

ERIE COMMONS METROPOLITAN DISTRICT NO. 1

2016 BUDGET

SUMMARY OF SIGNIFICANT ASSUMPTIONS

Services Provided

In accordance with its Service Plan, Erie Commons Metropolitan District No. 1 (the "District") was formed to finance, construct and (unless and until the obligation is assumed by another unit of government or homeowners' association) own and operate public roadway, drainage, and park services and facilities for the "Erie Commons" P.U.D., located in Erie, Colorado. The Service Plan of the District limits the debt and general mill levy of the District.

In 2004, the Town of Erie approved a general obligation debt limit of \$23,500,000 for the combined Districts No. 1 and 2, to be used for district formation costs and costs of infrastructure. In 2009 the District issued \$8,500,000 of Limited Tax General Obligation Bonds, supported by a pledge of revenue from District No. 2. In 2010 the District issued a subordinate promissory note ("Bond Anticipation Note") in the amount of \$15,275,000 to Community Development Group of Erie, Inc, the Developer in the District.

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

Developer Advances

\$500,000 in developer advances are expected to be required in 2016 for public infrastructure improvements. Operating expenses and debt service will be covered by transfers from District No. 2.

Transfers from Erie Commons Metropolitan District No. 2

The principal source of revenue for the District in 2015 will be transfers from District No. 2, which are expected to total \$1,100,000. District No. 2 is obligated to make payments to the District for debt service, capital and administrative costs.

Property Taxes

The District does not impose a mill levy for the collection of ad valorem taxes.

Expenditures

Administrative

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

Operations

Operations consist of maintaining certain common areas within Erie Commons.

Capital Outlay

The District is expecting \$500,000 in capital expenditures in 2016.

Debt Service

Interest and principal on the Series 2009 Limited Tax General Obligation Bonds will be funded from transfers by District No. 2. The District has made provision for accrual of interest and partial payment of the accrued interest balance on Bond Anticipation Notes from the Developer.

Reserve Funds

The District has provided for an emergency reserve equal to \$523,510 for 2016 to cover any unanticipated expenditures. This emergency reserve primarily includes required reserves for interest payments, and is an integral part of the Ending Fund Balance.

Leases

The District has no operating or capital leases.