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Accountant's Compilation Report

Board of Directors
Cundall Farms Metropolitan District
Adams County, Colorado

Management is responsible for the accompanying budget of revenues, expenditures, and fund balances of Cundall Farms Metropolitan District for the year ending December 31, 2017, including the estimate of comparative information for the year ending December 31, 2016, and the actual comparative information for the year ending December 31, 2015, in the format prescribed by Colorado Revised Statutes (C.R.S.) 29-1-105. 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 American Institute of Certified Public Accountants. 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.

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 Cundall Farms Metropolitan District.

CliftonLarsonAllen LLP

Greenwood Village, Colorado
December 19, 2016

**CUNDALL FARMS METROPOLITAN DISTRICT
SUMMARY
2017 BUDGET AS ADOPTED
WITH 2015 ACTUAL AND 2016 ESTIMATED
For the Years Ended and Ending December 31,**

12/19/2016

	ACTUAL 2015	ESTIMATED 2016	ADOPTED 2017
BEGINNING FUND BALANCES	\$ 1,884,565	\$ 1,482,066	\$ 1,225,510
REVENUES			
1 Property taxes	2,556	46,085	175,600
2 Specific ownership taxes	248	3,684	14,051
3 Developer advance	86,000	50,000	24,000
4 Net investment income	1,977	5,888	200
5 Operations Fee	40,128	80,000	128,530
6 Subordinate bond issuance	-	1,575,000	-
Total revenues	<u>130,909</u>	<u>1,760,657</u>	<u>342,381</u>
TRANSFERS IN			
Total funds available	<u>2,015,474</u>	<u>3,342,723</u>	<u>1,567,891</u>
EXPENDITURES			
7 General and administration			
8 Accounting	18,967	18,000	20,000
9 Audit	4,700	4,700	5,000
10 Contingency	-	-	1,461
11 County Treasurer's fees	6	115	439
12 Dues and membership	446	434	500
13 Election	-	2,070	-
14 Insurance	2,433	3,266	4,500
15 Legal	22,867	20,000	25,000
16 Miscellaneous	726	45	100
17 Operations and maintenance			
18 Back Flow testing	-	-	1,200
19 Electricity	-	-	500
20 Facilities Management	6,116	16,800	16,800
21 Facilities management - transfer fee	4,208	-	-
22 Grounds maintenance	-	-	50,000
23 Postage and Delivery	-	500	1,200
24 Snow removal	-	-	8,000
25 Sprinkler repair	-	-	5,300
26 Water and Sewer - Irrigation	-	-	36,000
27 Debt service			
28 Bond interest	469,906	469,906	469,906
29 Bond issue costs	-	10,275	-
30 Contingency	-	-	991
31 County Treasurer's fees	33	576	2,195
32 Paying agent fees	3,000	3,000	3,000
33 Capital projects			
34 Bond issuance costs	-	123,907	-
35 Contingency	-	7,689	-
36 Repay developer advance	-	1,288,680	-
37 Underwriter's discount	-	47,250	-
Total expenditures	<u>533,408</u>	<u>2,017,213</u>	<u>652,092</u>
TRANSFERS OUT			
Total expenditures and transfers out requiring appropriation	<u>533,408</u>	<u>2,117,213</u>	<u>652,092</u>
ENDING FUND BALANCES	<u>\$ 1,482,066</u>	<u>\$ 1,225,510</u>	<u>\$ 915,799</u>
EMERGENCY RESERVE	\$ 100	\$ 249	\$ 949
RESERVE FUND	<u>651,350</u>	<u>651,000</u>	<u>651,000</u>
TOTAL RESERVE	<u>\$ 651,450</u>	<u>\$ 651,249</u>	<u>\$ 651,949</u>

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

**CUNDALL FARMS METROPOLITAN DISTRICT
PROPERTY TAX SUMMARY INFORMATION
2017 BUDGET AS ADOPTED
WITH 2015 ACTUAL AND 2016 ESTIMATED
For the Years Ended and Ending December 31,**

12/19/2016

	ACTUAL 2015	ADOPTED 2016	ADOPTED 2017
ASSESSED VALUATION - ADAMS			
Residential	\$ -	\$ 248,060	\$ 2,447,470
Vacant Land	3,790	494,360	445,040
Personal Property	17,260	19,560	33,990
Oil & Gas	26,750	6,090	160
Certified Assessed Value	<u>\$ 47,800</u>	<u>\$ 768,070</u>	<u>\$ 2,926,660</u>
MILL LEVY			
GENERAL FUND	10.000	10.000	10.000
DEBT SERVICE FUND	50.000	50.000	50.000
Total Mill Levy	<u>60.000</u>	<u>60.000</u>	<u>60.000</u>
PROPERTY TAXES			
GENERAL FUND	\$ 478	\$ 7,681	\$ 29,267
DEBT SERVICE FUND	2,390	38,404	146,333
Levied property taxes	<u>2,868</u>	<u>46,085</u>	<u>175,600</u>
Adjustments to actual/rounding	(312)	-	-
Budgeted Property Taxes	<u>\$ 2,556</u>	<u>\$ 46,085</u>	<u>\$ 175,600</u>
BUDGETED PROPERTY TAXES			
GENERAL FUND	\$ 426	\$ 7,681	\$ 29,267
DEBT SERVICE FUND	2,130	38,404	146,333
	<u>\$ 2,556</u>	<u>\$ 46,085</u>	<u>\$ 175,600</u>

