

SWEETGRASS METROPOLITAN DISTRICT NO. 1

2017 BUDGET

SUMMARY OF SIGNIFICANT ASSUMPTIONS

Services Provided

In accordance with its Service Plan, Sweetgrass Metropolitan District No. 1 (the "District") was formed to finance, construct and (unless and until the obligation is assumed by another unit of government or homeowners' association) own and operate public roadway, drainage, and park services and facilities for the "Sweetgrass" P.U.D., located in Dacono, Colorado. The Service Plan of the District limits the debt and general mill levy of the District.

In 2009, the Service Plan underwent a First Modification which limited the amount of debt that District No. 2 could issue to \$31,925,000 and limited the amount of debt that District No. 3 could issue to \$10,395,000. The District has issued its Bond Anticipation Notes ("BAN") to Dacono Properties, LLC, the Developer in the District, and to Sweetgrass Investors, LLC, a landowner in the District, in reimbursement for monies expended by them on behalf of the District.

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

Significant sources of revenue for the District in 2017 will be transfers from Sweetgrass Metropolitan District Nos. 2 and 3, which are expected to total \$1,225,000.

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 required debt service and the estimated costs of operations for the calendar year. The District adopted a mill levy of 50.0 mills for general fund expenditures in 2017. The total assessed value within the District in 2016 decreased by \$5,480 from the 2015 level.

Specific Ownership Taxes

The revenue is based on a sharing of the collection of vehicle ownership taxes pooled by Weld County. The estimate is based on 4.85% of the projected property taxes.

Developer Advances

The District is anticipating \$3,225,914 in Developer advances to help pay for public infrastructure improvements in 2017.

Expenditures

Administrative

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

Capital Outlay

The District is planning to spend \$4,600,000 on infrastructure improvements in 2017.

Debt Service

The District has made a provision for a limited repayment of Developer Advances and accrued interest on the Series 2010 BANs, using funds that are received from District No. 2 and No. 3 in 2017.

Reserve Funds

The District has provided for an emergency reserve equal to \$75,982 for 2017 to cover any unanticipated expenditures. Such emergency reserve is an integral part of the Ending Fund Balance.

Leases

The District has no operating or capital leases.