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Accountant's Compilation Report

Board of Directors
E-470 Potomac Metropolitan District
Douglas County, Colorado

We have compiled the accompanying forecasted budget of revenues, expenditures and fund balances of the E-470 Potomac Metropolitan District for the General Fund, Debt Service Fund and Conservation Trust Fund for the year ending December 31, 2014, including the forecasted estimate of comparative information for the year ending December 31, 2013, in accordance with attestation standards established by the American Institute of Certified Public Accountants. A compilation is limited to presenting, in the form of a forecast, information that is the representation of management and does not include evaluation of the support for the assumptions underlying the forecast. We have not audited or reviewed the forecast and, accordingly, do not express an opinion or any other form of assurance about whether the accompanying budget of revenues, expenditures and fund balances or assumptions are in accordance with attestation standards generally accepted in the United States of America. Furthermore, there will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

Management is responsible for the preparation and fair presentation of the forecast in accordance with attestation standards generally accepted in the United States of America, and for designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the forecast.

The actual historical information for the year 2012 is presented for comparative purposes only. Such information is taken from the Application for Exemption from Audit of the District for the year ended December 31, 2012.

Management has elected to omit the summary of significant accounting policies required by the guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants. If the omitted disclosures were included in the forecast, they might influence the user's conclusions about the District's results of operations for the forecasted periods. Accordingly, this forecast is not designed for those who are not informed about such matters.

We are not independent with respect to the E-470 Potomac Metropolitan District.

CliftonLarsonAllen LLP

Greenwood Village, Colorado
November 26, 2013

**E-470 POTOMAC METROPOLITAN DISTRICT
SUMMARY
FORECASTED 2014 BUDGET AS ADOPTED
WITH 2012 ACTUAL AND 2013 ESTIMATED
For the Years Ended and Ending December 31,**

11/26/2013

	ACTUAL 2012	ESTIMATED 2013	ADOPTED 2014
BEGINNING FUND BALANCES	\$ (6,408)	\$ 20,364	\$ 35,991
REVENUES			
1 Property taxes	230,848	232,754	237,171
2 Specific ownership taxes	17,800	19,124	20,160
3 Developer advance	8,800	-	-
4 Conservation Trust entitlement	3,213	3,400	3,400
5 Net investment income	119	212	100
Total revenues	260,780	255,490	260,831
TRANSFERS IN	8,188	5,000	5,000
Total funds available	262,560	280,854	301,822
EXPENDITURES			
6 General and administration			
7 Accounting	6,333	9,000	9,000
8 County Treasurer's fees	448	451	500
9 District management	5,445	6,000	9,000
10 Dues and membership	275	270	500
11 Election	1,174	-	2,000
12 Insurance	2,203	2,279	2,500
13 Legal	1,487	2,000	4,000
14 Miscellaneous	141	500	500
15 Reimburse CBC metro District	-	-	6,562
16 Operations and maintenance			
17 Park and open space improvements	-	-	3,400
18 Debt service			
19 County Treasurer's fees	3,017	3,040	3,098
20 Transfer to CBC	213,485	216,323	220,961
Total expenditures	234,008	239,863	262,021
TRANSFERS OUT	8,188	5,000	5,000
Total expenditures and transfers out requiring appropriation	242,196	244,863	267,021
ENDING FUND BALANCES	\$ 20,364	\$ 35,991	\$ 34,801
EMERGENCY RESERVE	\$ 1,300	\$ 1,000	\$ 1,100
REIMBURSED FROM GENERAL FUND	5,000	10,000	15,000
TOTAL RESERVE	\$ 6,300	\$ 11,000	\$ 16,100

