CERTIFIED RECORD

OF

PROCEEDINGS RELATING TO

WATERFALL METROPOLITAN DISTRICT NO. 1

LARIMER COUNTY, COLORADO

AND THE BUDGET HEARING

FOR FISCAL YEAR

2017

STATE OF COLORADO)
)
COUNTY OF LARIMER)ss.
)
WATERFALL)
METROPOLITAN)
DISTRICT NO. 1)

The Board of Directors of the Waterfall Metropolitan District No. 1, Larimer County, Colorado, held a meeting at the offices of McWhinney, 2725 Rocky Mountain Ave., Ste. 200, Loveland, Colorado 80538 on Monday, December 5, 2016, at 11:00 a.m.

The following members of the Board of Directors were present:

Kim Perry, President
Jim Niemczyk, Secretary/Asst. Treasurer
Mike Bergerson, Vice President/Asst. Secretary
David Crowder, Asst. Secretary

Also in attendance was: Alan Pogue, Icenogle Seaver Pogue; Brendan Campbell, Lauren Paul and Shana Morgan; Pinnacle Consulting Group, Inc.; Brooke Hutchens, D.A. Davidson; and Kim Casey Reed, Kutak Rock, LLP.

Ms. Morgan, District Manager, stated that proper publication was made to allow the Board to conduct a public hearing on the District's 2017 budget. Director Perry opened the public hearing on the District's proposed 2017 budget.

Thereupon, Director Bergerson introduced and moved the adoption of the following Resolution:

RESOLUTION

A RESOLUTION SUMMARIZING REVENUES AND EXPENDITURES, ADOPTING A BUDGET, SETTING FORTH MILL LEVIES, AND APPROPRIATING SUMS OF MONEY TO THE GENERAL FUND IN THE AMOUNTS AND FOR THE PURPOSES SET FORTH HEREIN FOR THE WATERFALL METROPOLITAN DISTRICT NO. 1, LARIMER COUNTY, COLORADO, FOR THE CALENDAR YEAR BEGINNING ON THE FIRST DAY OF JANUARY 2017, AND ENDING ON THE LAST DAY OF DECEMBER 2017,

WHEREAS, the Board of Directors of the Waterfall Metropolitan District No. 1 has authorized its consultants to prepare and submit a proposed budget to said governing body at the proper time; and

WHEREAS, the proposed budget has been submitted to the Board of Directors of the District for its consideration; and

WHEREAS, upon due and proper notice, published on November 28, 2016, in The Reporter Herald, a newspaper having general circulation within the boundaries of the District, pursuant to statute, said proposed budget was available for inspection by the public at a designated public office, a public hearing was held on December 5, 2016, and interested electors were given the opportunity to file or register any objections to said proposed budget; and

WHEREAS, whatever increases may have been made in the expenditures, like increases were added to the revenues so that the budget remains in balance, as required by law,

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE WATERFALL METROPOLITAN DISTRICT NO. 1 OF LARIMER COUNTY, COLORADO:

Section 1. 2017 Budget Revenues. That the estimated revenues for each fund as more specifically set out in the budget attached hereto are accepted and approved.

Section 2. 2017 Budget Expenditures. That the estimated expenditures for each fund as more specifically set out in the budget attached hereto are accepted and approved.

Section 3. Adoption of Budget for 2017. That the budget as submitted and attached hereto and incorporated herein by this reference, and if amended, then as amended, is hereby approved and adopted as the budget of the Waterfall Metropolitan District No. 1 for calendar year 2017.

Section 4. 2017 Levy of Property Taxes. That the foregoing budget indicated that the amount of money necessary to balance the budget from property taxes for the 2017 budget year is $180,954.90. That the 2016 valuation for assessment, as certified by the Larimer County Assessor, is $4,021,220.

A. Levy for General Operating Fund. That for the purposes of meeting all general operating expense of the District during the 2017 budget year, there is hereby levied a tax of 19.891 mills upon each dollar of the 2016 total valuation of assessment of all taxable property within the District.

