

LANTERNS METROPOLITAN DISTRICT NO. 3

ANNUAL BUDGET

FOR THE YEAR ENDING DECEMBER 31, 2025

**LANTERNS METROPOLITAN DISTRICT NO. 3
SUMMARY
2025 BUDGET
WITH 2023 ACTUAL AND 2024 ESTIMATED
For the Years Ended and Ending December 31,**

	ACTUAL 2023	ESTIMATED 2024	BUDGET 2025
BEGINNING FUND BALANCES	\$ -	\$ 11,509,099	\$ 3,007,103
REVENUES			
Property taxes	-	45,730	59,937
Specific ownership taxes	-	4,100	5,394
Bond Proceeds - Series 2023A-1	9,100,000	-	-
Bond Proceeds - Series 2023A-2	5,461,793	-	-
Bond Proceeds - Series 2023B(2)	2,175,000	-	-
Interest Income	104,419	305,380	121,000
Developer advance	4,787,555	-	-
Other Revenue	2	-	-
Total revenues	<u>21,628,769</u>	<u>355,210</u>	<u>186,331</u>
TRANSFERS IN	<u>3,456,250</u>	-	-
Total funds available	<u>25,085,019</u>	<u>11,864,309</u>	<u>3,193,434</u>
EXPENDITURES			
General Fund	26,572	57,424	74,000
Debt Service Fund	-	672,750	672,750
Capital Projects Fund	10,152,098	8,127,032	-
Total expenditures	<u>10,178,670</u>	<u>8,857,206</u>	<u>746,750</u>
TRANSFERS OUT	<u>3,397,250</u>	-	-
Total expenditures and transfers out requiring appropriation	<u>13,575,920</u>	<u>8,857,206</u>	<u>746,750</u>
ENDING FUND BALANCES	<u>\$ 11,509,099</u>	<u>\$ 3,007,103</u>	<u>\$ 2,446,684</u>
EMERGENCY RESERVE	\$ 100	\$ 1,600	\$ 2,000
CAPITALIZED INTEREST	1,997,426	1,437,732	822,698
SURPLUS FUND	1,468,362	1,551,517	1,614,581
TOTAL RESERVE	<u>\$ 3,465,888</u>	<u>\$ 2,990,849</u>	<u>\$ 2,439,279</u>

No assurance provided. See summary of significant assumptions.

**LANTERNS METROPOLITAN DISTRICT NO. 3
PROPERTY TAX SUMMARY INFORMATION
2025 BUDGET
WITH 2023 ACTUAL AND 2024 ESTIMATED
For the Years Ended and Ending December 31,**

1/29/25

ACTUAL 2023	ESTIMATED 2024	BUDGET 2025
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ASSESSED VALUATION

Residential	\$ -	\$ -	\$ 37,470
Agricultural	700	720	720
Vacant land	2,198,920	3,994,620	5,198,410
Personal property	-	4,500	4,500
Certified Assessed Value	\$ 2,199,620	\$ 3,999,840	\$ 5,241,100

MILL LEVY

General	0.000	11.433	11.436
Total mill levy	0.000	11.433	11.436

PROPERTY TAXES

General	\$ -	\$ 45,730	\$ 59,937
Budgeted property taxes	\$ -	\$ 45,730	\$ 59,937

BUDGETED PROPERTY TAXES

General	\$ -	\$ 45,730	\$ 59,937
	\$ -	\$ 45,730	\$ 59,937

**LANTERNS METROPOLITAN DISTRICT NO. 3
GENERAL FUND
2025 BUDGET
WITH 2023 ACTUAL AND 2024 ESTIMATED
For the Years Ended and Ending December 31,**

