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Accountant's Compilation Report

Board of Directors
Mountain's Edge Metropolitan District

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, 2019, including the estimate of comparative information for the year ending December 31, 2018, and the actual comparative information for the year ended December 31, 2017, in the format prescribed by Colorado Revised Statutes (C.R.S.) 29-1-105 and the related summary of significant assumptions in accordance with guidelines for the presentation of a budget established by the American Institute of Certified Public Accountants (AICPA).. 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 AICPA. 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.

The budgeted results may not be achieved as there will usually be differences between the budgeted and actual results, because events and circumstances frequently do not occur as expected, and these differences may be material. We assume no responsibility to update this report for events and circumstances occurring after the date of this report.

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 16, 2019

**MOUNTAIN'S EDGE METROPOLITAN DISTRICT
SUMMARY
2019 BUDGET
WITH 2017 ACTUAL AND 2018 ESTIMATED
For the Years Ended and Ending December 31,**

1/16/19

| | ACTUAL 2017 | ESTIMATED 2018 | BUDGET 2019 |
|---|-------------------|-------------------|-------------------|
| BEGINNING FUND BALANCES | \$ 427,474 | \$ 365,661 | \$ 387,533 |
| REVENUES | | | |
| Property taxes | 70,864 | 221,687 | 255,468 |
| Specific ownership tax | 6,923 | 17,740 | 15,328 |
| Interest income | 1,625 | 3,186 | 3,345 |
| Other income | 8,669 | - | - |
| District Service fees | - | 14,500 | 15,200 |
| Penalties and adjustments | - | 261 | - |
| Developer advance | 114,022 | 32,000 | 27,000 |
| Total revenues | <u>202,103</u> | <u>289,374</u> | <u>316,341</u> |
| TRANSFERS IN | <u>9,013</u> | <u>-</u> | <u>-</u> |
| Total funds available | <u>638,590</u> | <u>655,035</u> | <u>703,874</u> |
| EXPENDITURES | | | |
| General Fund | 127,186 | 112,516 | 123,200 |
| Debt Service Fund | 138,995 | 139,786 | 146,000 |
| Special Revenue Fund | - | 15,200 | 16,037 |
| Total expenditures | <u>266,181</u> | <u>267,502</u> | <u>285,237</u> |
| TRANSFERS OUT | <u>9,013</u> | <u>-</u> | <u>-</u> |
| Total expenditures and transfers out requiring appropriation | <u>275,194</u> | <u>267,502</u> | <u>285,237</u> |
| ENDING FUND BALANCES | <u>\$ 363,396</u> | <u>\$ 387,533</u> | <u>\$ 418,637</u> |
| Emergency Reserve | \$ 700 | \$ 2,800 | \$ 3,100 |
| Capitalized Interest Fund | 70,924 | - | - |
| Debt Service Reserve Fund | 203,622 | 203,500 | 203,500 |
| Debt Service Surplus Fund | 38,041 | 182,019 | 205,173 |
| TOTAL RESERVE | <u>\$ 625,874</u> | <u>\$ 773,838</u> | <u>\$ 820,446</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
2019 BUDGET
WITH 2017 ACTUAL AND 2018 ESTIMATED
For the Years Ended and Ending December 31,**

1/16/19

| | ACTUAL 2017 | ESTIMATED 2018 | BUDGET 2019 |
|--------------------------------|-------------------------|--------------------------|--------------------------|
| ASSESSED VALUATION | | | |
| Residential | \$ 211,161 | \$ 1,406,962 | \$ 2,429,443 |
| State assessed | - | - | 26,751 |
| Vacant land | 786,912 | 1,048,666 | 373,628 |
| | <u>998,073</u> | <u>2,455,628</u> | <u>2,829,822</u> |
| Adjustments | - | - | - |
| Certified Assessed Value | <u>\$ 998,073</u> | <u>\$ 2,455,628</u> | <u>\$ 2,829,822</u> |
| | | | |
| MILL LEVY | | | |
| General | 21.000 | 35.000 | 35.000 |
| Debt Service | 50.000 | 55.277 | 55.277 |
| Total mill levy | <u>71.000</u> | <u>90.277</u> | <u>90.277</u> |
| | | | |
| PROPERTY TAXES | | | |
| General | \$ 20,960 | \$ 85,947 | \$ 99,044 |
| Debt Service | 49,904 | 135,740 | 156,424 |
| Levied property taxes | <u>70,864</u> | <u>221,687</u> | <u>255,468</u> |
| Budgeted property taxes | <u>\$ 70,864</u> | <u>\$ 221,687</u> | <u>\$ 255,468</u> |
| | | | |
| BUDGETED PROPERTY TAXES | | | |
| General | \$ 20,959 | \$ 85,947 | \$ 99,044 |
| Debt Service | 49,905 | 135,740 | 156,424 |
| | <u>\$ 70,864</u> | <u>\$ 221,687</u> | <u>\$ 255,468</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
GENERAL FUND
2019 BUDGET
WITH 2017 ACTUAL AND 2018 ESTIMATED
For the Years Ended and Ending December 31,**

