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Accountant's Compilation Report

Board of Directors
Trails at Crowfoot Metropolitan District No. 3

Management is responsible for the accompanying budget of revenues, expenditures, and fund balances of Trails at Crowfoot Metropolitan District No. 3 (formerly known as Hess Ranch Metropolitan District No. 3) for the year ending December 31, 2020, including the estimate of comparative information for the year ending December 31, 2019, and the actual comparative information for the year ended December 31, 2018, in the format prescribed by Colorado Revised Statutes (C.R.S.) 29-1-105 and the related summary of significant assumptions in accordance with guidelines for the presentation of a budget established by the American Institute of Certified Public Accountants (AICPA). 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 AICPA. 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.

The budgeted results may not be achieved as there will usually be differences between the budgeted and actual results, because events and circumstances frequently do not occur as expected, and these differences may be material. We assume no responsibility to update this report for events and circumstances occurring after the date of this report

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 Trails at Crowfoot Metropolitan District No. 3.

CliftonLarsonAllen LLP

Greenwood Village, Colorado
December 23, 2019



An independent member of Nexia International

**TRAILS AT CROWFOOT METROPOLITAN DISTRICT NO. 3
SUMMARY
2020 BUDGET
WITH 2018 ACTUAL AND 2019 ESTIMATED
For the Years Ended and Ending December 31,**

12/23/19

| | ACTUAL 2018 | ESTIMATED 2019 | BUDGET 2020 |
|---|-------------------|----------------------|---------------------|
| BEGINNING FUND BALANCES | \$ (28,070) | \$ (5,885) | \$ 13,889,203 |
| REVENUES | | | |
| Property Tax | - | 83 | 30,339 |
| Specific Ownership Tax | - | 8 | 2,730 |
| Interest Income | - | 134,000 | 104,050 |
| Town Capital and Maintenance Ptax | - | - | 2,264 |
| Town Capital and Maintenance SO Tax | - | - | 204 |
| Infrastructure Capital Property Tax | - | - | 2,264 |
| Infrastructure Capital SO Tax | - | - | 204 |
| Bond Issuance - Senior Bonds | - | 28,830,000 | - |
| Bond Issuance - Subordinate Bonds | - | 6,275,000 | - |
| Bond Premium | - | 295,997 | - |
| Developer Advance | 83,670 | 20,160,807 | 8,658,781 |
| Intergovernmental Revenues | 175 | 87 | 404,487 |
| Total revenues | <u>83,845</u> | <u>55,695,982</u> | <u>9,205,323</u> |
| TRANSFERS IN | <u>-</u> | <u>5,743,934</u> | <u>-</u> |
| Total funds available | <u>55,775</u> | <u>61,434,031</u> | <u>23,094,526</u> |
| EXPENDITURES | | | |
| General Fund | 61,660 | 155,000 | 120,000 |
| Debt Service Fund | - | 477,992 | 1,425,000 |
| Capital Projects Fund | - | 41,167,902 | 17,215,922 |
| Total expenditures | <u>61,660</u> | <u>41,800,894</u> | <u>18,760,922</u> |
| TRANSFERS OUT | <u>-</u> | <u>5,743,934</u> | <u>-</u> |
| Total expenditures and transfers out requiring appropriation | <u>61,660</u> | <u>47,544,828</u> | <u>18,760,922</u> |
| ENDING FUND BALANCES | <u>\$ (5,885)</u> | <u>\$ 13,889,203</u> | <u>\$ 4,333,604</u> |
| EMERGENCY RESERVE | \$ 100 | \$ 100 | \$ 2,000 |
| DEBT SERVICE RESERVE | - | 2,263,250 | 2,263,250 |
| CAPTITALIZED INTEREST FUND | - | 3,042,692 | 1,620,567 |
| SURPLUS FUND | - | - | 447,787 |
| TOTAL RESERVE | <u>\$ 100</u> | <u>\$ 5,306,042</u> | <u>\$ 4,333,604</u> |

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

TRAILS AT CROWFOOT METROPOLITAN DISTRICT NO. 3
PROPERTY TAX SUMMARY INFORMATION
2020 BUDGET
WITH 2018 ACTUAL AND 2019 ESTIMATED
For the Years Ended and Ending December 31,

