

MORGAN HILL METROPOLITAN DISTRICT NO. 1

2017 BUDGET

SUMMARY OF SIGNIFICANT ASSUMPTIONS

Services Provided

In accordance with its Service Plan, Morgan Hill Metropolitan District No. 1 (the "District") was formed to finance public roadway, drainage, and park services and facilities for a portion of the "Morgan Hill" P.U.D., located in Erie, Colorado. The Service Plan of the District limits the debt and general mill levy of the District.

In 2009, the District voters approved debt authorization of \$21,000,000 in general obligation bonds for the combined District Nos. 1, 2 and 3, to be used for district formation costs and costs of infrastructure. The District has not issued any G.O. debt to date and does not anticipate issuing G.O. debt in 2017.

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 the required debt service (if any), capital purchases and the estimated costs of operations for the calendar year. The District adopted a mill levy of 50.000 mills for general fund expenditures. The total assessed value within the District in 2016 decreased by \$43,690 from the 2015 level.

Transfers from District Nos. 2 and 3

A secondary source of revenue for the District in 2017 will be transfers of net property tax revenues from Districts No. 2 and 3 of \$100,000.

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 4.85% of the projected property taxes.

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. Advances of \$5,025,000 are anticipated to be needed in 2017, primarily for capital expenditures.

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 commence construction of District infrastructure in 2017 and spend \$5,000,000.

Reserve Funds

The District has provided for an emergency reserve equal to \$20,595 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.