1/16/19

| | ACTUAL 2017 | ESTIMATED 2018 | BUDGET 2019 |
|---|--------------------|-------------------|-----------------|
| BEGINNING FUND BALANCE | \$ (12,957) | \$ (12,123) | \$ 188 |
| REVENUES | | | |
| Property taxes | 20,959 | 85,947 | 99,044 |
| Specific ownership tax | 2,051 | 6,880 | 5,943 |
| Interest income | 1 | - | - |
| Developer advance | 114,022 | 32,000 | 27,000 |
| Total revenues | <u>137,033</u> | <u>124,827</u> | <u>131,987</u> |
| TRANSFERS IN | | | |
| Transfers from other funds | - | - | - |
| Total funds available | <u>124,076</u> | <u>112,704</u> | <u>132,175</u> |
| EXPENDITURES | | | |
| General and administrative | | | |
| Accounting | 24,596 | 22,000 | 22,000 |
| Auditing | 4,800 | 4,800 | 5,000 |
| Billing | 850 | - | - |
| County Treasurer's fee | 318 | 1,290 | 1,486 |
| District management | 12,577 | 12,500 | 14,500 |
| Dues and licenses | 326 | 388 | 407 |
| Election expense | - | 1,071 | - |
| Insurance and bonds | 2,488 | 2,707 | 2,842 |
| Legal services | 28,477 | 21,000 | 23,000 |
| Miscellaneous | 658 | 191 | 1,500 |
| Contingency | - | - | 1,165 |
| Operations and maintenance | | | |
| Drainage maintenance | - | 5,000 | 5,000 |
| Electricity | - | - | 1,000 |
| Irrigation repairs | - | - | 3,000 |
| Landscape maintenance | 37,900 | 31,169 | 23,000 |
| Landscaping improvements | - | - | 4,000 |
| Snow removal | - | 2,000 | 3,000 |
| Utilities | 9,042 | 8,100 | - |
| Waste removal | 5,154 | - | - |
| Water | - | - | 12,000 |
| Website maintenance | - | 300 | 300 |
| Total expenditures | <u>127,186</u> | <u>112,516</u> | <u>123,200</u> |
| TRANSFERS OUT | | | |
| Transfers to other fund | 9,013 | - | - |
| Total expenditures and transfers out requiring appropriation | <u>136,199</u> | <u>112,516</u> | <u>123,200</u> |
| ENDING FUND BALANCE | <u>\$ (12,123)</u> | <u>\$ 188</u> | <u>\$ 8,975</u> |
| Emergency Reserve | \$ 700 | \$ 2,800 | \$ 3,100 |
| TOTAL RESERVE | <u>\$ 700</u> | <u>\$ 2,800</u> | <u>\$ 3,100</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
SPECIAL REVENUE FUND
2019 BUDGET
WITH 2017 ACTUAL AND 2018 ESTIMATED
For the Years Ended and Ending December 31,**

1/16/19

| | ACTUAL 2017 | ESTIMATED 2018 | BUDGET 2019 |
|---|----------------|-------------------|----------------|
| BEGINNING FUND BALANCE | \$ - | \$ 2,265 | \$ 1,826 |
| REVENUES | | | |
| District service fees | - | 14,500 | 15,200 |
| Penalties and adjustments | - | 261 | - |
| Total revenues | <u>-</u> | <u>14,761</u> | <u>15,200</u> |
| Total funds available | <u>-</u> | <u>17,026</u> | <u>17,026</u> |
| EXPENDITURES | | | |
| General and administrative | | | |
| Billing | - | 4,200 | 4,200 |
| Operations and maintenance | | | |
| Trash collection | - | 11,000 | 11,837 |
| Total expenditures | <u>-</u> | <u>15,200</u> | <u>16,037</u> |
| TRANSFERS OUT | | | |
| Transfers to other fund | <u>-</u> | <u>-</u> | <u>-</u> |
| Total expenditures and transfers out requiring appropriation | <u>-</u> | <u>15,200</u> | <u>16,037</u> |
| ENDING FUND BALANCE | <u>\$ -</u> | <u>\$ 1,826</u> | <u>\$ 989</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
2019 BUDGET
WITH 2017 ACTUAL AND 2018 ESTIMATED
For the Years Ended and Ending December 31,**