12/23/19

| | ACTUAL 2018 | ESTIMATED 2019 | BUDGET 2020 |
|--------------------------------|--------------------|---------------------|-------------------------|
| ASSESSED VALUATION | | | |
| Agricultural | \$ 10 | \$ 2,370 | \$ 1,650 |
| Vacant land | - | - | 448,040 |
| Certified Assessed Value | <u>\$ 10</u> | <u>\$ 2,370</u> | <u>\$ 449,690</u> |
| | | | |
| MILL LEVY | | | |
| General Fund | 10.000 | 35.000 | 10.069 |
| Debt Service | 0.000 | 0.000 | 57.398 |
| Town Capital and Maintenance | 0.000 | 0.000 | 5.034 |
| Infrastructure Capital | 0.000 | 0.000 | 5.034 |
| Total mill levy | <u>10.000</u> | <u>35.000</u> | <u>77.535</u> |
| | | | |
| PROPERTY TAXES | | | |
| General Fund | \$ - | \$ 83 | \$ 4,528 |
| Debt Service | - | - | 25,811 |
| Town Capital and Maintenance | - | - | 2,264 |
| Infrastructure Capital | - | - | 2,264 |
| Budgeted property taxes | <u>\$ -</u> | <u>\$ 83</u> | <u>\$ 34,867</u> |
| | | | |
| BUDGETED PROPERTY TAXES | | | |
| General | \$ - | \$ 83 | \$ 6,792 |
| Debt Service | - | - | 28,075 |
| | <u>\$ -</u> | <u>\$ 83</u> | <u>\$ 34,867</u> |

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

TRAILS AT CROWFOOT METROPOLITAN DISTRICT NO. 3
GENERAL FUND
2020 BUDGET
WITH 2018 ACTUAL AND 2019 ESTIMATED
For the Years Ended and Ending December 31,

12/23/19

| | ACTUAL 2018 | ESTIMATED 2019 | BUDGET 2020 |
|---|----------------|-------------------|----------------|
| BEGINNING FUND BALANCE | \$ (28,070) | \$ (5,885) | \$ 100 |
| REVENUES | | | |
| Property Tax | - | 83 | 4,528 |
| Specific Ownership Tax | - | 8 | 408 |
| Developer Advance | 83,670 | 160,807 | 58,320 |
| Intergovernmental Revenues | 175 | 87 | 56,176 |
| Town Capital and Maintenance Ptax | - | - | 2,264 |
| Town Capital and Maintenance SO Tax | - | - | 204 |
| Total revenues | 83,845 | 160,985 | 121,900 |
| Total funds available | 55,775 | 155,100 | 122,000 |
| EXPENDITURES | | | |
| General and administrative | | | |
| Accounting | 10,504 | 20,000 | 40,000 |
| Audit | - | - | 4,900 |
| County Treasurer's Fee | - | 1 | 68 |
| Dues | 300 | 1,505 | 1,600 |
| Insurance | 3,054 | 2,538 | 9,000 |
| Legal | 30,730 | 125,000 | 50,000 |
| Miscellaneous | - | 125 | 125 |
| Election | 2,531 | - | 1,500 |
| Contingency | - | 5,831 | 10,339 |
| Easement Acquisitions | 14,541 | - | - |
| County Treasurer's Fee - Town | - | - | 34 |
| Transfer to Town | - | - | 2,434 |
| Total expenditures | 61,660 | 155,000 | 120,000 |
| Total expenditures and transfers out requiring appropriation | 61,660 | 155,000 | 120,000 |
| ENDING FUND BALANCE | \$ (5,885) | \$ 100 | \$ 2,000 |
| EMERGENCY RESERVE | \$ 100 | \$ 100 | \$ 2,000 |
| TOTAL RESERVE | \$ 100 | \$ 100 | \$ 2,000 |

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

TRAILS AT CROWFOOT METROPOLITAN DISTRICT NO. 3
DEBT SERVICE FUND
2020 BUDGET
WITH 2018 ACTUAL AND 2019 ESTIMATED
For the Years Ended and Ending December 31,