B. Levy for General Obligation Bonds and Interest. That for the purposes of meeting all general obligation bonds and interest expense of the District during the 2017 budget year, there is hereby levied a tax of 25.109 mills upon each dollar of the 2016 total valuation of assessment of all taxable property within the District.

Section 5. Property Tax and Fiscal Year Spending Limits. That, being fully informed, the Board finds that the foregoing budget and mill levies do not result in a violation of any applicable property tax or fiscal year spending limitation.

Section 6. Certification to County Commissioners. The District's manager is hereby authorized and directed to immediately certify to the County Commissioners of Larimer County, Colorado, the 45.000 mill levy for the District hereinabove determined and set. That said certification shall be in substantially the following form:

[Remainder of Page Left Blank Intentionally.]

______ County Tax Entity Code DOLA LGID/SID ______/______

CERTIFICATION OF TAX LEVIES for NON-SCHOOL Governments

TO: County Commissioners[1] of Larimer County , Colorado.

On behalf of the Waterfall Metropolitan District No. 1 ,
(taxing entity)[A]

the Board of Directors
(governing body)[B]

of the Waterfall Metropolitan District No. 1
(local government)[C]

Hereby officially certifies the following mills to be levied against the taxing entity's GROSS assessed valuation of: $ 4,021,220
(GROSS[D] assessed valuation, Line 2 of the Certification of Valuation Form DLG 57[E])

Note: If the assessor certified a NET assessed valuation (AV) different than the GROSS AV due to a Tax Increment Financing (TIF) Area[F] the tax levies must be calculated using the NET AV. The taxing entity's total property tax revenue will be derived from the mill levy multiplied against the NET assessed valuation of: $ 4,021,220
(NET[G] assessed valuation, Line 4 of the Certification of Valuation Form DLG 57)

Submitted: 12/09/2016 for budget/fiscal year 2017 .
(not later than Dec. 15) (mm/dd/yyyy) (yyyy)

PURPOSE (see end notes for definitions and examples)	**LEVY**[2]		**REVENUE**[2]
1. General Operating Expenses[H]	19.891	mills	$ 79,986.09
2. <**Minus**> Temporary General Property Tax Credit/ Temporary Mill Levy Rate Reduction[I]	< >	mills	$< >
SUBTOTAL FOR GENERAL OPERATING:	19.891	**mills**	$ 79,986.09
3. General Obligation Bonds and Interest[J]	25.109	mills	$ 100,968.81
4. Contractual Obligations[K]		mills	$
5. Capital Expenditures[L]		mills	$
6. Refunds/Abatements[M]		mills	$
7. Other[N] (specify):		mills	$
		mills	$
TOTAL: [Sum of General Operating Subtotal and Lines 3 to 7]	45.000	**mills**	**$** 180,954.90

Contact person: (print) Brendan Campbell Daytime phone: (970) 669-3611

Signed: [signature] Title: District Accountant

Include one copy of this tax entity's completed form when filing the local government's budget by January 31st, per 29-1-113 C.R.S., with the Division of Local Government (DLG), Room 521, 1313 Sherman Street, Denver, CO 80203. Questions? Call DLG at (303) 866-2156.

[1] If the taxing entity's boundaries include more than one county, you must certify the levies to each county. Use a separate form for each county and certify the same levies uniformly to each county per Article X, Section 3 of the Colorado Constitution.
[2] Levies must be rounded to three decimal places and revenue must be calculated from the total *NET assessed valuation* (Line 4 of Form DLG57 on the County Assessor's *final* certification of valuation).

THIS SECTION APPLIES TO TITLE 32, ARTICLE 1 SPECIAL DISTRICTS THAT LEVY TAXES FOR PAYMENT OF GENERAL OBLIGATION DEBT (32-1-1603 C.R.S.). Taxing entities that are Special Districts or Subdistricts of Special Districts must certify separate mill levies and revenues to the Board of County Commissioners, one each for the funding requirements of each debt (32-1-1603, C.R.S.) Use additional pages as necessary. The Special District's or Subdistrict's total levies for general obligation bonds and total levies for contractual obligations should be recorded on Page 1, Lines 3 and 4 respectively.

