

PRAIRIE CENTER METROPOLITAN DISTRICT NO. 3
Adams County, Colorado

FINANCIAL STATEMENTS
December 31, 2016



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Certified Public Accountants and Business Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Prairie Center Metropolitan District No. 3
Adams County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Prairie Center Metropolitan District No. 3 (the District), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Prairie Center Metropolitan District No. 3 as of December 31, 2016 and the respective changes in financial position thereof, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Barnes Griggs & Associates, PC

Other Matters

Economic Dependency

The District has not yet established a revenue base sufficient to pay its capital expenditures. As discussed in Note 9, the District may be dependent upon the Developer of the District's service area to provide funding for capital improvements.

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of legal compliance and additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Darner Higgs & Associates, PC

Lakewood, Colorado
April 28, 2017

BASIC FINANCIAL STATEMENTS

PRAIRIE CENTER METROPOLITAN DISTRICT NO. 3
STATEMENT OF NET POSITION
December 31, 2016

	Governmental Activities
ASSETS	
Cash and investments	\$ 122,594
Cash and investments - Restricted	4,175,659
Accounts receivable - Add-on public improvement fees from retail sales	173,456
Accounts receivable - Credit public improvement fees from retail sales	211,063
Prepaid expenses	29,979
Due from other Districts	8,958
Accounts receivable - City reimbursement (Stormwater IGA)	3,510,407
Capital assets, not being depreciated	7,960,902
Capital assets, net	13,332,953
Total assets	29,525,971
LIABILITIES	
Accounts payable	1,187,556
Retainage payable	103,380
Project management fee payable	536,192
Project management fee interest payable	115,542
Accrued interest payable - Bonds	28,659,348
Noncurrent liabilities:	
Due within one year	3,135,000
Due in more than one year	108,444,129
Total liabilities	142,181,147
NET POSITION	
Net investment in capital assets	(2,503,706)
Restricted for:	
Emergency reserves	31,700
Unrestricted	(110,183,170)
Total net position	\$ (112,655,176)

These financial statements should be read only in connection with
the accompanying notes to financial statements.

PRAIRIE CENTER METROPOLITAN DISTRICT NO. 3
STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital Grants</u>
		<u>Services</u>	<u>Grants and</u>	<u>and</u>
			<u>Contributions</u>	<u>Contributions</u>
				<u>Governmental</u>
				<u>Activities</u>
				<u>Position</u>
Primary government:				
Governmental activities:				
General government	\$ 1,911,733	\$ -	\$ 1,051,195	\$ -
Interest and related costs on long-term debt	8,119,402	-	-	895,718
	<u>\$ 10,031,135</u>	<u>\$ -</u>	<u>\$ 1,051,195</u>	<u>\$ 895,718</u>
				<u>(8,084,222)</u>
General revenues:				
Credit public improvement fees from retail sales				1,697,306
Add-on public improvement fees from retail sales				1,364,965
Credit public improvement fees from building permits				201,379
Add-on public improvement fees from building permits				161,103
Net investment income				29,898
Reimbursed expenditures/other income				2,426
Total general revenues				<u>3,457,077</u>
Change in net position				(4,627,145)
Net position - Beginning, as restated				<u>(108,028,031)</u>
Net position - Ending				<u>\$ (112,655,176)</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