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

**CUNDALL FARMS METROPOLITAN DISTRICT
GENERAL FUND
2017 BUDGET AS ADOPTED
WITH 2015 ACTUAL AND 2016 ESTIMATED
For the Years Ended and Ending December 31,**

12/19/2016

	ACTUAL 2015	ESTIMATED 2016	ADOPTED 2017
BEGINNING FUND BALANCES	\$ (42,414)	\$ (6,076)	\$ 3,771
REVENUES			
1 Property taxes	426	7,681	29,267
2 Specific ownership taxes	37	614	2,341
3 Developer advance	86,000	50,000	24,000
4 Net investment income	20	182	200
Total revenues	86,483	58,477	55,808
Total funds available	44,069	52,401	59,579
EXPENDITURES			
General and administration			
5 Accounting	18,967	18,000	20,000
6 Audit	4,700	4,700	5,000
7 Contingency	-	-	1,461
8 County Treasurer's fees	6	115	439
9 Dues and membership	446	434	500
10 Election	-	2,070	-
11 Insurance	2,433	3,266	4,500
12 Legal	22,867	20,000	25,000
13 Miscellaneous	726	45	100
Total expenditures	50,145	48,630	57,000
TRANSFERS OUT			
OPERATIONS FEE			
	-	-	-
Total transfers out	-	-	-
Total expenditures and transfers out requiring appropriation	50,145	48,630	57,000
ENDING FUND BALANCES	\$ (6,076)	\$ 3,771	\$ 2,579
EMERGENCY RESERVE	\$ 100	\$ 249	\$ 949
TOTAL RESERVE	\$ 100	\$ 249	\$ 949

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

**CUNDALL FARMS METROPOLITAN DISTRICT
OPERATIONS FEE
FORECASTED 2017 BUDGET AS ADOPTED
WITH 2015 ACTUAL AND 2016 ESTIMATED
For the Years Ended and Ending December 31,**

12/19/2016

	ACTUAL 2015	ESTIMATED 2016	ADOPTED 2017
BEGINNING FUND BALANCES	\$ -	\$ 29,804	\$ 92,504
REVENUES			
1 Operations Fee	40,128	80,000	128,530
Total revenues	<u>40,128</u>	<u>80,000</u>	<u>128,530</u>
TRANSFERS IN			
GENERAL FUND	-	-	-
Total transfers in	<u>-</u>	<u>-</u>	<u>-</u>
Total funds available	<u>40,128</u>	<u>109,804</u>	<u>221,034</u>
EXPENDITURES			
Operations and maintenance			
2 Back Flow testing	-	-	1,200
3 Electricity	-	-	500
4 Facilities Management	6,116	16,800	16,800
5 Facilities management - transfer fee	4,208	-	-
6 Grounds maintenance	-	-	50,000
7 Postage and Delivery	-	500	1,200
8 Snow removal	-	-	8,000
9 Sprinkler repair	-	-	5,300
10 Water and Sewer - Irrigation	-	-	36,000
Total expenditures	<u>10,324</u>	<u>17,300</u>	<u>119,000</u>
Total expenditures and transfers out requiring appropriation	<u>10,324</u>	<u>17,300</u>	<u>119,000</u>
ENDING FUND BALANCES	<u>\$ 29,804</u>	<u>\$ 92,504</u>	<u>\$ 102,034</u>

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

**CUNDALL FARMS METROPOLITAN DISTRICT
DEBT SERVICE FUND
2017 BUDGET AS ADOPTED
WITH 2015 ACTUAL AND 2016 ESTIMATED
For the Years Ended and Ending December 31,**

