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Accountant's Compilation Report

Board of Directors
Mountain's Edge Metropolitan District
Jefferson County, Colorado

Management is responsible for the accompanying budget of revenues, expenditures, and fund balances of Mountain's Edge Metropolitan District for the year ending December 31, 2018, including the estimate of comparative information for the year ending December 31, 2017, and the actual comparative information for the year ending December 31, 2016, in the format prescribed by Colorado Revised Statutes (C.R.S.) 29-1-105. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the budget nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on the accompanying budget.

We draw attention to the summary of significant assumptions which describe that the budget is presented in accordance with the requirements of C.R.S. 29-1-105, and is not intended to be a presentation in accordance with accounting principles generally accepted in the United States of America.

We are not independent with respect to Mountain's Edge Metropolitan District.

CliftonLarsonAllen LLP

Greenwood Village, Colorado
January 8, 2018

**MOUNTAIN'S EDGE METROPOLITAN DISTRICT
SUMMARY
2018 BUDGET AS ADOPTED
WITH 2016 ACTUAL AND 2017 ESTIMATED
For the Years Ended and Ending December 31,**

1/8/2018

	ACTUAL 2016	ESTIMATED 2017	ADOPTED 2018
BEGINNING FUND BALANCES	\$ 3,012	\$ 427,473	\$ 381,568
REVENUES			
1 Property taxes	65,064	70,864	221,686
2 Specific ownership taxes	5,220	5,670	17,740
3 Developer advance	4,191,528	121,000	32,000
4 Net investment income	7	1,392	600
5 Other income	269	8,668	-
6 Bond issuance Series 2016A	2,655,000	-	-
7 Bond issuance Series 2016B	561,000	-	-
8 District service fees	-	-	14,500
Total revenues	<u>7,478,088</u>	<u>207,594</u>	<u>286,526</u>
TRANSFERS IN	<u>420,167</u>	<u>9,013</u>	<u>-</u>
Total funds available	<u>7,901,267</u>	<u>644,080</u>	<u>668,094</u>
EXPENDITURES			
9 General and administration			
10 Accounting	10,179	25,000	25,000
11 Audit	-	4,800	5,000
12 Contingency	-	-	1,584
13 County Treasurer's fees	975	1,069	3,326
14 District management	11,855	14,000	14,500
15 Dues and membership	315	326	340
16 Election	720	-	5,000
17 Insurance	2,738	2,488	3,000
18 Legal	10,313	25,000	25,000
19 Miscellaneous	580	400	1,500
20 Operations and maintenance			
21 Drainage maintenance	-	-	5,000
22 Landscape maintenance	13,789	30,000	25,000
23 Snow removal	-	-	2,000
24 Trash collection	708	5,000	11,000
25 Trash collection billing	-	-	4,200
26 Utilities	6,654	11,566	12,500
27 Website build	-	1,100	-
28 Website maintenance	-	-	300
29 Debt service			
30 Bond interest Series 2016A	18,438	132,750	132,750
31 Paying agent fees	-	-	5,000
32 Capital projects			
33 Bond issue costs	245,416	-	-
34 Capital outlay	4,171,517	-	-
35 Capital outlay	2,550,417	-	-
36 Engineering	9,013	-	-
Total expenditures	<u>7,053,627</u>	<u>253,499</u>	<u>282,000</u>
TRANSFERS OUT	<u>420,167</u>	<u>9,013</u>	<u>-</u>
Total expenditures and transfers out requiring appropriation	<u>7,473,794</u>	<u>262,512</u>	<u>282,000</u>
ENDING FUND BALANCES	<u>\$ 427,473</u>	<u>\$ 381,568</u>	<u>\$ 386,094</u>
EMERGENCY RESERVE	\$ 1,000	\$ 700	\$ 3,300
Capitalized Interest Fund	-	70,924	-
Debt Service Reserve Fund	-	203,622	203,500
Surplus Fund	-	38,041	38,057
TOTAL RESERVE	<u>\$ 1,000</u>	<u>\$ 313,287</u>	<u>\$ 244,857</u>