	ACTUAL 2023	ESTIMATED 2024	BUDGET 2025
BEGINNING FUND BALANCES	\$ -	\$ 24,279	\$ 17,065
REVENUES			
Property taxes	-	45,730	59,937
Specific ownership taxes	-	4,100	5,394
Interest Income	-	380	1,000
Developer advance	50,849	-	-
Other Revenue	2	-	-
Total revenues	<u>50,851</u>	<u>50,210</u>	<u>66,331</u>
Total funds available	<u>50,851</u>	<u>74,489</u>	<u>83,396</u>
EXPENDITURES			
General and administrative			
Accounting	8,057	30,000	33,000
Auditing	-	6,500	6,500
County Treasurer's Fee	-	686	899
Dues and Membership	234	2,500	2,500
Insurance	1,201	2,671	3,500
Legal	17,042	15,000	20,000
Election	38	67	2,000
Website	-	-	1,000
Contingency	-	-	4,601
Total expenditures	<u>26,572</u>	<u>57,424</u>	<u>74,000</u>
Total expenditures and transfers out requiring appropriation	<u>26,572</u>	<u>57,424</u>	<u>74,000</u>
ENDING FUND BALANCES	<u>\$ 24,279</u>	<u>\$ 17,065</u>	<u>\$ 9,396</u>
EMERGENCY RESERVE	<u>\$ 100</u>	<u>\$ 1,600</u>	<u>\$ 2,000</u>
TOTAL RESERVE	<u>\$ 100</u>	<u>\$ 1,600</u>	<u>\$ 2,000</u>

No assurance provided. See summary of significant assumptions.

**LANTERNS METROPOLITAN DISTRICT NO. 3
DEBT SERVICE FUND
2025 BUDGET
WITH 2023 ACTUAL AND 2024 ESTIMATED
For the Years Ended and Ending December 31,**

	ACTUAL 2023	ESTIMATED 2024	BUDGET 2025
BEGINNING FUND BALANCES	\$ -	\$ 3,487,788	\$ 2,990,038
REVENUES			
Interest Income	31,538	175,000	120,000
Total revenues	<u>31,538</u>	<u>175,000</u>	<u>120,000</u>
TRANSFERS IN			
Transfers from other funds	<u>3,456,250</u>	<u>-</u>	<u>-</u>
Total funds available	<u>3,487,788</u>	<u>3,662,788</u>	<u>3,110,038</u>
EXPENDITURES			
Debt Service			
Paying agent fees	-	13,000	13,000
Bond interest	-	659,750	659,750
Total expenditures	<u>-</u>	<u>672,750</u>	<u>672,750</u>
Total expenditures and transfers out requiring appropriation	<u>-</u>	<u>672,750</u>	<u>672,750</u>
ENDING FUND BALANCES	<u>\$ 3,487,788</u>	<u>\$ 2,990,038</u>	<u>\$ 2,437,288</u>
CAPITALIZED INTEREST	\$ 1,997,426	\$ 1,437,732	\$ 822,698
SURPLUS FUND	1,468,362	1,551,517	1,614,581
TOTAL RESERVE	<u>\$ 3,465,788</u>	<u>\$ 2,989,249</u>	<u>\$ 2,437,279</u>

**LANERNS METROPOLITAN DISTRICT NO. 3
CAPITAL PROJECTS FUND
2025 BUDGET
WITH 2023 ACTUAL AND 2024 ESTIMATED
For the Years Ended and Ending December 31,**

	ACTUAL 2023	ESTIMATED 2024	BUDGET 2025
BEGINNING FUND BALANCES	\$ -	\$ 7,997,032	\$ -
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	4,736,706	-	-
Interest Income	72,881	130,000	-
Total revenues	21,546,380	130,000	-
Total funds available	21,546,380	8,127,032	-
EXPENDITURES			
General and Administrative			
Accounting	2,169	-	-
Bond issue costs	668,486	-	-
Capital Projects			
Repay developer advance	4,736,706	-	-
Engineering	8,031	24,422	-
Capital outlay	4,736,706	-	-
Intergovernmental Expenditures	-	8,102,610	-
Total expenditures	10,152,098	8,127,032	-
TRANSFERS OUT			
Transfers to other fund	3,397,250	-	-
Total expenditures and transfers out requiring appropriation	13,549,348	8,127,032	-
ENDING FUND BALANCES	\$ 7,997,032	\$ -	\$ -

No assurance provided. See summary of significant assumptions.