PRAIRIE CENTER METROPOLITAN DISTRICT NO. 3
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and investments	\$ 122,594	\$ -	\$ -	\$ 122,594
Cash and investments - Restricted	31,700	4,114,210	29,749	4,175,659
Accounts receivable - Add-on public improvement fees from retail sales	-	173,456	-	173,456
Accounts receivable - Credit public improvement fees from retail sales	-	168,850	42,213	211,063
Prepaid expenses	29,979	-	-	29,979
Due from other Districts	5,624	3,334	-	8,958
TOTAL ASSETS	\$ 189,897	\$ 4,459,850	\$ 71,962	\$ 4,721,709
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 293,975	\$ 4,500	\$ 889,081	\$ 1,187,556
Retainage payable	-	-	103,380	103,380
Project management fee payable	-	-	536,192	536,192
Project management fee interest payable	-	-	115,542	115,542
Total liabilities	293,975	4,500	1,644,195	1,942,670
FUND BALANCES				
Nonspendable:				
Prepaid expenses	29,979	-	-	29,979
Restricted for:				
Emergency reserves	31,700	-	-	31,700
Debt service	-	4,455,350	-	4,455,350
Unassigned:				
General government	(165,757)	-	-	(165,757)
Capital projects	-	-	(1,572,233)	(1,572,233)
Total fund balances	(104,078)	4,455,350	(1,572,233)	2,779,039
TOTAL LIABILITIES AND FUND BALANCES	\$ 189,897	\$ 4,459,850	\$ 71,962	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital assets, not being depreciated	7,960,902
Capital assets, net	13,332,953
Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds.	
Accounts receivable - City reimbursement	3,349,837
Accrued interest on Accounts receivable - City reimbursement	160,570
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Developer advance payable	(24,657,036)
Accrued interest payable - Developer advances	(10,257,543)
Subordinate Nonrevolving Line of Credit Note	(500,000)
Accrued interest payable - Subordinate Nonrevolving Line of Credit Note	(235,207)
Bonds payable	(75,275,000)
Accrued interest payable - Bonds	(28,659,348)
Funding fees on Developer advances	(654,343)
Net position of governmental activities	\$ (112,655,176)

These financial statements should be read only in connection with
the accompanying notes to financial statements.

PRAIRIE CENTER METROPOLITAN DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES				
Credit public improvement fees from retail sales	\$ -	\$ 1,357,845	\$ 339,461	\$ 1,697,306
Add-on public improvement fees from retail sales	-	1,364,965	-	1,364,965
Credit public improvement fees from building permits	-	161,103	40,276	201,379
Add-on public improvement fees from building permits	-	161,103	-	161,103
Facilities fees	-	144,000	-	144,000
Net investment income	-	29,565	333	29,898
Reimbursed expenditures/other income	2,426	-	-	2,426
Transfer from other Districts	1,051,195	589,840	-	1,641,035
Total revenues	<u>1,053,621</u>	<u>3,808,421</u>	<u>380,070</u>	<u>5,242,112</u>
EXPENDITURES				
General				
Accounting	92,877	-	-	92,877
Audit	3,825	-	-	3,825
Bond refunding - consultants	90,628	-	-	90,628
District management	20,997	-	-	20,997
District asset management	36,000	-	-	36,000
Dues and memberships	2,886	-	-	2,886
Eagle monument maintenance	44,622	-	-	44,622
Electric - Street lights and other	21,232	-	-	21,232
Engineering	1,870	-	-	1,870
Insurance	25,021	-	-	25,021
Landscaping	143,948	-	-	143,948
Legal - recurring	48,636	-	-	48,636
Snow removal	46,092	-	-	46,092
Street maintenance	122,615	-	-	122,615
Street sweeping	6,261	-	-	6,261
Miscellaneous/contingency	5,810	-	-	5,810
District No. 9 - consultants	6,827	-	-	6,827
Water and sewer	90,822	-	-	90,822
Debt service				
Principal - 2006 Bonds	-	915,000	-	915,000
Interest - 2006 Bonds	-	1,753,943	-	1,753,943
Interest - 2007 Bonds	-	882,667	-	882,667
Paying agent fees	-	6,000	-	6,000
Capital outlay				
Primary public improvements	-	-	2,696,941	2,696,941
District public improvements	-	-	124,287	124,287
Parks and recreation improvements	-	-	45	45
Transfer to District No. 9	229,440	-	53,800	283,240
Total expenditures	<u>1,040,409</u>	<u>3,557,610</u>	<u>2,875,073</u>	<u>7,473,092</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>13,212</u>	<u>250,811</u>	<u>(2,495,003)</u>	<u>(2,230,980)</u>
OTHER FINANCING SOURCES (USES)				
Transfers (to) other funds	-	(362,010)	(292)	(362,302)
Transfers from other funds	362,010	292	-	362,302
Developer advance	-	-	1,891,879	1,891,879
Repayment of Developer advance	(615,969)	-	(383,000)	(998,969)
Total other financing sources (uses)	<u>(253,959)</u>	<u>(361,718)</u>	<u>1,508,587</u>	<u>892,910</u>
NET CHANGE IN FUND BALANCES	(240,747)	(110,907)	(986,416)	(1,338,070)
FUND BALANCES - BEGINNING OF YEAR	136,669	4,566,257	(585,817)	4,117,109
FUND BALANCES - END OF YEAR	<u>\$ (104,078)</u>	<u>\$ 4,455,350</u>	<u>\$ (1,572,233)</u>	<u>\$ 2,779,039</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**PRAIRIE CENTER METROPOLITAN DISTRICT NO. 3
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2016**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - Total governmental funds	\$ (1,338,070)
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Governmental funds report capital outlay as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset.