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

MOUNTAIN'S EDGE METROPOLITAN DISTRICT
PROPERTY TAX SUMMARY INFORMATION
For the Years Ended and Ending December 31,

1/8/2018

	ACTUAL 2016	ESTIMATED 2017	ADOPTED 2018
ASSESSED VALUATION - JEFFERSON			
Residential	\$ -	\$ 211,161	\$ 1,406,962
Vacant Land	916,601	786,912	1,048,666
Certified Assessed Value	<u>\$ 916,601</u>	<u>\$ 998,073</u>	<u>\$ 2,455,628</u>
MILL LEVY			
GENERAL FUND	31.000	21.000	35.000
DEBT SERVICE FUND	40.000	50.000	55.277
Total Mill Levy	<u>71.000</u>	<u>71.000</u>	<u>90.277</u>
PROPERTY TAXES			
GENERAL FUND	\$ 28,415	\$ 20,960	\$ 85,946
DEBT SERVICE FUND	36,664	49,904	135,740
Levied property taxes	<u>65,079</u>	<u>70,864</u>	<u>221,686</u>
Adjustments to actual/rounding	(15)	-	-
Budgeted Property Taxes	<u>\$ 65,064</u>	<u>\$ 70,864</u>	<u>\$ 221,686</u>
BUDGETED PROPERTY TAXES			
GENERAL FUND	\$ 28,628	\$ 20,960	\$ 85,947
DEBT SERVICE FUND	36,436	49,904	135,739
	<u>\$ 65,064</u>	<u>\$ 70,864</u>	<u>\$ 221,686</u>

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MOUNTAIN'S EDGE METROPOLITAN DISTRICT
GENERAL FUND
2018 BUDGET AS ADOPTED
WITH 2016 ACTUAL AND 2017 ESTIMATED
For the Years Ended and Ending December 31,

1/8/2018

	ACTUAL 2016	ESTIMATED 2017	ADOPTED 2018
BEGINNING FUND BALANCES	\$ (5,863)	\$ (12,957)	\$ 1,673
REVENUES			
1 Property taxes	28,628	20,960	85,947
2 Specific ownership taxes	2,275	1,680	6,880
3 Developer advance	20,011	121,000	32,000
4 Net investment income	-	3	-
5 Other income	269	-	-
6 District service fees	-	-	14,500
Total revenues	<u>51,183</u>	<u>143,643</u>	<u>139,327</u>
Total funds available	<u>45,320</u>	<u>130,686</u>	<u>141,000</u>
EXPENDITURES			
General and administration			
7 Accounting	10,179	25,000	25,000
8 Audit	-	4,800	5,000
9 Contingency	-	-	370
10 County Treasurer's fees	426	320	1,290
11 District management	11,855	14,000	14,500
12 Dues and membership	315	326	340
13 Election	720	-	5,000
14 Insurance	2,738	2,488	3,000
15 Legal	10,313	25,000	25,000
16 Miscellaneous	580	400	1,500
Operations and maintenance			
17 Drainage maintenance	-	-	5,000
18 Landscape maintenance	13,789	30,000	25,000
19 Snow removal	-	-	2,000
20 Trash collection	708	5,000	11,000
21 Trash collection billing	-	-	4,200
22 Utilities	6,654	11,566	12,500
23 Website build	-	1,100	-
24 Website maintenance	-	-	300
Total expenditures	<u>58,277</u>	<u>120,000</u>	<u>141,000</u>
TRANSFERS OUT			
CAPITAL PROJECTS FUND	-	9,013	-
Total transfers out	<u>-</u>	<u>9,013</u>	<u>-</u>
Total expenditures and transfers out requiring appropriation	<u>58,277</u>	<u>129,013</u>	<u>141,000</u>
ENDING FUND BALANCES	<u>\$ (12,957)</u>	<u>\$ 1,673</u>	<u>\$ -</u>
EMERGENCY RESERVE	<u>\$ 1,000</u>	<u>\$ 700</u>	<u>\$ 3,300</u>
TOTAL RESERVE	<u>\$ 1,000</u>	<u>\$ 700</u>	<u>\$ 3,300</u>

