Industrial	\$30,000
Lodging	27.90%		State Assessed	27.90%		Lodging	\$30,000
			Oil & Gas Production	87.50%			

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.

Interest Income

Interest earned on the District’s available funds has been estimated based on historical 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.

Debt Service

There is no schedule of debt amortization for the Series 2023 Bonds as they are structured as cash flow bonds as discussed in the Bond Details.

**LANERNS METROPOLITAN DISTRICT NO. 3
2024 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Debt and Leases

2023 Bonds

The District issued bonds on October 27, 2023, in the par amounts of \$9,100,000 for the Limited Tax General Obligation Bonds, Series 2023A-1 (the 2023A-1 Bonds), \$5,461,793, appreciating to a principal amount of \$8,145,000, for the Limited Tax General Obligation Convertible Capital Appreciation Bonds, Series 2023A-2 (the 2023A-2 Bonds), and \$2,175,000 for the Subordinate Limited Tax General Obligation Bonds, Series 2023B (the Subordinate Bonds, and together with the 2023A-1 Bonds and 2023A-2 Bonds, the Bonds).

The Bonds may be subject to acceleration pursuant to mandatory redemption provisions as described in the applicable Indenture and do not have any unused lines of credit. No assets have been pledged as collateral on the Bonds.

Proceeds of the Bonds

Proceeds from the sale of the 2023A-1 Bonds and 2023A-2 Bonds (collectively, the Senior Bonds) were used for the purposes of (a) paying Project Costs, (b) funding capitalized interest for the Series 2023A-1 Bonds, (c) funding the Initial Surplus Fund Deposit to the Surplus Fund, and (d) paying costs and expenses incidental to the issuance of the Bonds. Proceeds from the sale of the Subordinate Bonds were used for the purpose of paying or reimbursing Project Costs.

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	0.00

Details of the 2023A-1 Bonds

The 2023A-1 Bonds bear interest at 7.25%, payable semi-annually on June 1 and December 1, beginning on December 1, 2023. Annual mandatory sinking fund principal payments are due on December 1 of each year beginning on December 1, 2030. The 2023A-1 Bonds mature on December 1, 2053.

To the extent principal of any 2023A-1 Bond is not paid when due, such principal shall remain outstanding until paid subject to the Senior Termination Date. To the extent interest on any 2023A-1 Bond is not paid when due, such interest shall compound semiannually on each interest payment date, at the rate then borne by the 2023A-1 Bond.

The Senior Bonds and interest thereon will be deemed to be paid, satisfied, and discharged on December 2 of the year which is thirty-six (36) years after the First Debt Service Mill Levy Imposition Year of the Senior Required Mill Levy (the "Senior Termination Date"), regardless of the amount of principal and interest remaining unpaid. Events of default on the Senior Bonds occur if the District fails to impose the Senior Required Mill Levy, or to apply the Senior Pledged Revenues as required by the Senior Indenture and does not comply with other customary terms and conditions consistent with normal municipal financing as described in the Senior Indenture. Acceleration of the Senior Bonds shall not be an available remedy for an Event of Default.

**LANERNS METROPOLITAN DISTRICT NO. 3
2024 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Debt and Leases (Continued)

Details of the 2023A-2 Bonds

The 2023A-2 Bonds were issued as capital appreciation bonds, convertible to current interest bonds on December 1, 2028. Prior to conversion to current interest bonds, the 2023A-2 Bonds accrete in value at an annual yield equal to 8.00% from their date of issuance. The accreted amount compounds semi-annually on June 1 and December 1, beginning on December 1, 2023, to and including December 1, 2028. Such accreted amount, together with the original principal amount of the 2023A-2 Bonds, bears additional interest at 8.00%. The accreted 2023A-2 Bonds principal balance at conversion on December 1, 2028, will be \$8,145,000. Upon conversion to current interest bonds, interest is payable semi-annually on June 1 and December 1, commencing on December 1, 2028. Annual principal payments are due on December 1 of each year, with a final maturity on December 1, 2053.