12/23/19

| | ACTUAL 2018 | ESTIMATED 2019 | BUDGET 2020 |
|---|----------------|-------------------|----------------|
| BEGINNING FUND BALANCE | \$ - | \$ - | \$ 5,305,942 |
| REVENUES | | | |
| Property Tax | - | - | 25,811 |
| Specific Ownership Tax | - | - | 2,322 |
| Interest Income | - | 40,000 | 71,750 |
| Intergovernmental Revenues | - | - | 348,311 |
| Infrastructure Capital Property Tax | - | - | 2,264 |
| Infrastructure Capital SO Tax | - | - | 204 |
| Total revenues | - | 40,000 | 450,662 |
| TRANSFERS IN | | | |
| Transfers from other funds | - | 5,743,934 | - |
| Total funds available | - | 5,783,934 | 5,756,604 |
| EXPENDITURES | | | |
| General and administrative | | | |
| County Treasurer's Fee | - | - | 387 |
| Infrastructure Capital County Treasurer's Fee | - | - | 34 |
| Contingency | - | - | 2,454 |
| Debt Service | | | |
| Bond Interest - Senior Bonds | - | 477,992 | 1,422,125 |
| Total expenditures | - | 477,992 | 1,425,000 |
| Total expenditures and transfers out requiring appropriation | - | 477,992 | 1,425,000 |
| ENDING FUND BALANCE | \$ - | \$ 5,305,942 | \$ 4,331,604 |
| DEBT SERVICE RESERVE | \$ - | \$ 2,263,250 | \$ 2,263,250 |
| CAPTITALIZED INTEREST FUND | - | 3,042,692 | 1,620,567 |
| SURPLUS FUND | - | - | 447,787 |
| TOTAL RESERVE | \$ - | \$ 5,305,942 | \$ 4,331,604 |

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

TRAILS AT CROWFOOT METROPOLITAN DISTRICT NO. 3
CAPITAL PROJECTS FUND
2020 BUDGET
WITH 2018 ACTUAL AND 2019 ESTIMATED
For the Years Ended and Ending December 31,

12/23/19

| | ACTUAL 2018 | ESTIMATED 2019 | BUDGET 2020 |
|---|----------------|-------------------|----------------|
| BEGINNING FUND BALANCE | \$ - | \$ - | \$ 8,583,161 |
| REVENUES | | | |
| Interest Income | - | 94,000 | 32,300 |
| Developer Advance | - | 20,000,000 | 8,600,461 |
| Bond Issuance - Senior Bonds | - | 28,830,000 | - |
| Bond Issuance - Subordinate Bonds | - | 6,275,000 | - |
| Bond Premium | - | 295,997 | - |
| Total revenues | - | 55,494,997 | 8,632,761 |
| Total funds available | - | 55,494,997 | 17,215,922 |
| EXPENDITURES | | | |
| General and Administrative | | | |
| Accounting | - | 2,000 | 5,000 |
| Legal | - | 5,000 | 5,000 |
| Capital Projects | | | |
| Repay Developer Advance - Principal | - | 20,000,000 | 8,600,461 |
| Engineering | - | 6,000 | 5,000 |
| Bond Issue Costs | - | 1,101,531 | - |
| Repay Developer Advance - Interest | - | 53,371 | - |
| Capital outlay | - | 20,000,000 | 8,600,461 |
| Total expenditures | - | 41,167,902 | 17,215,922 |
| TRANSFERS OUT | | | |
| Transfers to other fund | - | 5,743,934 | - |
| Total expenditures and transfers out requiring appropriation | - | 46,911,836 | 17,215,922 |
| ENDING FUND BALANCE | \$ - | \$ 8,583,161 | \$ - |

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

**TRAILS AT CROWFOOT METROPOLITAN DISTRICT NO. 3
2020 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Services Provided

The District is a quasi-municipal corporation and political subdivision of the State of Colorado under Title 32, Article 1 of the Colorado Revised Statutes, and was organized by order of the District Court in Douglas County on May 23, 2016. The formation of the District was approved by the Town of Parker, Colorado (the Town) in conjunction with the approval by the Town Board of a Consolidated Service Plan for the District and Trails at Crowfoot Metropolitan District 1-2 and Hess Ranch Metropolitan District 4-8. The District's service area is located south of Hess Road and west of Motsenbocker Road in the Town of Parker in Douglas County, Colorado.

On November 3, 2015, the District's electors authorized debt in the amount of \$1,222,600,000 for public improvements including street improvements, park and recreation, water, sanitation, public transportation, mosquito control, traffic and safety control, fire protection, television relay and translation, and security. \$366,780,000 of debt was also authorized for the purpose of refunding debt, operations and maintenance, and intergovernmental agreements. The District is authorized to increase taxes \$5,000,000 annually to pay the operations and administrative costs of the District, without limitation. The Service Plan limits (except for a Gallagher adjustment) the District's operation and maintenance mill levy to 10.000 mills (as adjusted to 10.069 mills).

Additionally, the Service Plan limits (except for a Gallagher adjustment) the District's debt service mill levy to 57.000 mills (as adjusted to 57.398 mills). The Service Plan also limits the imposition of the debt service mill levy to 40 years after initial year of imposition of such mill levy.