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

**E-470 POTOMAC METROPOLITAN DISTRICT
PROPERTY TAX SUMMARY INFORMATION
For the Years Ended and Ending December 31,**

11/26/2013

	ACTUAL 2012	ESTIMATED 2013	ADOPTED 2014
ASSESSED VALUATION -			
Residential	\$ 5,036,700	\$ 5,037,810	\$ 5,145,320
Vacant Land	10	10	10
Personal Property	28,100	32,870	39,904
State Assessed	360	400	319
Certified Assessed Value	<u>\$ 5,065,170</u>	<u>\$ 5,071,090</u>	<u>\$ 5,185,553</u>
MILL LEVY			
GENERAL FUND	5.913	5.913	5.913
DEBT SERVICE FUND	39.824	39.824	39.824
Total Mill Levy	<u>45.737</u>	<u>45.737</u>	<u>45.737</u>
PROPERTY TAXES			
GENERAL FUND	\$ 29,950	\$ 29,985	\$ 30,662
DEBT SERVICE FUND	201,715	201,951	206,509
Levied property taxes	231,665	231,936	237,171
Adjustments to actual/rounding	(817)	-	-
Refund and abatements	-	818	-
Budgeted Property Taxes	<u>\$ 230,848</u>	<u>\$ 232,754</u>	<u>\$ 237,171</u>
BUDGETED PROPERTY TAXES			
GENERAL FUND	\$ 29,845	\$ 30,091	\$ 30,662
DEBT SERVICE FUND	201,003	202,663	206,509
	<u>\$ 230,848</u>	<u>\$ 232,754</u>	<u>\$ 237,171</u>

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

**E-470 POTOMAC METROPOLITAN DISTRICT
GENERAL FUND
FORECASTED 2014 BUDGET AS ADOPTED
WITH 2012 ACTUAL AND 2013 ESTIMATED
For the Years Ended and Ending December 31,**

11/26/2013

	ACTUAL 2012	ESTIMATED 2013	ADOPTED 2014
BEGINNING FUND BALANCES	\$ (6,408)	\$ 8,963	\$ 16,190
REVENUES			
1 Property taxes	29,845	30,091	30,662
2 Specific ownership taxes	2,301	2,424	2,610
3 Developer advance	8,800	-	-
4 Net investment income	119	212	100
Total revenues	41,065	32,727	33,372
Total funds available	34,657	41,690	49,562
EXPENDITURES			
General and administration			
5 Accounting	6,333	9,000	9,000
6 County Treasurer's fees	448	451	500
7 District management	5,445	6,000	9,000
8 Dues and membership	275	270	500
9 Election	1,174	-	2,000
10 Insurance	2,203	2,279	2,500
11 Legal	1,487	2,000	4,000
12 Miscellaneous	141	500	500
13 Reimburse CBC metro District	-	-	6,562
Total expenditures	17,506	20,500	34,562
TRANSFERS OUT			
CONSERVATION TRUST FUND			
Total transfers out	8,188	5,000	5,000
Total expenditures and transfers out requiring appropriation	25,694	25,500	39,562
ENDING FUND BALANCES	\$ 8,963	\$ 16,190	\$ 10,000
EMERGENCY RESERVE	\$ 1,300	\$ 1,000	\$ 1,100
TOTAL RESERVE	\$ 1,300	\$ 1,000	\$ 1,100

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

**E-470 POTOMAC METROPOLITAN DISTRICT
DEBT SERVICE FUND
FORECASTED 2014 BUDGET AS ADOPTED
WITH 2012 ACTUAL AND 2013 ESTIMATED
For the Years Ended and Ending December 31,**

11/26/2013

	ACTUAL 2012	ESTIMATED 2013	ADOPTED 2014
BEGINNING FUND BALANCES	\$ -	\$ -	\$ -
REVENUES			
1 Property taxes	201,003	202,663	206,509
2 Specific ownership taxes	15,499	16,700	17,550
Total revenues	<u>216,502</u>	<u>219,363</u>	<u>224,059</u>
Total funds available	<u>216,502</u>	<u>219,363</u>	<u>224,059</u>
EXPENDITURES			
Debt service			
3 County Treasurer's fees	3,017	3,040	3,098
4 Transfer to CBC	213,485	216,323	220,961
Total expenditures	<u>216,502</u>	<u>219,363</u>	<u>224,059</u>
Total expenditures and transfers out requiring appropriation	<u>216,502</u>	<u>219,363</u>	<u>224,059</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.

**E-470 POTOMAC METROPOLITAN DISTRICT
 CONSERVATION TRUST FUND
 FORECASTED 2014 BUDGET AS ADOPTED
 WITH 2012 ACTUAL AND 2013 ESTIMATED
 For the Years Ended and Ending December 31,**