Senior Pledged Revenue

The Senior Bonds are secured by and payable solely from and to the extent of the Senior Pledged Revenue consisting of moneys derived by the District from (i) the Senior Required Mill Levy, net of fees of the County, (ii) Specific Ownership Taxes collected as a result of the imposition of the Senior Required Mill Levy, and (iii) any other legally available moneys which the District determines to apply as Senior Pledged Revenue.

Subordinate Bonds Details

The Subordinate Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal or interest prior to the final maturity date. The Subordinate Bonds bear interest at the rate of 9.25% per annum. Principal and interest on the Subordinate Bonds is payable annually on each December 15 commencing December 15, 2023, payable only from and to the extent of available Subordinate Pledged Revenue in the Subordinate Bond Fund.

To the extent principal of any bond is not paid when due, such principal is to remain outstanding until the earlier of its payment or the Subordinate Termination Date and is to continue to bear interest at the rate then borne by the Subordinate Bond. In the event interest on any bond is not paid when due, such interest is to compound annually on each December 15, at the rate then borne by the Subordinate Bond.

The Subordinate Bonds and interest thereon will be deemed to be paid, satisfied, and discharged on December 16 of the year which is thirty-six (36) years after the First Debt Service Mill Levy Imposition Year of the Subordinate Required Mill Levy (the Subordinate Termination Date), regardless of the amount of principal and interest remaining unpaid.

Events of default on the Subordinate Bonds occur if the District fails to impose the Subordinate Required Mill Levy, or to apply the Subordinate Pledged Revenues as required by the Subordinate Indenture and does not comply with other customary terms and conditions consistent with normal municipal financing as described in the Subordinate Indenture. Acceleration of the Subordinate Bonds shall not be an available remedy for an Event of Default.

Subordinate Pledged Revenue

The Subordinate Bonds are secured by and payable solely from and to the extent of the Subordinate Pledged Revenue consisting of moneys derived by the District from (i) the Subordinate Required Mill Levy, net of fees of the County, (ii) Specific Ownership Taxes collected as a result of the imposition of the Subordinate Required Mill Levy, and (iii) any other legally available moneys which the District determines to apply as Subordinate Pledged Revenue.

**LANERNS METROPOLITAN DISTRICT NO. 3
2024 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Debt and Leases (Continued)

The District has no operating or capital leases

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

	Balance at December 31, 2022		Additions	Reductions	Balance at December 31, 2023	
Series 2023A-1 General Obligation Bonds	\$	-	\$ 9,100,000	\$ -	\$	9,100,000
Series 2023A-2 Convertible Capital Appreciation Bonds		-	5,461,793	-		5,461,793
Series 2023B(2) Cashflow Bonds		-	2,175,000	-		2,175,000
Developer Advance - O&M		-	50,000	-		50,000
Developer Advance - Capital		-	5,000,000	5,000,000		-
Accrued Interest on:						
Series 2023A-2 Convertible Capital Appreciation Bonds		-	6,733	-		6,733
Series 2023B(2) Cashflow Bonds		-	25,195	-		25,195
Total	\$	-	\$ 21,818,721	\$ 5,000,000	\$	16,818,721
	Balance at December 31, 2023		Additions	Reductions	Balance at December 31, 2024	
Series 2023A-1 General Obligation Bonds	\$	9,100,000	\$ -	\$ -	\$	9,100,000
Series 2023A-2 Convertible Capital Appreciation Bonds		5,461,793	-	-		5,461,793
Series 2023B(2) Cashflow Bonds		2,175,000	-	-		2,175,000
Developer Advance - O&M		50,000	20,000	-		70,000
Developer Advance - Capital		-	7,713,806	7,713,806		-
Accrued Interest on:						
Series 2023A-2 Convertible Capital Appreciation Bonds		6,733	7,076	-		13,809
Series 2023B(2) Cashflow Bonds		25,195	203,888	-		229,083
Developer Advance - O&M		-	2,000	-		2,000
Total	\$	16,818,721	\$ 7,946,770	\$ 7,713,806	\$	17,051,685

Reserve Funds

Emergency Reserve

The District has provided for an emergency reserve fund equal to at least 3% of fiscal year spending for 2024 as defined under TABOR.

This information is an integral part of the accompanying budget.