12/19/2016

	ACTUAL 2015	ESTIMATED 2016	ADOPTED 2017
BEGINNING FUND BALANCES	\$ 1,934,459	\$ 1,465,818	\$ 1,129,235
REVENUES			
1 Property taxes	2,130	38,404	146,333
2 Specific ownership taxes	211	3,070	11,710
3 Net investment income	1,957	5,700	-
Total revenues	4,298	47,174	158,043
TRANSFERS IN			
CAPITAL PROJECTS FUND	-	100,000	-
Total transfers in	-	100,000	-
Total funds available	1,938,757	1,612,992	1,287,278
EXPENDITURES			
Debt service			
4 Bond interest	469,906	469,906	469,906
5 Bond issue costs	-	10,275	-
6 Contingency	-	-	991
7 County Treasurer's fees	33	576	2,195
8 Paying agent fees	3,000	3,000	3,000
Total expenditures	472,939	483,757	476,092
Total expenditures and transfers out requiring appropriation	472,939	483,757	476,092
ENDING FUND BALANCES	\$ 1,465,818	\$ 1,129,235	\$ 811,186
RESERVE FUND	\$ 651,350	\$ 651,000	\$ 651,000
TOTAL RESERVE	\$ 651,350	\$ 651,000	\$ 651,000

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

**CUNDALL FARMS METROPOLITAN DISTRICT
CAPITAL PROJECTS FUND
2017 BUDGET AS ADOPTED
WITH 2015 ACTUAL AND 2016 ESTIMATED
For the Years Ended and Ending December 31,**

12/19/2016

	ACTUAL 2015	ESTIMATED 2016	ADOPTED 2017
BEGINNING FUND BALANCES	\$ (7,480)	\$ (7,480)	\$ -
REVENUES			
1 Net investment income	-	6	-
2 Subordinate bond issuance	-	1,575,000	-
Total revenues	-	1,575,006	-
Total funds available	(7,480)	1,567,526	-
EXPENDITURES			
Capital projects			
3 Bond issuance costs	-	123,907	-
4 Contingency	-	7,689	-
5 Repay developer advance	-	1,288,680	-
6 Underwriter's discount	-	47,250	-
Total expenditures	-	1,467,526	-
TRANSFERS OUT			
DEBT SERVICE FUND	-	100,000	-
Total transfers out	-	100,000	-
Total expenditures and transfers out requiring appropriation	-	1,567,526	-
ENDING FUND BALANCES	\$ (7,480)	\$ -	\$ -

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

**CUNDALL FARMS METROPOLITAN DISTRICT
2017 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Services Provided

The District, a quasi-municipal corporation and a political subdivision of the State of Colorado, was organized by order and decree of the District Court of Adams County, Colorado on December 1, 2009, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes).

The District was established to provide financing for the operations and maintenance and design, acquisition, installation, construction and completion of public improvements and services, including water, sanitation, street, safety protection, park and recreation, transportation, fire protection, security, television relay and translation, and mosquito control.

The District is not authorized to plan for, design, acquire, construct, install, relocate, redevelop, finance, operate or maintain fire protection facilities or services, unless such facilities and services are provided pursuant to an intergovernmental agreement with the City of Thornton. The District is not authorized to plan for, design acquire, construct, install, relocate, redevelop, finance, operate or maintain television relay and translation facilities and services, other than for the installation of conduit as part of a street construction project, unless such facilities and services are provided pursuant to an intergovernmental agreement with the City of Thornton.

On November 3, 2009, the District's voters authorized total indebtedness of \$130,000,000 for each of the above listed facilities, \$20,000,000 for both intergovernmental and private agreements and \$20,000,000 for refunding of debt. Pursuant to the Service plan, the total Debt that the District shall be permitted to issue shall not exceed \$20,000,000. Additionally, the maximum debt mill levy is 50.000 mills, which shall not be imposed for longer than 40 years from the first year the debt service mill levy is imposed unless a refunding of the Debt has been voted upon. The election also approved an annual increase in property taxes of \$5,000,000 without limitation of rate, to pay the District's operation and maintenance costs.

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 Statutes C.R.S. 29-1-105.

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 calculation of the taxies levied is displayed on page 3 at the adopted mill levy of 60.000 mills, of which 10.000 mills are for operations and 50.000 mills are for debt service.

**CUNDALL FARMS METROPOLITAN DISTRICT
2017 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Revenues - (continued)

Specific Ownership

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 8.0% of the property taxes collected.

Developer Advance

The District is in the development stage. As such, the operating and administrative expenditures will be partially funded by the Developer. 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.

Operations Fee

The District collects a fee of \$47.00 per month from homeowners and \$500 from each new homeowner at closing. The fees are used to cover the landscaping and maintenance costs of the District.

Expenditures

Administrative Expenditures

Administration expenses include the services necessary to maintain the District's administrative viability such as legal, accounting, insurance, dues and membership, other administrative expenses.

Maintenance Expenditures

Anticipated expenditures for maintenance expenditures are shown on page 5 of the budget. Homeowners will contract separately with the City for trash removal.