Capital outlay	2,673,222
Depreciation	(669,473)

Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds.

Accounts receivable - City reimbursement	1,308
Accrued interest on accounts receivable - City reimbursement	160,570

The issuance of long-term debt (e.g., bonds, Developer advances) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds record the effect of premiums, discounts, and similar items when debt is first issued as expenditures, whereas these amounts are deferred and amortized in the statement of activities.

Bond principal payment	915,000
Developer advances	(1,891,879)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Repayment of Developer advance - Interest	998,969	
Funding fees on Developer advances	(105,390)	
Accrued interest on Developer advances - Change in liability	(2,136,793)	
Accrued interest on Subordinate Nonrevolving Line of Credit Note - Change in liability	(45,819)	
Accrued interest on bonds - Change in liability	(3,188,790)	<u>(4,477,823)</u>

Change in net position of governmental activities	<u>\$ (4,627,145)</u>
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These financial statements should be read only in connection with the accompanying notes to financial statements.

**PRAIRIE CENTER METROPOLITAN DISTRICT NO. 3
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2016**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
REVENUES				
Reimbursed expenditures/other income	\$ -	\$ 34,426	\$ 2,426	\$ (32,000)
Transfer from other Districts	<u>1,074,897</u>	<u>1,051,195</u>	<u>1,051,195</u>	<u>-</u>
Total revenues	<u>1,074,897</u>	<u>1,085,621</u>	<u>1,053,621</u>	<u>(32,000)</u>
EXPENDITURES				
Accounting	70,425	93,000	92,877	123
Audit	3,825	3,825	3,825	-
Bond refunding - consultants	-	90,000	90,628	(628)
City consultants - legal	40,000	-	-	-
City consultants - other	10,000	-	-	-
District management	16,200	22,000	20,997	1,003
District asset management	36,000	36,000	36,000	-
Dues and memberships	3,000	2,886	2,886	-
Eagle monument maintenance	52,000	52,000	44,622	7,378
Electric - Street lights and other	25,000	25,000	21,232	3,768
Engineering	10,000	2,000	1,870	130
Insurance	26,000	25,021	25,021	-
Landscaping	130,000	145,000	143,948	1,052
Legal - recurring	20,000	50,000	48,636	1,364
Snow removal	60,000	50,000	46,092	3,908
Street maintenance	300,000	125,000	122,615	2,385
Street sweeping	7,600	7,000	6,261	739
Miscellaneous/contingency	7,950	6,299	5,810	489
District No. 9 - consultants	-	7,000	6,827	173
Transfer to District No. 9	369,000	230,000	229,440	560
Water and sewer	<u>100,000</u>	<u>92,000</u>	<u>90,822</u>	<u>1,178</u>
Total expenditures	<u>1,287,000</u>	<u>1,064,031</u>	<u>1,040,409</u>	<u>23,622</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(212,103)</u>	<u>21,590</u>	<u>13,212</u>	<u>(8,378)</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	300,000	489,710	362,010	(127,700)
Repayment of Developer advance - Interest	<u>(87,500)</u>	<u>(615,969)</u>	<u>(615,969)</u>	<u>-</u>
Total other financing sources (uses)	<u>212,500</u>	<u>(126,259)</u>	<u>(253,959)</u>	<u>(127,700)</u>
NET CHANGE IN FUND BALANCES	397	(104,669)	(240,747)	(136,078)
FUND BALANCES - BEGINNING OF YEAR	<u>32,162</u>	<u>136,669</u>	<u>136,669</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 32,559</u>	<u>\$ 32,000</u>	<u>\$ (104,078)</u>	<u>\$ (136,078)</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