CERTIFY A SEPARATE MILL LEVY FOR EACH BOND OR CONTRACT:

BONDS[J]:

1. Purpose of Issue: Repay Waterfall Metropolitan District No. 1's 2011 Loan Agreement of $1,730,000 to fund for infrastructure improvements.
   Series: 2011
   Date of Issue: 6/28/2011
   Coupon Rate: 3.61%
   Maturity Date: 12/28/2016
   Levy: 25.109
   Revenue: 100,968.81

2. Purpose of Issue:
   Series:
   Date of Issue:
   Coupon Rate:
   Maturity Date:
   Levy:
   Revenue:

CONTRACTS[K]:

3. Purpose of Contract:
   Title:
   Date:
   Principal Amount:
   Maturity Date:
   Levy:
   Revenue:

4. Purpose of Contract:
   Title:
   Date:
   Principal Amount:
   Maturity Date:
   Levy:
   Revenue:

Use multiple copies of this page as necessary to separately report all bond and contractual obligations per 32-1-1603, C.R.S.

Section 7. Appropriations. That the amounts set forth as expenditures and balances remaining, as specifically allocated in the budget attached hereto, are hereby appropriated from the revenue of each fund, to each fund, for the purposes stated and no other.

Section 8. Budget Certification. That the budget shall be certified by Director Niemczyk, Secretary of the District, and made a part of the public records of Waterfall Metropolitan District No. 1.

The foregoing Resolution was seconded by Director Niemczyk.

[Remainder of Page Left Blank Intentionally.]

ADOPTED AND APPROVED THIS 5th DAY OF DECEMBER, 2016.

President

ATTEST:

Secretary

STATE OF COLORADO)
)
COUNTY OF LARIMER)ss.
)
WATERFALL)
METROPOLITAN)
DISTRICT NO. 1)

I, Jim Niemczyk, Secretary to the Board of Directors of the Waterfall Metropolitan District No. 1, Larimer County, Colorado, do hereby certify that the foregoing pages numbered 1 to 9, inclusive, constitute a true and correct copy of the record of proceedings of the Board of Directors of said District, adopted at a meeting of the Board held at the offices of McWhinney, 2725 Rocky Mountain Ave., Ste. 200, Loveland, Colorado 80538 on December 5, 2016, at 11:00 a.m., as recorded in the official record of the proceedings of the District, insofar as said proceedings relate to the budget hearing for fiscal year 2017; that said proceedings were duly had and taken; that the meeting was duly held; and that the persons were present at the meeting as therein shown. Further, I hereby certify that the attached budget is a true and accurate copy of the 2017 budget of the District.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the official seal of the District this 5th day of December, 2016.

(S E A L)

Secretary

PINNACLE
CONSULTING GROUP, INC.

Accountant's Report

BOARD OF DIRECTORS
WATERFALL METROPOLITAN DISTRICT NO.1

I have prepared the accompanying forecasted budget of revenue, expenditures and funds balances of Waterfall Metropolitan District No. 1 for the year ending December 31, 2017, including the forecasted estimate of comparative information for the year ending December 31, 2016. I have not audited, reviewed or compiled the accompanying forecast and, accordingly, do not express an opinion or provide any assurance about whether the forecast is in accordance with accounting principles generally accepted in the United States of America.

The actual historical information for the year 2015 is presented for comparative purposes only.

Substantially all of the disclosures required by accounting principles generally accepted in the United States of America have been omitted. 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.

Brendan Campbell, CPA
January 25, 2017

Loveland
1627 East 18th Street, Loveland, CO 80538
(970) 669.3611

Denver
6950 East Belleview Avenue, Suite 200, Greenwood Village CO 80111
(303) 333.4380

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WATERFALL METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES & EXPENDITURES WITH BUDGETS
December 31, 2015 Actual, 2016 Amended and Projected Budget
2017 Adopted Budget

