

SWEETGRASS METROPOLITAN DISTRICT NO. 1

2016 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. District No. 2 issued Limited Tax General Obligation Bonds in November, 2010. The proceeds, after costs of issuance and reserves, were applied to the payment of interest and principal on the Bond Anticipation Notes.

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 2016 will be transfers from Sweetgrass Metropolitan District Nos. 2 and 3, which are expected to total \$2,525,000.

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 2016. The total assessed value within the District in 2015 decreased by \$36,040 from the 2014 level

Developer Advances

To the extent that budgeted expenditures exceed the revenue of the District, the Developer may advance funds to the District to cover the shortfall. In 2016, no developer advances are expected to be required.

Expenditures

Administrative

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

Capital Outlay

The District expects to perform construction in 2016, and has appropriated \$1,700,000 for capital costs. These funds have already been advanced to the District and are being held in an escrow account.

Debt Service

The District has made a provision for a limited repayment of Developer Advances and accrued interest of the Series 2010 BANS, using funds to be received from District No. 2 and No. 3 in 2016.

Reserve Funds

The District has provided for an emergency reserve equal to \$67,231 for 2016 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.