**LANTERNS METROPOLITAN DISTRICT NO. 3
2025 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 on November 25, 2014, 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 on August 21, 2018. 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.

**LANERNS METROPOLITAN DISTRICT NO. 3
2025 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Revenues (Continued)

Property Taxes (Continued)

For property tax collection year 2025, SB22-238, SB23B-001, SB 24-233, and HB24B-1001 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 2023A-2 and Series 2023B(2) Bonds as they are structured as cash flow bonds as discussed in the Bond Details.

**LANERNS METROPOLITAN DISTRICT NO. 3
2025 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
2025 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
2025 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, 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	5,502,437	449,034	-	5,951,471
Series 2023B(2) Cashflow Bonds	2,175,000	-	-	2,175,000
Developer Advance - O&M	50,849	-	-	50,849
Accrued Interest on:				
Series 2023A-1 General Obligation Bonds	89,988	666,274	659,750	96,512
Series 2023B(2) Cashflow Bonds	35,311	204,351	-	239,662
Developer Advance - O&M	99	2,038	-	2,137
Total	<u>\$ 16,953,684</u>	<u>\$ 1,321,697</u>	<u>\$ 659,750</u>	<u>\$ 17,615,631</u>

	Balance at December 31, 2024	Additions	Reductions	Balance at December 31, 2025
Series 2023A-1 General Obligation Bonds	\$ 9,100,000	\$ -	\$ -	\$ 9,100,000
Series 2023A-2 Convertible Capital Appreciation Bonds	5,951,471	485,605	-	6,437,076
Series 2023B(2) Cashflow Bonds	2,175,000	-	-	2,175,000
Developer Advance - O&M	50,849	-	-	50,849
Accrued Interest on:				
Series 2023A-1 General Obligation Bonds	96,512	714,579	659,750	151,341
Series 2023B(2) Cashflow Bonds	239,662	222,581	-	462,243
Developer Advance - O&M	2,137	2,119	-	4,256
Total	<u>\$ 17,615,631</u>	<u>\$ 1,424,884</u>	<u>\$ 659,750</u>	<u>\$ 18,380,765</u>

Reserve Funds

Emergency Reserve

The District has provided for an emergency reserve fund equal to at least 3% of fiscal year spending for 2025 as defined under TABOR.

This information is an integral part of the accompanying budget.

LANTERNS METROPOLITAN DISTRICT NO. 3
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY

Bonds and Interest Maturing in the Year Ending December 31,	\$9,100,000		
	Limited Tax General Obligation Bonds		
	Series 2023A-1		
	Dated October 27, 2023		
	Interest Rates: 7.000%		
	Interest Payable June 1 and December 1		
	Principal Due December 1		
	Principal	Interest	Total
2025	\$ -	\$ 659,750	\$ 659,750
2026	-	659,750	659,750
2027	-	659,750	659,750
2028	-	659,750	659,750
2029	-	659,750	659,750
2030	20,000	659,750	679,750
2031	85,000	658,300	743,300
2032	120,000	652,138	772,138
2033	130,000	643,438	773,438
2034	150,000	634,013	784,013
2035	165,000	623,138	788,138
2036	190,000	611,175	801,175
2037	205,000	597,400	802,400
2038	235,000	582,538	817,538
2039	255,000	565,500	820,500
2040	285,000	547,013	832,013
2041	310,000	526,350	836,350
2042	345,000	503,875	848,875
2043	370,000	478,863	848,863
2044	415,000	452,038	867,038
2045	445,000	421,950	866,950
2046	495,000	389,688	884,688
2047	530,000	353,800	883,800
2048	590,000	315,375	905,375
2049	630,000	272,600	902,600
2050	695,000	226,925	921,925
2051	745,000	176,537	921,537
2052	815,000	122,525	937,525
2053	875,000	63,438	938,438
	\$ 9,100,000	\$ 14,377,117	\$ 23,477,117

No assurance provided. See summary of significant assumptions.