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

MOUNTAIN'S EDGE METROPOLITAN DISTRICT
DEBT SERVICE FUND
2018 BUDGET AS ADOPTED
WITH 2016 ACTUAL AND 2017 ESTIMATED
For the Years Ended and Ending December 31,

1/8/2018

	ACTUAL 2016	ESTIMATED 2017	ADOPTED 2018
BEGINNING FUND BALANCES	\$ 8,875	\$ 449,443	\$ 379,895
REVENUES			
1 Property taxes	36,436	49,904	135,739
2 Specific ownership taxes	2,945	3,990	10,860
3 Net investment income	7	1,389	600
4 Other income	-	8,668	-
Total revenues	39,388	63,951	147,199
TRANSFERS IN			
CAPITAL PROJECTS FUND	420,167	-	-
Total transfers in	420,167	-	-
Total funds available	468,430	513,394	527,094
EXPENDITURES			
General and administration			
5 Contingency	-	-	1,214
6 County Treasurer's fees	549	749	2,036
Debt service			
7 Bond interest Series 2016A	18,438	132,750	132,750
8 Paying agent fees	-	-	5,000
Total expenditures	18,987	133,499	141,000
Total expenditures and transfers out requiring appropriation	18,987	133,499	141,000
ENDING FUND BALANCES	\$ 449,443	\$ 379,895	\$ 386,094
Capitalized Interest Fund	\$ -	\$ 70,924	\$ -
Debt Service Reserve Fund	-	203,622	203,500
Surplus Fund	-	38,041	38,057
TOTAL RESERVE	\$ -	\$ 312,587	\$ 241,557

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

**MOUNTAIN'S EDGE METROPOLITAN DISTRICT
CAPITAL PROJECTS FUND
2018 BUDGET AS ADOPTED
WITH 2016 ACTUAL AND 2017 ESTIMATED
For the Years Ended and Ending December 31,**

1/8/2018

	ACTUAL 2016	ESTIMATED 2017	ADOPTED 2018
BEGINNING FUND BALANCES	\$ -	\$ (9,013)	\$ -
REVENUES			
1 Developer advance	4,171,517	-	-
2 Bond issuance Series 2016A	2,655,000	-	-
3 Bond issuance Series 2016B	561,000	-	-
Total revenues	7,387,517	-	-
TRANSFERS IN			
GENERAL FUND	-	9,013	-
Total transfers in	-	9,013	-
Total funds available	7,387,517	-	-
EXPENDITURES			
Capital projects			
4 Bond issue costs	245,416	-	-
5 Capital outlay	4,171,517	-	-
6 Capital outlay	2,550,417	-	-
7 Engineering	9,013	-	-
Total expenditures	6,976,363	-	-
TRANSFERS OUT			
DEBT SERVICE FUND	420,167	-	-
Total transfers out	420,167	-	-
Total expenditures and transfers out requiring appropriation	7,396,530	-	-
ENDING FUND BALANCES	\$ (9,013)	\$ -	\$ -

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

**MOUNTAIN'S EDGE METROPOLITAN DISTRICT
2018 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Services Provided

The District was organized by Order and Decree of the District Court of Jefferson County, Colorado recorded on December 9, 2013, to provide financing for design, acquisition, construction and installation of essential public-purpose facilities such as water, sanitation, streets, traffic and safety controls, mosquito control, covenant enforcement, and the operation and maintenance of the District. The District's service area is located entirely within the boundaries of the Southwest Metropolitan Water and Sanitation District in Jefferson County, Colorado.