Debt and Leases

On August 29, 2014, the District issued General Obligation (Limited Tax Convertible to Unlimited Tax) Bonds in the amount of \$6,835,000. The Bonds bear interest at a rate of 6.875% per annum, with interest payable on June 1 and December 1, and principal payable on December 1. The Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, on December 1, 2019, and on any date thereafter, upon payment of par and accrued interest, without redemption premium. The Bonds are also subject to mandatory sinking fund redemption, in part, by lot, on December 1, 2020, and each December 1 thereafter.

**CUNDALL FARMS METROPOLITAN DISTRICT
2017 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Debt and Leases - (continued)

The Bonds are secured by and payable from the Pledged Revenue consisting of monies derived by the District from the following sources, net of any collection costs: 1) the Required Mill Levy, 2) the portion of the Specific Ownership Tax which is collected as a result of the imposition of the Required Mill Levy, and 3) any other legally available monies which the District determines to be treated as Pledged Revenue. Required Mill Levy means an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient to pay the principal, premium if any, and interest on the Bonds as the same become due/payable. The District must levy 50.000 mills so long as the amount on deposit in the Surplus Fund is less than the Required Surplus Fund amount of \$683,500. The District currently has less than the Required Surplus Fund amount as of December 31, 2016, and, accordingly, the District has levied 50.000 mills for collection year 2017.

On June 23, 2016, the District issued Subordinate Bonds in the amount of \$1,575,000. The proceeds from the sale of the Bonds will be used for the purposes of reimbursing the construction costs of public infrastructure improvements benefitting the District and paying costs of issuance of the Subordinate Bonds. Interest on the Subordinate Bonds is at a rate of 7.75% per annum and is payable annually on December 15, beginning on December 15, 2016. The Subordinate Bonds are subject to optional redemption prior to maturity as described in the Subordinate Indenture.

The Subordinate Bonds are secured by and payable solely from Pledged Revenue defined in the Subordinate Indenture as the moneys derived by the District, net of any costs of collection, from: (i) property taxes derived from the Required Subordinate Mill Levy; (ii) the portion of the Specific Ownership Tax which is collected as a result of the imposition of the Required Subordinate Mill Levy; and (iii) revenue, if any, available for the Subordinate Bonds after all amounts required by the Senior Indenture are applied by the trustee for Senior Bonds. Pledged Revenue for the Subordinate Bonds is subordinate to the revenue pledged to the 2014 Senior Bonds. While the 2014 Senior Bonds are secured by a Senior Reserve Fund and a Senior Surplus Fund, there is no reserve fund or surplus fund which secures the Subordinate Bonds. The Subordinate Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal prior to the final maturity date. The Required Subordinate Mill Levy may not be imposed after 2054. In the event any amounts due and owing on the Subordinate Bonds remain outstanding on December 15, 2054, such amounts shall be extinguished and shall no longer be due and payable.

A debt service schedule for the 2014 Bonds is attached.

The District has no operating or capital leases.

Reserve Funds

Debt Service Reserve

The Debt Service Reserve Requirement on the 2014 Bond is \$651,000.

Emergency Reserve

The District has provided an Emergency Reserve fund equal to at least 3% of fiscal year spending for 2017, as defined under the TABOR Amendment. Such Emergency Reserve is an integral part of Ending Fund Balance for the Government operations.

This information is an integral part of the budget.

**CUNDALL FARMS METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**

\$6,835,000 General Obligation Bonds (Limited Tax Convertible to Unlimited Tax)

Series 2014

Dated August 29, 2014

Principal due December 1

\$6,835,000 6.875% Term Bonds Due December 1, 2044

Interest Due June 1 and December 1

<u>Year Ended</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Debt</u> <u>Service</u>
2017	-	469,906	469,906
2018	-	469,906	469,906
2019	-	469,906	469,906
2020	40,000	469,906	509,906
2021	60,000	467,156	527,156
2022	75,000	463,031	538,031
2023	75,000	457,875	532,875
2024	95,000	452,719	547,719
2025	100,000	446,188	546,188
2026	115,000	439,313	554,313
2027	125,000	431,406	556,406
2028	145,000	422,813	567,813
2029	155,000	412,844	567,844
2030	175,000	402,188	577,188
2031	190,000	390,156	580,156
2032	215,000	377,094	592,094
2033	230,000	362,313	592,313
2034	255,000	346,500	601,500
2035	275,000	328,969	603,969
2036	305,000	310,063	615,063
2037	325,000	289,094	614,094
2038	360,000	266,750	626,750
2039	385,000	242,000	627,000
2040	425,000	215,531	640,531
2041	455,000	186,313	641,313
2042	495,000	155,031	650,031
2043	530,000	121,000	651,000
2044	1,230,000	84,563	1,314,563
	<u>\$ 6,835,000</u>	<u>\$ 9,950,531</u>	<u>\$ 16,785,531</u>