Modified Accrual Budgetary Basis

GENERAL FUND	**2015 Unaudited Actual**	**2016 Amended Budget**	**2016 Projected Actual**	**2017 Adopted Budget**
Revenues				
O&M Fees	$ 71,411	$ 55,364	$ 54,050	$ 40,275
Property Taxes - Senior	-	-	-	59,997
Property Taxes - Subordinate	-	-	-	19,989
Interest & Other	27	20	191	75
Total Revenues	**$ 71,437**	**$ 55,384**	**$ 54,241**	**$ 120,336**
Expenditures				
Accounting and Finance	$ 10,337	$ 8,500	$ 8,500	$ 13,500
Audit	-	-	-	5,500
District Management	23,837	17,500	17,500	24,500
District Engineer	-	-	-	1,000
Elections	-	1,306	1,306	-
Insurance	2,585	2,787	2,787	3,000
Landscape Maintenance	28,152	11,500	11,500	11,625
Hardscape Maintenance	-	-	-	3,550
Storm Water Facility Maintenance	-	-	-	700
Utility Locate Services	-	-	-	400
Repairs and Replacements	-	1,200	1,200	13,250
Utilities	4,880	5,000	5,000	5,250
Legal	9,986	10,000	10,000	15,000
Office, Dues and Other	455	1,000	1,000	1,000
Treasurer's Fees	-	-	-	1,600
Transfer to Capital Projects Fund	-	-	-	12,500
Contingency	-	5,000	-	-
Total Operating Expenditures	**$ 80,233**	**$ 63,793**	**$ 58,793**	**$ 112,375**
Revenues over/(under) Expenditures	**$ (8,796)**	**$ (8,409)**	**$ (4,552)**	**$ 7,961**
Beginning Fund Balance	**23,494**	**12,041**	**14,698**	**10,146**
Ending Fund Balance	**$ 14,698**	**$ 3,632**	**$ 10,146**	**$ 18,108**

CAPITAL PROJECTS FUND	**2015 Unaudited Actual**	**2016 Adopted Budget**	**2016 Projected Actual**	**2017 Adopted Budget**
Revenues				
Transfer from General Fund	-	-	-	12,500
Total Revenues	**$ -**	**$ -**	**$ -**	**$ 12,500**
Expenditures				
District Management	$ -	$ -	$ -	$ 2,500
District Planning/Engineering Mgmt	-	-	-	5,000
District Engineering	-	-	-	5,000
Total Capital Expenditures	**$ -**	**$ -**	**$ -**	**$ 12,500**
Revenues over/(under) Expenditures	**$ -**	**$ -**	**$ -**	**$ -**
Beginning Fund Balance	**-**	**-**	**-**	**-**
Ending Fund Balance	**$ -**	**$ -**	**$ -**	**$ -**

WATERFALL METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES & EXPENDITURES WITH BUDGETS
December 31, 2015 Actual, 2016 Amended and Projected Budget
2017 Adopted Budget

		Modified Accrual Budgetary Basis		
DEBT SERVICE FUND	**2015**	**2016**	**2016**	**2017**
	Unaudited	**Ameded**	**Projected**	**Adopted**
	Actual	**Budget**	**Actual**	**Budget**
Revenues				
Property Taxes	$ 159,628	$ 181,619	$ 181,619	$ 100,969
Specific Ownership Taxes	14,441	14,192	14,192	12,667
Interest Income	61	110,000	250	25,000
Total Revenues	**$ 174,130**	**$ 305,811**	**$ 196,061**	**$ 138,636**
Expenditures				
Loan Principal	$ 57,500	$ -	$ -	$ -
Loan Interest	57,501	66,061	66,061	89,573
Custodian Fees	1,650	1,650	1,650	1,650
Treasurer's fees	3,193	3,632	3,632	2,019
Contingency	-	110,000	10,000	25,000
Total Expenditures	**$ 119,843**	**$ 181,344**	**$ 81,344**	**$ 118,242**
Other Sources/(Uses) of Funds:				
Loan Proceeds	$ -	$ 4,030,136	$ 4,030,136	$ -
Loan Repayment	-	(1,515,249)	(1,515,249)	-
Capital Note Repayment	(55,000)	(27,313)	(27,313)	(2,224,936)
Costs of Issuance	-	(246,675)	(246,675)	-
Net Other Sources/(Uses) of Funds	**$ (55,000)**	**$ 2,240,899**	**$ 2,240,899**	**$ (2,224,936)**
Rev over/(under) Exp after Other	**$ (713)**	**$ 2,365,366**	**$ 2,355,617**	**$ (2,204,543)**
Beginning Fund Balance	**64,531**	**63,818**	**63,818**	**2,419,434**
Ending Fund Balance	**$ 63,818**	**$ 2,429,184**	**$ 2,419,434**	**$ 214,891**
COMPONENTS OF ENDING FUND BALANCE:				
Required Reserve	**$ 60,000**	**$ 135,963**	**$ 135,963**	**$ 135,963**
Restricted Balance - Project Fund	**-**	**2,224,936**	**2,224,936**	**-**
Surplus Fund	**3,818**	**68,285**	**58,536**	**78,928**
Total	**$ 63,818**	**$ 2,429,184**	**$ 2,419,434**	**$ 214,891**