On November 5, 2013, the Electors of the District authorized the District to collect, spend, and retain all revenues, other than ad valorem taxes, without regard to the limitations contained in Article X, Section 20 of the Colorado constitution. Additionally, the District voters approved authorization to increase property taxes up to \$1,000,000 annually to pay for the administration, operations, maintenance, and capital expenditures of the District and \$4,000,000 to pay for regional improvements for which the District is obligated. Also, the electors authorized the issuance of indebtedness in an amount not to exceed \$36,000,000. This includes \$4,000,000 each for water facilities, sanitation system, street improvements, traffic and safety controls, mosquito control, operations and maintenance expenses, and intergovernmental agreements, as well as the refunding of up to \$8,000,000 in debt at a higher interest rate.

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 Statute C.R.S. 29-1-105.

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 method of calculating assessed valuation of residential assessment rates in the State of Colorado changed to 7.20% from 7.96% for property tax years 2017-2018 on April 17, 2017 with a report submitted to the State Board of Equalization. Accordingly, the mill levy has been adjusted upward to reflect the change assessed value calculation. Accordingly, the debt service mill levy increased to 55.277 from 50.000 mills.

The calculation of the taxes levied is displayed on page 3 at the adopted total mill levy.

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 8.0% of the property taxes collected.

**MOUNTAIN'S EDGE METROPOLITAN DISTRICT
2018 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Revenues (continued)

Net Investment Income

Interest earned on the District's available funds has been estimated based on an average interest rate of 0.50%.

Developer Advances

The District is in the development stage. As such, the operating and administrative expenditures will be mainly 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.

District Service Fees

The Board of Directors approved a monthly District Service Fee for all homes within the District boundaries. For 2018, the fees total \$14,500.

Expenditures

Administrative and Operating Expenditures

Administrative and operating expenditures include the estimated services necessary to maintain the District's administrative viability such as legal, accounting, insurance, banking, and meeting costs.

Capital Outlay

The District has budgeted for capital outlay as noted in the Capital Projects Fund.

Debt Service

Principal and interest payments in 2018 are based on the estimated debt amortization schedule from the Series 2016A General Obligation (Limited Tax Convertible to Unlimited Tax) Bonds ("Senior Bonds") and 2016B Subordinate General Obligation Limited Tax Bonds ("Subordinate Bonds"), as noted in the debt and lease section.

Debt and Leases

On October 11, 2016, the District issued Senior 2016 Bonds and the Subordinate Bonds in the amounts of \$2,655,000 and \$561,000, respectively. The proceeds from the sale of the Senior Bonds will be used for the purposes of (i) paying or reimbursing the costs of capital infrastructure improvements; (ii) providing capitalized interest for the Senior Bonds; (iii) providing a deposit to the Debt Service Reserve Fund; and; (iv) paying costs of issuance of the Senior Bonds. The proceeds from the sale of the Subordinate Bonds will be used for the purposes of (i) paying or reimbursing the costs of capital infrastructure improvements; and (ii) paying costs of issuance of the Subordinate Bonds.

The Senior Bonds bear interest at 5.0%, payable semi-annually on June 1 and December 1, beginning on December 1, 2016. Annual mandatory sinking fund principal payments are estimated to be due on December 1, beginning on December 1, 2019. The Senior Bonds are estimated to mature on December 1, 2046, and are subject to optional redemption as described in the Senior Indenture.

**MOUNTAIN'S EDGE METROPOLITAN DISTRICT
2018 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Debt and Leases (continued)

The Subordinate Bonds were issued at the rate of 7.375% per annum and payable annually from Subordinate Pledged Revenue on December 15, beginning on December 15, 2016. Unpaid interest on the Subordinate Bonds compounds annually on each December 15. The Subordinate Bonds are assumed to be subject to optional redemption prior to maturity as described in the Subordinate Indenture. No principal or interest payments will be made on the Subordinate Bonds before the Surplus Fund has reached the maximum amount of \$265,500.

The District has no operating or capital leases.

