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Accountant's Compilation Report

Board of Directors
Meridian Village Metropolitan District No. 1
Douglas County, Colorado

Management is responsible for the accompanying budget of revenues, expenditures, and fund balances of Meridian Village Metropolitan District No. 1 for the year ending December 31, 2018, including the estimate of comparative information for the year ending December 31, 2017, and the actual comparative information for the year ending December 31, 2016, 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 Meridian Village Metropolitan District No. 1.

CliftonLarsonAllen LLP

Greenwood Village, Colorado
January 5, 2018

MERIDIAN VILLAGE METROPOLITAN DISTRICT NO. 1
SUMMARY
2018 BUDGET AS ADOPTED
WITH 2016 ACTUAL AND 2017 ESTIMATED
For the Years Ended and Ending December 31,

1/5/2018

	ACTUAL 2016	ESTIMATED 2017	ADOPTED 2018
BEGINNING FUND BALANCES	\$ 2,536,931	\$ 3,890,541	\$ 5,596,227
REVENUES			
1 Property taxes	30	30	35
2 Specific ownership taxes	3	3	4
3 Net investment income	3,117	3,000	8,800
4 Reimbursed expenditures	-	688	-
5 Other income	20,458	-	-
6 Transfer from Meridian Village No. 2	2,615,928	3,380,305	4,563,931
7 System development fees	2,250,000	2,000,000	2,000,000
8 DCC fees	-	-	1,000
Total revenues	<u>4,889,536</u>	<u>5,384,026</u>	<u>6,573,770</u>
TRANSFERS IN			
	-	-	279,000
Total funds available	<u>7,426,467</u>	<u>9,274,567</u>	<u>12,448,997</u>
EXPENDITURES			
9 General and administration			
10 Accounting	20,680	38,000	38,000
11 Audit	9,600	9,600	9,600
12 Board support	6,600	6,000	6,000
13 Contingency	-	-	1,500
14 County Treasurer's fees	-	2	2
15 DCC expenditures	-	-	10,000
16 Dues and membership	581	620	650
17 Election	961	-	2,000
18 Insurance	4,691	5,856	6,000
19 Legal	17,373	35,000	35,000
20 Miscellaneous	144	200	300
21 Operational support	246,329	335,500	393,000
22 Park improvements	-	15,000	200,000
23 Payroll tax expense	505	460	460
24 Support management	30,000	30,000	31,000
25 Debt Service			
26 Bond interest	3,195,162	3,195,502	3,195,502
27 Contingency	-	-	7,000
28 Paying agent fees	3,300	6,600	3,500
Total expenditures	<u>3,535,926</u>	<u>3,678,340</u>	<u>3,939,514</u>
TRANSFERS OUT			
	-	-	279,000
Total expenditures and transfers out requiring appropriation	<u>3,535,926</u>	<u>3,678,340</u>	<u>4,218,514</u>
ENDING FUND BALANCES	<u>\$ 3,890,541</u>	<u>\$ 5,596,227</u>	<u>\$ 8,230,483</u>
EMERGENCY RESERVE	\$ 13,800	\$ 16,900	\$ 23,000
DEBT SERVICE - 2007A	<u>3,416,846</u>	<u>5,416,846</u>	<u>7,416,846</u>
TOTAL RESERVE	<u>\$ 3,430,646</u>	<u>\$ 5,433,746</u>	<u>\$ 7,439,846</u>

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

MERIDIAN VILLAGE METROPOLITAN DISTRICT NO. 1
PROPERTY TAX SUMMARY INFORMATION
For the Years Ended and Ending December 31,

1/5/2018

	ACTUAL 2016	ESTIMATED 2017	ADOPTED 2018
ASSESSED VALUATION - DOUGLAS			
Agricultural	\$ 310	\$ 310	\$ 330
Vacant Land	190	190	190
Certified Assessed Value	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ 520</u>
MILL LEVY			
GENERAL FUND	10.000	10.000	11.055
DEBT SERVICE FUND	50.000	50.000	55.277
Total Mill Levy	<u>60.000</u>	<u>60.000</u>	<u>66.332</u>
PROPERTY TAXES			
GENERAL FUND	\$ 5	\$ 5	\$ 6
DEBT SERVICE FUND	25	25	29
Budgeted Property Taxes	<u>\$ 30</u>	<u>\$ 30</u>	<u>\$ 35</u>
BUDGETED PROPERTY TAXES			
GENERAL FUND	\$ 5	\$ 5	\$ 6
DEBT SERVICE FUND	25	25	29
	<u>\$ 30</u>	<u>\$ 30</u>	<u>\$ 35</u>