WATERFALL METROPOLITAN DISTRICT NO. 1
2017 BUDGET MESSAGE

Waterfall Metropolitan District No. 1 is a quasi-municipal corporation organized and operated pursuant to provisions set forth in the Colorado Special District Act, and was formed in May 2008. The District is located in the City of Loveland, Colorado. This District was organized to provide financing for the design, acquisition, construction and installation of street and roadway improvements; street landscaping, signage, monuments, and lighting; safety protection; park and recreation improvements; and sanitation and storm drainage; and to provide the operation and maintenance of these improvements.

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

The budget is prepared on the modified accrual basis of accounting, which is consistent with the basis of accounting used in presenting the District's financial statements.

Overview

Highlights of the 2017 budget include the following:

- The District will perform necessary landscaping replacements and upgrades in 2017.
- The District will pay debt service expenses on a new bond issued in late 2016.

General Fund

Revenue

The District assesses an annual operations and maintenance fee in order to pay costs of maintaining District assets. Operation and maintenance fees are budgeted at $40,275 for fiscal year 2017. Additionally, the District will assess 19.891 mills in order to generate $79,986 in tax revenue, to fund increased expenses.

Expenses

The District has budgeted general and administrative expenses of $112,375, which is a substantial increase from 2016 of $63,793 driven by an increased scope of services for landscape, hardscape and other facility maintenance and replacements within the District. Accounting and audit expenses will increase due to a required 2016 audit performed in 2017.

Fund Balance/Reserves

Expected ending fund balance for 2016 consists of an emergency reserve equal to 3% of the fiscal year spending for 2017, as defined under TABOR, with the remaining balance being an operating reserve to provide a positive cash-flow position.

Capital Projects Fund

The District has budgeted $12,500 in expenses in the Capital Projects Fund to for capital project planning.

Debt Service Fund

Revenue

The District certified a mill levy of 25.109 mills on the assessed value of $4,021,220 to generate debt service revenue of $100,969. Based on historical receipts, estimated specific ownership tax revenue is 7% of property tax revenue or $12,667.

Expenses

In 2016, the District refinanced a bank loan with U.S. Bank, NA dated June 28, 2011. Interest payments on the new loan proceeds are due and payable semi-annually on June 1 and December 1 and $89,573 in 2017. The District will also pay treasurer fees on the property tax revenue of $2,019 and custodian fees related to the debt of $1,650.

Fund Balance/Reserves

The District anticipates debt service reserves at the end of 2017 to be $214,891, which meets the required reserve of $135,963, set forth in the 2016 Loan Agreement.

CERTIFICATION OF VALUATION BY LARIMER COUNTY ASSESSOR

Name of Jurisdiction: **188 - WATERFALL METROPOLITAN DISTRICT NO. 1** New Entity: No

IN LARIMER COUNTY ON 12/2/2016

USE FOR STATUTORY PROPERTY TAX REVENUE LIMIT CALCULATIONS (5.5% LIMIT) ONLY

IN ACCORDANCE WITH 39-5-121(2)(a) AND 39-5-128(1),C.R.S. AND NO LATER THAN AUGUST 25, THE ASSESSOR CERTIFIES THE TOTAL VALUATION FOR ASSESSMENT FOR THE TAXABLE YEAR 2016 IN LARIMER COUNTY. COLORADO