1/16/19

| | ACTUAL 2017 | ESTIMATED 2018 | BUDGET 2019 |
|---|----------------|-------------------|----------------|
| BEGINNING FUND BALANCE | \$ 449,444 | \$ 375,519 | \$ 385,519 |
| REVENUES | | | |
| Property taxes | 49,905 | 135,740 | 156,424 |
| Specific ownership tax | 4,872 | 10,860 | 9,385 |
| Interest income | 1,624 | 3,186 | 3,345 |
| Other income | 8,669 | - | - |
| Total revenues | 65,070 | 149,786 | 169,154 |
| Total funds available | 514,514 | 525,305 | 554,673 |
| EXPENDITURES | | | |
| General and administrative | | | |
| County Treasurer's fee | 745 | 2,036 | 2,346 |
| Paying agent fees | 5,500 | 5,000 | 5,000 |
| Contingency | - | - | 904 |
| Debt Service | | | |
| Bond interest - Series 2016A | 132,750 | 132,750 | 132,750 |
| Bond principal - Series 2016A | - | - | 5,000 |
| Total expenditures | 138,995 | 139,786 | 146,000 |
| Total expenditures and transfers out requiring appropriation | 138,995 | 139,786 | 146,000 |
| ENDING FUND BALANCE | \$ 375,519 | \$ 385,519 | \$ 408,673 |
| Capitallized Interest Fund | \$ 70,924 | \$ - | \$ - |
| Debt Service Reserve Fund | 203,622 | 203,500 | 203,500 |
| Debt Service Surplus Fund | 38,041 | 182,019 | 205,173 |
| TOTAL RESERVE | \$ 312,587 | \$ 385,519 | \$ 408,673 |

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
2019 BUDGET
WITH 2017 ACTUAL AND 2018 ESTIMATED
For the Years Ended and Ending December 31,**

1/16/19

| | ACTUAL 2017 | ESTIMATED 2018 | BUDGET 2019 |
|---|----------------|-------------------|----------------|
| BEGINNING FUND BALANCE | \$ (9,013) | \$ - | \$ - |
| REVENUES | | | |
| Total revenues | - | - | - |
| TRANSFERS IN | | | |
| Transfers from other funds | 9,013 | - | - |
| Total funds available | - | - | - |
| EXPENDITURES | | | |
| Total expenditures | - | - | - |
| Total expenditures and transfers out requiring appropriation | - | - | - |
| ENDING FUND BALANCE | \$ - | \$ - | \$ - |

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
2019 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 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 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.

**MOUNTAIN'S EDGE METROPOLITAN DISTRICT
2019 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Revenues (continued)

The calculation of the taxes levied is displayed on the Property Tax Summary Information page 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 6.0% of the property taxes collected.

Net Investment Income

Interest earned on the District's available funds has been estimated based on an average interest rate of 1.50%.

Developer Advances

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 2019, the fees total \$15,200.

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.

Debt Service

Principal and interest payments in 2019 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.

**MOUNTAIN'S EDGE METROPOLITAN DISTRICT
2019 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

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.

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 – 2019 ("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, 2019, 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 2019, as defined under TABOR.

The Debt Service Fund has a reserve fund of \$203,500.

This information is an integral part of the accompanying budget.

**MOUNTAIN'S EDGE METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**

| 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 |
| 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 | \$ 2,610,500 | \$ 5,265,500 |

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
Schedule of Developer Advances**

| | 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 | \$ 31,800 | | 193,269 |
| | <u>2,384,267</u> | <u>31,800</u> | <u>-</u> | <u>2,416,067</u> |
| Accrued interest - Capital | 217,286 | 177,824 | - | 395,110 |
| Accrued interest - O&M 2015 | 9,559 | 16,534 | | 26,093 |
| | <u>228,877</u> | <u>194,358</u> | <u>-</u> | <u>421,203</u> |
| | <u>\$ 2,613,144</u> | <u>\$ 226,158</u> | <u>\$ -</u> | <u>\$ 2,837,270</u> |
| | Balance at December 31, 2018* | Additions* | Repayments* | Balance at December 31, 2019* |
| Developer advances - Capital | \$ 2,222,798 | \$ 177,824 | \$ - | \$ 2,400,622 |
| Developer advances - O&M | 193,269 | 27,000 | - | 220,269 |
| | <u>2,416,067</u> | <u>204,824</u> | <u>-</u> | <u>2,620,891</u> |
| Accrued interest - Capital | 395,110 | 177,824 | - | 572,934 |
| Accrued interest - O&M | 26,093 | 15,462 | | 41,555 |
| | <u>421,203</u> | <u>193,286</u> | <u>-</u> | <u>614,489</u> |
| | <u>\$ 2,837,270</u> | <u>\$ 398,110</u> | <u>\$ -</u> | <u>\$ 3,235,380</u> |

* Estimate

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