On June 17, 2019, the District entered into an intergovernmental agreements with the Town (the "Town IGA"). The Town IGA provides that the District will impose (a) the Infrastructure Capital Mill Levy (5 mills, subject to adjustment) and use the proceeds for certain regional improvements, (b) the Town Capital and Maintenance Mill Levy (5 mills, subject to adjustment) and remit the proceeds to the Town for certain Town improvements, and (c) the Operations Mill Levy (up to 10 mills subject to adjustment) and use the proceeds for the ongoing administrative and operating expenses of the District and for the maintenance of certain of the regional improvements. The Town IGA requires that the proceeds of the Infrastructure Capital Mill Levy and the Town Capital and Maintenance Mill Levy be paid by the District to the Town no later than 30 days after receipt, to be deposited by the Town in a separate fund; provided, however, that the Districts are permitted to retain revenues from the Infrastructure Capital Mill Levy to the extent needed to pay debt service on obligations repayable in whole or in part from such mill levy (which includes the Bonds).

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 using its best estimates as of the date of the budget hearing. These estimates are based on expected conditions and its expected course of actions. The assumptions disclosed herein are those that the District believes are significant to the budget. There will usually be differences between the budget and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

**TRAILS AT CROWFOOT METROPOLITAN DISTRICT NO. 3
2020 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

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, sale 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 taxes levied is displayed on page 3 of the Budget at the adopted total mill levy.

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 9% of the property taxes collected.

Developer Advances

A portion of the District's general and administrative costs will be funded by the Developer. A major portion of the capital expenditures are also expected to be 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 from bond proceeds and other legally available revenue.

Intergovernmental Revenues

Pursuant to an Intergovernmental Agreement with Trails at Crowfoot Metropolitan Districts 1-2, the intergovernmental revenues represent transfers to the District to provide funding for overall administrative and operating costs, as well as debt service.

Expenditures

General and Administrative Expenditures

General and administrative expenditures include the estimated cost of services necessary to maintain the District's administrative viability such as legal, accounting, insurance, membership dues, election and other administrative expenditures.

Capital Outlay

The District anticipates infrastructure improvements as noted in the Capital Projects Fund.

TRAILS AT CROWFOOT METROPOLITAN DISTRICT NO. 3
2020 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS

Debt and Leases

The District issued its Series 2019A Senior Bonds (the Senior Bonds) and its Series 2019B⁽³⁾ Subordinate Bonds (the Subordinate Bonds) on July 30, 2019, in the respective par amounts of \$28,830,000 and \$6,275,000. The proceeds from the sale of the Senior Bonds will be used to: (i) finance public improvements related to the development; (ii) fund capitalized interest; (iii) fund a Senior Reserve Fund; and (iv) pay the costs of issuance of the Senior Bonds and certain costs of issuance of the Subordinate Bonds. Proceeds of the Subordinate Bonds will be used to: (i) finance additional public improvements related to the development; and (ii) pay certain costs of issuance of the Subordinate Bonds.

The Senior Bonds bear interest at rates ranging from 4.375% to 5.000% and are payable semiannually on June 1 and December 1, beginning on December 1, 2019. The Senior Bonds consist of three term bonds maturing December 1, 2030, December 1, 2039, and December 1, 2049. Annual mandatory sinking fund principal payments are due on December 1, beginning on December 1, 2024. The Bonds mature on December 1, 2049.

To the extent principal of any Senior Bond is not paid when due, such principal shall remain outstanding until the Senior Bonds Termination Date of December 1, 2059 and shall continue to bear interest at the rate then borne by the Senior Bond. To the extent interest on any Senior Bond is not paid when due, such interest shall compound semiannually on each interest payment date (June 1 and December 1) at the rate borne by the Senior Bond. The District shall not be obligated to pay more than the amount permitted by law and its electoral authorization in repayment of the Senior Bonds. If any amount of principal or interest due on the Senior Bonds remains unpaid after the application of all Senior Pledged Revenue available therefor on the Senior Bonds Termination Date, such unpaid amount will be deemed discharged.

The Subordinate Bonds were be issued at the rate of 9.000% per annum and are payable annually on December 15, beginning December 15, 2019 from, and to the extent of, Subordinate Pledged Revenue available, if any, and mature on December 15, 2049. The Subordinate Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal or interest prior to the final maturity date. Unpaid interest on the Subordinate Bonds compounds annually on each December 15.

The District shall not be obligated to pay more than the amount permitted by law and its electoral authorization in repayment of the Subordinate Bonds. If any amount of principal or interest due on the Subordinate Bonds remains unpaid after the application of all Subordinate Pledged Revenue available

therefor on the Subordinate Bonds Termination Date of December 15, 2059, such unpaid amount shall be deemed discharged.