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MERIDIAN VILLAGE METROPOLITAN DISTRICT NO. 1
GENERAL FUND
2018 BUDGET AS ADOPTED
WITH 2016 ACTUAL AND 2017 ESTIMATED
For the Years Ended and Ending December 31,

1/5/2018

	ACTUAL 2016	ESTIMATED 2017	ADOPTED 2018
BEGINNING FUND BALANCES	\$ 65,793	\$ 185,764	\$ 272,581
REVENUES			
1 Property taxes	5	5	6
2 Specific ownership taxes	1	1	1
3 Net investment income	821	1,000	3,800
4 Other income	20,458	-	-
5 Transfer from Meridian Village No. 2	436,150	562,048	760,338
Total revenues	<u>457,435</u>	<u>563,054</u>	<u>764,145</u>
Total funds available	<u>523,228</u>	<u>748,818</u>	<u>1,036,726</u>
EXPENDITURES			
General and administration			
6 Accounting	20,680	38,000	38,000
7 Audit	9,600	9,600	9,600
8 Board support	6,600	6,000	6,000
9 County Treasurer's fees	-	1	1
10 Election	961	-	2,000
11 Dues and membership	581	620	650
12 Insurance	4,691	5,856	6,000
13 Legal	17,373	35,000	35,000
14 Contingency	-	-	1,500
15 Miscellaneous	144	200	300
16 Operational support	246,329	335,500	393,000
17 Park improvements	-	15,000	-
18 Payroll tax expense	505	460	460
19 Support management	30,000	30,000	31,000
Total expenditures	<u>337,464</u>	<u>476,237</u>	<u>523,511</u>
TRANSFERS OUT			
CAPITAL PROJECTS FUND	-	-	270,000
DCC FUND	-	-	9,000
Total transfers out	<u>-</u>	<u>-</u>	<u>279,000</u>
Total expenditures and transfers out requiring appropriation	<u>337,464</u>	<u>476,237</u>	<u>802,511</u>
ENDING FUND BALANCES	<u>\$ 185,764</u>	<u>\$ 272,581</u>	<u>\$ 234,215</u>
EMERGENCY RESERVE	<u>\$ 13,800</u>	<u>\$ 16,900</u>	<u>\$ 23,000</u>
TOTAL RESERVE	<u>\$ 13,800</u>	<u>\$ 16,900</u>	<u>\$ 23,000</u>

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

MERIDIAN VILLAGE METROPOLITAN DISTRICT NO. 1
DEBT SERVICE FUND
2018 BUDGET AS ADOPTED
WITH 2016 ACTUAL AND 2017 ESTIMATED
For the Years Ended and Ending December 31,

1/5/2018

	ACTUAL 2016	ESTIMATED 2017	ADOPTED 2018
BEGINNING FUND BALANCES	\$ 2,471,138	\$ 3,704,777	\$ 5,323,646
REVENUES			
1 Property taxes	25	25	29
2 Specific ownership taxes	2	2	3
3 Net investment income	2,296	2,000	5,000
4 Reimbursed expenditures	-	688	-
5 Transfer from Meridian Village No. 2	2,179,778	2,818,257	3,803,593
6 System development fees	2,250,000	2,000,000	2,000,000
Total revenues	4,432,101	4,820,972	5,808,625
Total funds available	6,903,239	8,525,749	11,132,271
EXPENDITURES			
General and administration			
7 County Treasurer's fees	-	1	1
Debt Service			
8 Bond interest	3,195,162	3,195,502	3,195,502
9 Contingency	-	-	7,000
10 Paying agent fees	3,300	6,600	3,500
Total expenditures	3,198,462	3,202,103	3,206,003
Total expenditures and transfers out requiring appropriation	3,198,462	3,202,103	3,206,003
ENDING FUND BALANCES	\$ 3,704,777	\$ 5,323,646	\$ 7,926,268
DEBT SERVICE - 2007A	\$ 3,416,846	\$ 5,416,846	\$ 7,416,846
TOTAL RESERVE	\$ 3,416,846	\$ 5,416,846	\$ 7,416,846

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

MERIDIAN VILLAGE METROPOLITAN DISTRICT NO. 1
CAPITAL PROJECTS FUND
FORECASTED 2018 BUDGET AS ADOPTED
WITH 2016 ACTUAL AND 2017 ESTIMATED
For the Years Ended and Ending December 31,