PRAIRIE CENTER METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 - DEFINITION OF REPORTING ENTITY

Prairie Center Metropolitan District No. 3 (District) is a quasi-municipal corporation located in the City of Brighton, Adams County, Colorado and is governed pursuant to the provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District was organized on June 6, 2006, to serve as the Operating District, concurrently with Prairie Center Metropolitan District Nos. 4 – 10 (the Taxing Districts), pursuant to an order and decree of the Adams County District Court. The Service Plan for the District was approved by the City of Brighton on February 21, 2006, modified on November 13, 2006, and amended and restated on November 4, 2008, and modified on April 14, 2013. Prairie Center Metropolitan Districts Nos. 1 and 2 (respectively, District No. 1 and District No. 2) were organized prior to the establishment of the District and have proceeded with development and construction of public improvements. In order to increase development flexibility and to avoid unfairly burdening existing development with the costs of public infrastructure required in future phases, District Nos. 3 – 10 were formed and several inclusions and exclusions of property were completed to generally locate properties in the Initial Planned Development planned for commercial/retail uses in District No. 4 and properties in the Initial Planned Development planned for residential uses in District No. 5. Subsequent to the formation of the District, the obligations of District No. 1 and District No. 2 were assumed by the District as were the assets constructed by those Districts, with the exception of improvements related to the London Mine Water Tunnel and Extension Tunnel Facility and the rights and obligations related to the operation of such Facility. Such rights and obligations were assumed by District No. 9 on January 1, 2008, and were conveyed by District No. 9 to a private entity in 2016.

The District was established to provide financing for the design, acquisition, installation, construction and completion of public improvements and services, including streets, transportation, drainage improvements, traffic and safety controls, park and recreation facilities, water, sewer, television relay and translation and mosquito and pest control services. The District is authorized to operate and maintain any improvements not otherwise conveyed to the City or other entities.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens, and fiscal dependency.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

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

PRAIRIE CENTER METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the District are described as follows:

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by property taxes, public improvement fees, and intergovernmental revenues.

The statement of net position reports all financial and capital resources of the District. The difference between the sum of assets and deferred outflows and the sum of liabilities and deferred inflows is reported as net position.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are public improvement fees and intergovernmental revenues. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

PRAIRIE CENTER METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures and other financing uses level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

The District has amended its annual budget for the year ended December 31, 2016.

Pooled Cash and Investments

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Investments are carried at fair value.

Capital Assets

Capital assets, which include property and infrastructure assets (e.g. roads, bridges, sidewalks and similar items), are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

PRAIRIE CENTER METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital assets which are anticipated to be conveyed to other governmental entities, as well as capital assets being constructed which the District may operate and maintain, are recorded as construction in progress/not yet conveyed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements that will be dedicated to other governmental entities are not depreciated. Improvements to be owned by the District are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

Streets	20 years
Detention pond improvements	25 years
Monumentation/signage	15 - 25 years

Facilities Fees

The District assesses and charges a facilities fee for use of the District's improvements and service system. The facilities fee for nonresidential structures is seventy-five cents (\$0.75) per square foot of gross building space. The facilities fee for dwelling units follows: a) three thousand dollars (\$3,000) per single-family, detached dwelling unit, b) one thousand five hundred dollars (\$1,500) per townhome or condominium, and c) five hundred dollars (\$500) per apartment. The facilities fee is due on or before the date of issuance of a building permit by the City of Brighton or County of Adams.