11/26/2013

	ACTUAL 2012	ESTIMATED 2013	ADOPTED 2014
BEGINNING FUND BALANCES	\$ -	\$ 11,401	\$ 19,801
REVENUES			
1 Conservation Trust entitlement	3,213	3,400	3,400
Total revenues	<u>3,213</u>	<u>3,400</u>	<u>3,400</u>
TRANSFERS IN			
GENERAL FUND	8,188	5,000	5,000
Total transfers in	<u>8,188</u>	<u>5,000</u>	<u>5,000</u>
Total funds available	<u>11,401</u>	<u>19,801</u>	<u>28,201</u>
EXPENDITURES			
Operations and maintenance			
2 Park and open space improvements	-	-	3,400
Total expenditures	<u>-</u>	<u>-</u>	<u>3,400</u>
Total expenditures and transfers out requiring appropriation	<u>-</u>	<u>-</u>	<u>3,400</u>
ENDING FUND BALANCES	<u>\$ 11,401</u>	<u>\$ 19,801</u>	<u>\$ 24,801</u>
REIMBURSED FROM GENERAL FUND	<u>\$ 5,000</u>	<u>\$ 10,000</u>	<u>\$ 15,000</u>
TOTAL RESERVE	<u>\$ 5,000</u>	<u>\$ 10,000</u>	<u>\$ 15,000</u>

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

**E-470 POTOMAC METROPOLITAN DISTRICT
2014 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Services Provided

The District, a quasi-municipal corporation and a political subdivision of the State of Colorado, was organized on November 3, 1998 and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in Douglas County, Colorado.

The District was established as part of a master-planned development known as Compark and will provide water and wastewater service, street construction, installation of safety control devices, construction and maintenance of parks and recreation facilities and public transportation. The District has entered into an agreement with Compark Business Campus Metropolitan District (CBC), where CBC will operate, maintain and replace such facilities until they have been transferred or conveyed to Douglas County or another district upon final approval and acceptance by the County or other district.

The District consists of 241 homes.

The District has no employees and all operations and administrative functions are contracted.

The District prepares its budget on the modified accrual basis of accounting.

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 taxes levied is displayed on page 3 at the total adopted mill levy of 45.737.

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 forecast assumes that the District's share will be equal to approximately 8.5% of the property taxes collected by the General Fund and Debt Service Fund.

**E-470 POTOMAC METROPOLITAN DISTRICT
2014 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

**Revenues
(continued)**

Net Investment Income

Interest earned on the District's available funds has been estimated based on an average interest rate of 0.25%.

Conservation Trust Funds

The District receives revenue from the State Lottery on a per capita basis ratio. The revenue is restricted for recreation purposes under State statutes.

Expenditures

Administrative and Operating Expenditures

Administrative and operating expenditures include the estimated services necessary to maintain the District's administrative viability such as legal, management, accounting, insurance, park and open space improvements and other administrative expenditures.

Compark Business Campus Metropolitan District Reimbursement

During 2014, the District anticipates reimbursing Compark Business Campus Metropolitan District (CBC) \$6,562 of the \$29,101 payable to CBC for the District's organization costs.

County Treasurer's Fees

County Treasurer's collection fees have been computed at 1.5% of property taxes.

Debt Service

On November 20, 1998, the District entered into a Facilities Construction and Service Agreement with Compark Business Campus Metropolitan District (CBC) to set forth the rights and obligations of the District to assist in the repayment of indebtedness, and for CBC to issue indebtedness for services that would benefit both Districts. The Agreement has been amended several times. In 2004, Potomac and Compark entered in an Amendment that determined that Potomac's liability for debt service to Compark only extended to a portion of Compark's 1999 bond issue and that Potomac would have no obligation for future bond issues (unless Potomac agrees otherwise). The effect of the Amendment was to set Potomac's debt service mill levy at 35 mills, which would be increased or decreased in future years for changes in the ratio of assessed value caused by Art. X, Sec. 3 of the Colorado Constitution (i.e., the "Gallagher Amendment") or other change in law, and to set the end date for debt service payments at 2018. The Amendments limit the District's obligation under the agreement to repaying the District's obligations for CBC's General Obligation Bonds, Series 1999 (having an outstanding balance on December 31, 2007 of \$13,780,000). The refunding of the CBC bonds in 2007 resulted in a savings to the District. Therefore, the debt service mill levy, beginning

**E-470 POTOMAC METROPOLITAN DISTRICT
2014 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

**Debt Service
(continued)**

in 2008, was decreased to 39.824. The District's obligations with respect to the bonds will be satisfied in 2018. During 2014, it is anticipated that the District will assist in the repayment of indebtedness of approximately \$220,961. This is only a summary of the Agreement and its Amendments. Those interested should review the full text.

Debt and Leases

The District has no outstanding bond indebtedness nor any operating or capital leases.

Reserves

Emergency Reserve

The District has provided for an emergency reserve equal to at least 3% of the fiscal year spending for 2014, as defined under TABOR.

This information is an integral part of the accompanying forecasted budget.