

SWEETGRASS METROPOLITAN DISTRICT NO. 1

2018 BUDGET

SUMMARY OF SIGNIFICANT ASSUMPTIONS

Services Provided

In accordance with its Service Plan, Sweetgrass Metropolitan District No. 1 (the "District"), was formed to manage the administration, operation, maintenance, construction, acquisition and installation of public improvements within the property known as "Sweetgrass," which is located in Dacono, Colorado. Such public improvements include, but are not limited to, storm drainage, water, sewer, utilities, streets, traffic and safety controls, and parks and recreation improvements.

The Service Plan, as modified in 2009, provides the ability for the District to impose a maximum mill levy for the combined debt service and operational and maintenance requirements of the District. The Service Plan also provides limits on the issuance of general obligation debts for Sweetgrass Metropolitan District No. 2 of \$31,295,000 and Sweetgrass Metropolitan District No. 3 of \$10,395,000.

In 2005, the District authorized the issuance and sale of Subordinate Bond Anticipation Notes ("Notes") in an aggregate principal amount not to exceed \$8,000,000 to Dacono Properties, LLC, the Developer of Sweetgrass, and to Sweetgrass Investors, LLC. The 2005 Notes are to be paid from the proceeds of subsequent debt issuance(s), or from any revenues made available to the District by District Nos. 2 and 3.

The District prepares its budget on the modified accrual basis of accounting and the budget has been adopted after proper postings, publications and public hearing.

Revenue

Transfers from District Nos. 2 and 3

The District expects to receive revenues of approximately \$111,463 from District Nos. 2 and 3 in 2018, which will mainly be derived from ad valorem property taxes collected by District Nos. 2 and 3.

Developer advances

The District anticipates receiving Developer advances totaling \$5,300,000 to fund capital improvements in 2018.

Ad Valorem Property Taxes

Another source of revenue for the District is property taxes. Property taxes are assessed and collected based upon the assessed value of all of the non-exempt property located within the District. The District adopts mill levies for debt service and for operations which, when combined with the District's other sources of revenue, provide sufficient resources to pay the required debt service (if any), capital purchases and the estimated costs of operations for the calendar year.

Commencing on January 1, 2018, the residential assessment ratio was reduced from 7.96% to 7.20%. Pursuant to the Service Plan and the Gallagher Amendment, the mill levy cap was automatically adjusted by the same ratio, to a maximum of 55.275 mills. The District adopted a mill levy of 55.275 mills for general fund expenditures in 2018.

The total taxable assessed valuation within the District in 2017 was \$37,940, an increase of \$29,230 from the 2016 valuation.

Specific Ownership Tax

Specific ownership tax revenue is collected on annual motor vehicle registrations within Weld County and is distributed based upon the proportion of property taxes levied within the County during the preceding calendar year. The specific ownership tax revenue is estimated to be 5% of the ad valorem property taxes collected in 2018.

Expenditures

Administrative

Administrative expenditures have been estimated based upon the level of expenditures incurred by the District in prior years.

Capital Outlay

The District anticipates expenditures of \$5,400,000 for capital improvements in 2018.

Debt Service

The District anticipates making one or more payments in 2018, totaling approximately \$46,463, toward the outstanding accrued interest balance on the 2005 Notes.

The District also plans to repay a portion of the outstanding Developer advance balance in 2018.

Reserve Funds

The District has provided for an emergency reserve equal to \$48,845, which is intended for use on any unanticipated expenditures in 2018. Such emergency reserve is an integral part of the Ending Fund Balance.

Leases

The District has no operating or capital leases.