Developer Advances

The District has entered into Operation Funding Agreements with Reserve at the Meadows, LLC (“Developer”) for 2013 – 2017 (“OFAs”), as well as a Facilities Funding and Acquisition Agreement dated December 10, 2013, as amended (“FFAA”). Advances under the OFAs and FFAA accrue interest at 8.0% per annum, with accrued interest payable first, and then principal. At December 31, 2017, the principal and interest amounts due under the OFAs and FFAA are on the attached schedule.

Reserve Funds

The District has provided for an Emergency Reserve equal to at least 3% of the fiscal year spending for 2018, as defined under TABOR.

The Debt Service Fund has a reserve fund of \$203,500 and a capitalized interest fund, which will be used to make interest and principal payments on the loan.

This information is an integral part of the accompanying budget.

**Mountain's Edge Metropolitan District
Schedule of Developer Advances**

	Balance at December 31, 2016	Additions*	Repayments*	Balance at December 31, 2017*
Developer advances - Capital	\$ 2,222,798	\$ -	\$ -	\$ 2,222,798
Developer advances - O&M 2015	47,447	\$ 114,022		161,469
	<u>2,270,245</u>	<u>114,022</u>	<u>-</u>	<u>2,384,267</u>
Accrued interest - Capital	39,462	177,824	-	217,286
Accrued interest - O&M 2015	3,609	7,982		11,591
	<u>43,071</u>	<u>185,806</u>	<u>-</u>	<u>228,877</u>
	<u>\$ 2,313,316</u>	<u>\$ 299,828</u>	<u>\$ -</u>	<u>\$ 2,613,144</u>
	Balance at December 31, 2017*	Additions*	Repayments*	Balance at December 31, 2018*
Developer advances - Capital	\$ 2,222,798	\$ -	\$ -	\$ 2,222,798
Developer advances - O&M	161,469	32,000	-	193,469
	<u>2,384,267</u>	<u>32,000</u>	<u>-</u>	<u>2,416,267</u>
Accrued interest - Capital	217,286	177,824	-	395,110
Accrued interest - O&M	11,591	15,478		27,069
	<u>228,877</u>	<u>193,302</u>	<u>-</u>	<u>422,179</u>
	<u>\$ 2,613,144</u>	<u>\$ 225,302</u>	<u>\$ -</u>	<u>\$ 2,838,446</u>

* Estimate

MOUNTAIN'S EDGE METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2018

Bonds and Interest Maturing in the Year Ending December 31,	\$2,655,000 General Obligation (Limited Tax Convertible to Unlimited Tax) Bonds		
	Series 2016A Interest 5.0% Dated October 11, 2016 Interest Payable June 1 and December 1 Principal Payable December 1		
	Principal	Interest	Total
2018	\$ -	\$ 132,750	\$ 132,750
2019	5,000	132,750	137,750
2020	30,000	132,500	162,500
2021	30,000	131,000	161,000
2022	35,000	129,500	164,500
2023	35,000	127,750	162,750
2024	40,000	126,000	166,000
2025	45,000	124,000	169,000
2026	50,000	121,750	171,750
2027	50,000	119,250	169,250
2028	55,000	116,750	171,750
2029	60,000	114,000	174,000
2030	65,000	111,000	176,000
2031	70,000	107,750	177,750
2032	75,000	104,250	179,250
2033	80,000	100,500	180,500
2034	90,000	96,500	186,500
2035	95,000	92,000	187,000
2036	100,000	87,250	187,250
2037	105,000	82,250	187,250
2038	115,000	77,000	192,000
2039	120,000	71,250	191,250
2040	130,000	65,250	195,250
2041	135,000	58,750	193,750
2042	150,000	52,000	202,000
2043	155,000	44,500	199,500
2044	165,000	36,750	201,750
2045	175,000	28,500	203,500
2046	395,000	19,750	414,750
	\$ 2,655,000	\$ 2,743,250	\$ 5,398,250