The Senior Reserve Fund shall be funded in the amount of the Senior Required Reserve of \$2,263,250. Subject to the receipt of sufficient Pledged Revenue, the Senior Reserve Fund shall be maintained in the amount of the Senior Required Reserve for so long as any Senior Bonds are outstanding. If at any time the Senior Reserve Fund is drawn upon or valued so that the amount of the Senior Reserve Fund is less than the Senior Required Reserve, the Trustee shall apply Pledged Revenue to the credit of the Senior Reserve Fund in amounts sufficient bring the amount credited to the Senior Reserve Fund to the Senior Required Reserve. The amount credited to the Senior Reserve Fund shall never exceed the

**TRAILS AT CROWFOOT METROPOLITAN DISTRICT NO. 3
2020 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Debt and Leases – (continued)

amount of the Senior Required Reserve. Moneys in the Senior Surplus Fund shall be used for payment of the Senior Bonds prior to any use of moneys in the Senior Reserve Fund.

The Senior Surplus Fund shall be funded from deposits of annual District Pledged Revenue and Pledge District Pledged Revenue in excess of that needed to pay annual debt service up to the Maximum Surplus Amount of \$2,883,000. The Senior Surplus Fund shall be maintained until the date on which no Senior Bonds remain outstanding. So long as the Senior Surplus Fund is maintained, amounts in excess of the Maximum Surplus Amount shall be remitted to the District for application to the payment of the Subordinate Bonds. Amounts on deposit in the Senior Surplus Fund (if any) in the final year of maturity of the Senior Bonds shall be pledged to the payment of the Subordinate Bonds.

Reserves

Emergency Reserve

TABOR requires local governments to establish emergency reserve. This reserve must be at least 3% of fiscal year spending.

This information is an integral part of the accompanying budget.

**TRAILS AT CROWFOOT METROPOLITAN DISTRICT NO. 3
DEBT SERVICE REQUIREMENTS TO MATURITY**

**\$28,830,000 Limited Tax
General Obligation Bonds
Issue date July 30, 2019
Principal Due Annually December 1
Interest from 4.375%-5.000%
Due June 1 and December 1**

| <u>Year Ending December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---|----------------------|----------------------|----------------------|
| 2020 | \$ - | \$ 1,422,125 | \$ 1,422,125 |
| 2021 | - | 1,422,125 | 1,422,125 |
| 2022 | - | 1,422,125 | 1,422,125 |
| 2023 | - | 1,422,125 | 1,422,125 |
| 2024 | 245,000 | 1,422,125 | 1,667,125 |
| 2025 | 375,000 | 1,411,406 | 1,786,406 |
| 2026 | 425,000 | 1,395,000 | 1,820,000 |
| 2027 | 445,000 | 1,376,406 | 1,821,406 |
| 2028 | 500,000 | 1,356,938 | 1,856,938 |
| 2029 | 525,000 | 1,335,063 | 1,860,063 |
| 2030 | 585,000 | 1,312,094 | 1,897,094 |
| 2031 | 610,000 | 1,286,500 | 1,896,500 |
| 2032 | 675,000 | 1,256,000 | 1,931,000 |
| 2033 | 710,000 | 1,222,250 | 1,932,250 |
| 2034 | 785,000 | 1,186,750 | 1,971,750 |
| 2035 | 825,000 | 1,147,500 | 1,972,500 |
| 2036 | 905,000 | 1,106,250 | 2,011,250 |
| 2037 | 950,000 | 1,061,000 | 2,011,000 |
| 2038 | 1,040,000 | 1,013,500 | 2,053,500 |
| 2039 | 1,090,000 | 961,500 | 2,051,500 |
| 2040 | 1,185,000 | 907,000 | 2,092,000 |
| 2041 | 1,245,000 | 847,750 | 2,092,750 |
| 2042 | 1,350,000 | 785,500 | 2,135,500 |
| 2043 | 1,415,000 | 718,000 | 2,133,000 |
| 2044 | 1,530,000 | 647,250 | 2,177,250 |
| 2045 | 1,605,000 | 570,750 | 2,175,750 |
| 2046 | 1,730,000 | 490,500 | 2,220,500 |
| 2047 | 1,815,000 | 404,000 | 2,219,000 |
| 2048 | 1,950,000 | 313,250 | 2,263,250 |
| 2049 | 4,315,000 | 215,750 | 4,530,750 |
| | <u>\$ 28,830,000</u> | <u>\$ 31,438,532</u> | <u>\$ 60,268,532</u> |

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