1/5/2018

	ACTUAL 2016	ESTIMATED 2017	ADOPTED 2018
BEGINNING FUND BALANCES	\$ -	\$ -	\$ -
REVENUES			
Total revenues	-	-	-
TRANSFERS IN			
GENERAL FUND	-	-	270,000
Total transfers in	-	-	270,000
Total funds available	-	-	270,000
EXPENDITURES			
General and administration			
1 Park improvements	-	-	200,000
Total expenditures	-	-	200,000
Total expenditures and transfers out requiring appropriation	-	-	200,000
ENDING FUND BALANCES	\$ -	\$ -	\$ 70,000

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

MERIDIAN VILLAGE METROPOLITAN DISTRICT NO. 1
DCC FUND
FORECASTED 2018 BUDGET AS ADOPTED
WITH 2016 ACTUAL AND 2017 ESTIMATED
For the Years Ended and Ending December 31,

1/5/2018

	ACTUAL 2016	ESTIMATED 2017	ADOPTED 2018
BEGINNING FUND BALANCES	\$ -	\$ -	\$ -
REVENUES			
1 DCC fees	-	-	1,000
Total revenues	<u>-</u>	<u>-</u>	<u>1,000</u>
TRANSFERS IN			
GENERAL FUND	-	-	9,000
Total transfers in	<u>-</u>	<u>-</u>	<u>9,000</u>
Total funds available	<u>-</u>	<u>-</u>	<u>10,000</u>
EXPENDITURES			
General and administration			
2 DCC expenditures	-	-	10,000
Total expenditures	<u>-</u>	<u>-</u>	<u>10,000</u>
Total expenditures and transfers out requiring appropriation	<u>-</u>	<u>-</u>	<u>10,000</u>
ENDING FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**MERIDIAN VILLAGE METROPOLITAN DISTRICT NO. 1
2018 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Services Provided

Meridian Village Metropolitan District No. 1 is a quasi-municipal corporation and political subdivision of the State of Colorado organized by order of the Douglas County Court on November 20, 2004. The District's service area is located in Douglas County, Colorado. The District was organized to provide wastewater and water improvements, street and traffic safety improvements and park and recreational facilities.

The District was formed in conjunction with Meridian Village Metropolitan District Nos. 2, 3 and 4. District No. 1 will serve as the "Service District" with the responsibility of managing the construction and operation of facilities and improvements needed for the public improvements. District Nos. 2, 3 and 4 will serve as the "Financing Districts" with the responsibility of providing the funding and tax base needed to support the capital improvements and operations.

The District has no employees and contracts for all of its management and professional services.

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 method of calculating assessed valuation of residential assessment rates in the State of Colorado changed to 7.20% from 7.96% for property tax years 2017-2018 on April 17, 2017 with a report submitted to the State Board of Equalization. Accordingly, the mill levy has been adjusted upward to reflect the change assessed value calculation.

The calculation of the taxes levied is displayed on the Property tax Summary page of the budget using the adopted mill levy imposed by the District.

Specific Ownership Taxes

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 11% of the property taxes collected by the District.

**MERIDIAN VILLAGE METROPOLITAN DISTRICT NO. 1
2018 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Revenues – (continued)

Intergovernmental Revenue

The intergovernmental revenues are transfers from Meridian Village Metropolitan District No. 2 to provide funding for the overall administration, operating and debt costs of said districts.

Net Investment Income

Interest earned on the District's available funds has been estimated based on an average interest rate of approximately 1.0%.

DCC Fees

Fees that the District expects to receive for the review of architectural and design plans are displayed on the DCC Fund information page of the budget

Expenditures

Administrative and Operating

Operating expenditures include the estimated services necessary to maintain the District's administrative viability such as legal, management, accounting, insurance, banking, meeting expense and other administrative expenses.

Debt Service

Principal and interest payments in 2018 are provided based on the debt amortization schedule from the Series 2007A as detailed on pages 5 and 10 of the Budget (discussed under Debt and Leases).

Debt and Leases

\$35,185,000 Refunding and Improvement Revenue Bonds, Series 2007A, dated November 14, 2007, with an interest rate subject to adjustment each Thursday and shall be equal to the SIFMA Index determined by the Trustee. Simultaneously, the District has entered into an Exchange Agreement with Royal Bank of Canada to fix the interest rate on the bonds at 5.73%. The bonds are subject to mandatory redemption beginning on December 1, 2017. In addition, the bonds are subject to optional redemption on any interest payment date on or after November 14, 2009, at a redemption price equal to 100% of the principal amount and unpaid interest to such redemption date.