1.	PREVIOUS YEAR'S NET TOTAL TAXABLE ASSESSED VALUATION:	$4,035,969
2.	CURRENT YEAR'S GROSS TOTALTAXABLE ASSESSED VALUATION: *	$4,021,220
3.	LESS TIF DISTRICT INCREMENT, IF ANY:	$0
4.	CURRENT YEAR'S NET TOTAL TAXABLE ASSESSED VALUATION:	$4,021,220
5.	NEW CONSTRUCTION: **	$0
6.	INCREASED PRODUCTION OF PRODUCING MINES: #	$0
7.	ANNEXATIONS/INCLUSIONS:	$0
8.	PREVIOUSLY EXEMPT FEDERAL PROPERTY: #	$0
9.	NEW PRIMARY OIL OR GAS PRODUCTION FROM ANY PRODUCING OIL AND GAS LEASEHOLD ## OR LAND (29-1-301(1)(b) C.R.S.):	$0
10.	TAXES COLLECTED LAST YEAR ON OMITTED PROPERTY AS OF AUG. 1 (29-1-301(1))(a) C.R.S.):	$0.00
11.	TAXES ABATED AND REFUNDED AS OF AUG. 1 (29-1-301(1)(a) C.R.S.) and (39-10-114(1)(a)(I)(B) C.R.S.):	$4,482.90

* This value reflects personal property exemptions IF enacted by the jurisdiction as authorized by Art. X, Sec.20(8)(b),Colo.

** New construction is defined as: Taxable real property structures and the personal property connected with the structure.

Jurisdiction must submit respective certifications (Forms DLG 52 AND 52A) to the Division of Local Government in order for the values to be treated as growth in the limit calculation.

Jurisdiction must apply (Forms DLG 52B) to the Division of Local Government before the value can be treated as growth in the limit calculation.

USE FOR 'TABOR' LOCAL GROWTH CALCULATIONS ONLY

IN ACCORDANCE WITH THE PROVISION OF ARTICLE X, SECTION 20, COLO CONST, AND 39-5-121(2)(b),C.R.S. THE ASSESSOR CERTIFIES THE TOTAL ACTUAL VALUATION FOR THE TAXABLE YEAR 2016 IN LARIMER COUNTY, COLORADO ON AUGUST 25, 2016

1.	CURRENT YEAR'S TOTAL ACTUAL VALUE OF ALL REAL PROPERTY: @	$14,890,410
	ADDITIONS TO TAXABLE REAL PROPERTY:	
2.	CONSTRUCTION OF TAXABLE REAL PROPERTY IMPROVEMENTS: !	$0
3.	ANNEXATIONS/INCLUSIONS:	$0
4.	INCREASED MINING PRODUCTION: %	$0
5.	PREVIOUSLY EXEMPT PROPERTY:	$0
6.	OIL OR GAS PRODUCTION FROM A NEW WELL:	$0
7.	TAXABLE REAL PROPERTY OMITTED FROM THE PREVIOUS YEAR'S TAX WARRANT:	$0
	(If land and/or a structure is picked up as omitted property for multiple years, only the most current year's actual value can be reported as omitted property.)	
	DELETIONS FROM TAXABLE REAL PROPERTY:	
8.	DESTRUCTION OF TAXABLE REAL PROPERTY IMPROVEMENTS:	$0
9.	DISCONNECTIONS/EXCLUSION:	$0
10.	PREVIOUSLY TAXABLE PROPERTY:	$0

@ This includes the actual value of all taxable real property plus the actual value of religious, private schools, and charitable real property.

! Construction is defined as newly constructed taxable real property structures.

% Includes production from new mines and increases in production of existing producing mines.

IN ACCORDANCE WITH 39-5-128(1),C.R.S. AND NO LATER THAN AUGUST 25, THE ASSESSOR CERTIFIES TO SCHOOL DISTRICTS : 1. TOTAL ACTUAL VALUE OF ALL TAXABLE PROPERTY:--------------------->	$0
NOTE: All levies must be Certified to the Board of County Commissioners NO LATER THAN DECEMBER 15, 2016	

Data Date: 12/2/2016