

SWEETGRASS METROPOLITAN DISTRICT NO. 2

2016 BUDGET

SUMMARY OF SIGNIFICANT ASSUMPTIONS

Services Provided

In accordance with its Service Plan, Sweetgrass Metropolitan District No. 2 (the "District") was formed to finance public roadway, drainage, and park services and facilities for the residential component of 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. District No. 2 issued \$2,750,000 of 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 Bond Anticipation Notes previously issued by District No. 1.

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

Property Taxes

The primary 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 31.024 mills for debt service and 18.976 mills for operations in 2016. The total assessed value within the District in 2015 increased by \$362,690 from the 2014 level.

Specific Ownership Taxes

This revenue is based on a sharing of the collection of vehicle ownership taxes pooled by Weld County. The estimate is based on 7.0% of the projected property taxes.

Expenditures

Administrative

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

Transfers to District No. 1

The District is obligated to transfer all of its revenue, net of its own debt service requirements, to District No. 1, for the payment of debt service and allocated administrative costs.

Debt Service

The 2010 Limited Tax Revenue Obligation Bonds mature in 2040 while the no call provision matured in December 2015. The District anticipates refinancing these bonds in 2016 with lower interest debt, with a principal amount based upon the then assessed valuation of the District. The new financing proceeds will first be used to retire the 2010 Series Bonds, then pay accrued interest on Developer advances and finally, if additional proceeds are available, reduce the balance of the Developer advances.

Reserve Funds

The District has provided for an emergency reserve equal to \$34,271 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.