A portion of the proceeds from the Series 2007A bonds have been used for operating expenses.

The District restructured the \$35,185,000 Refunding and Improvement Revenue Bonds, Series 2007A, dated November 14, 2007, on November 19, 2013, with an interest rate of 10.12%. The bonds are subject to mandatory redemption beginning on December 1, 2020.

On September 18, 2015, pursuant to the swap Novation Agreement, Royal Bank of Canada transferred the \$35,185,000 par amount of Series 2007A Bonds to U.S. Bank.

The District has no operating or capital leases.

**MERIDIAN VILLAGE METROPOLITAN DISTRICT NO. 1
2018 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Reserves

Emergency Reserve

The District has provided for an Emergency Reserve equal to at least 3% of the fiscal year spending for 2018, as defined under TABOR.

Debt Service Reserves

The District maintains a Debt Service Reserve as required with the issuance of Series 2007A Bonds.

Additional Information

Per the Service Plan: The debt service mill levy is capped at 50 mills until the District's assessed valuation reaches a value equal to twice the aggregate amount of outstanding debt, in which case there is no mill levy cap. The operations mill levy is capped at 10 mills. Both mill levies are adjusted for Gallagher, so if the valuation calculation for residential property decreases from its current level of 7.96% of actual value the mill levy may be increased accordingly. The Meridian Village Districts are authorized to issue up to \$34,500,000 in general obligation debt.

Per Meridian Villages Funding Agreement: Meridian Village No. 1 issued revenue bonds and Meridian Village No. 2 has agreed to tax itself to the maximum rate of 40 mills, adjusted for Gallagher but never to exceed a hard cap of 50 mills, and pay the money over to No. 1 for debt service. In a separate O&M Funding Agreement, No. 2 agrees to tax itself up to 10 mills, adjusted for Gallagher but never to exceed 50 mills. In addition, if No. 2 has to levy more than 40 mills for payment of No. 1's debt service, District No. 2's contractual obligation to go higher than 10 is reduced proportionately. Subject to the service plan mill levy caps described above, the two Districts may decide that the District No. 2 aggregate mill levy will exceed 50 mills. District No. 2 is just not required to exceed 50 mills.

This information is an integral part of the accompanying budget.

**MERIDIAN VILLAGE METROPOLITAN DISTRICT NO. 1
SCHEDULE OF DEBT SERVICE
REQUIREMENTS TO MATURITY**

**\$35,185,000 Refunding & Improvement Revenue Bonds
Series 2007A**

Original Fixed Swap Rate 9.52%

Restructured Fixed Swap Rate 10.12%-9.52%

Original Date November 14, 2007

Restructure Date November 19, 2013

Principal Payable December 1

<u>Year Ended December 31,</u>	<u>Interest Payable Monthly, Beginning December 3, 2007</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ -	\$ 3,195,502	\$ 3,195,502
2019	-	3,195,502	3,195,502
2020	215,000	3,195,502	3,410,502
2021	235,000	3,175,975	3,410,975
2022	260,000	3,154,633	3,414,633
2023	285,000	3,131,020	3,416,020
2024	410,000	3,105,136	3,515,136
2025	450,000	3,067,900	3,517,900
2026	615,000	3,027,031	3,642,031
2027	675,000	2,971,176	3,646,176
2028	880,000	2,909,873	3,789,873
2029	970,000	2,829,951	3,799,951
2030	1,115,000	2,741,856	3,856,856
2031	1,225,000	2,640,592	3,865,592
2032	1,340,000	2,529,337	3,869,337
2033	1,470,000	2,407,638	3,877,638
2034	1,610,000	2,274,133	3,884,133
2035	1,760,000	2,127,913	3,887,913
2036	1,930,000	1,968,069	3,898,069
2037	2,110,000	1,792,787	3,902,787
2038	2,315,000	1,601,157	3,916,157
2039	2,535,000	1,390,908	3,925,908
2040	2,775,000	1,160,680	3,935,680
2041	3,035,000	908,654	3,943,654
2042	3,325,000	633,015	3,958,015
2043	3,645,000	331,039	3,976,039
	<u>\$ 35,185,000</u>	<u>\$ 61,466,979</u>	<u>\$ 96,651,979</u>