Equity

Net Position

For government-wide presentation purposes, when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

PRAIRIE CENTER METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

- *Nonspendable fund balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.
- *Restricted fund balance* – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.
- *Committed fund balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.
- *Assigned fund balance* – The portion of fund balance that is constrained by the government’s intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.
- *Unassigned fund balance* – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balances is available for use when an expenditure is incurred, it is the District’s practice to use the most restrictive classification first.

Deficits

The General Fund and Capital Projects Fund both reported a deficit in the fund financial statements as of December 31, 2016. The deficit in the General Fund will be eliminated with the receipt of funds transferred from other Districts in 2017. A significant portion of the deficit in the Capital Projects Fund will be eliminated with the receipt of funds advanced by the Developer in 2017 and the remainder will be eliminated when a revenue source becomes available to pay accrued project management fees.

PRAIRIE CENTER METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2016, are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$ 122,594
Cash and investments - Restricted	<u>4,175,659</u>
Total cash and investments	<u>\$ 4,298,253</u>

Cash and investments as of December 31, 2016, consist of the following:

Deposits with financial institutions	\$ 154,294
Investments	<u>4,143,959</u>
Total cash and investments	<u>\$ 4,298,253</u>

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2016, the District's cash deposits had a bank balance of \$184,434 and a carrying balance of \$154,294.

Investments

The District has adopted a formal investment policy wherein the District follows state statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

PRAIRIE CENTER METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- . Obligations of the United States, certain U.S. government agency securities and securities of the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Certain certificates of participation
- . Certain securities lending agreements
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- * Local government investment pools

Fair Value Measurement and Application

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series); money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee); and CSAFE which record their investments at amortized cost.

As of December 31, 2016, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Colorado Surplus Asset Trust Fund (CSAFE)	Weighted average under 60 days	<u>\$ 4,143,959</u>

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAM by Standard & Poor's.

PRAIRIE CENTER METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 4 - CAPITAL ASSETS

The following is an analysis of the changes in the District's capital assets for the year ended December 31, 2016:

	<u>Balance at December 31, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at December 31, 2016</u>
Capital assets, not being depreciated:				
Construction in progress/ not yet conveyed	\$ 5,287,680	\$ 2,673,222	\$ -	\$ 7,960,902
Total capital assets, not being depreciated	<u>5,287,680</u>	<u>2,673,222</u>	<u>-</u>	<u>7,960,902</u>
Capital assets, being depreciated:				
Streets	8,115,626	-	-	8,115,626
Detention pond improvements	3,523,907	-	-	3,523,907
Monumentation/signage	3,032,366	-	-	3,032,366
Total capital assets, being depreciated	<u>14,671,899</u>	<u>-</u>	<u>-</u>	<u>14,671,899</u>
Less accumulated depreciation for:				
Streets	(405,782)	(405,782)	-	(811,564)
Detention pond improvements	(140,956)	(140,956)	-	(281,912)
Monumentation/signage	(122,735)	(122,735)	-	(245,470)
Total accumulated depreciation	<u>(669,473)</u>	<u>(669,473)</u>	<u>-</u>	<u>(1,338,946)</u>
Total capital assets, being depreciated, net	<u>14,002,426</u>	<u>(669,473)</u>	<u>-</u>	<u>13,332,953</u>
Governmental activities capital assets, net	<u>\$ 19,290,106</u>	<u>\$ 2,003,749</u>	<u>\$ -</u>	<u>\$ 21,293,855</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

General government	<u>\$ 669,473</u>
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PRAIRIE CENTER METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 5 - LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2016:

	<u>Balance December 31, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2016</u>	<u>Current Portion</u>
Bonds payable - Series 2006	\$ 32,675,000	\$ -	\$ 915,000	\$ 31,760,000	\$ 1,030,000
Bonds payable - Series 2007	43,515,000	-	-	43,515,000	2,105,000
Developer advance - Operating	2,516,012	-	315,434	2,200,578	-
Accrued interest on Developer advance - Operating	176,078	160,446	300,535	35,989	-
Developer advance - Debt service	2,066,963	-	-	2,066,963	-
Accrued interest on Developer advance - Debt service	844,778	193,483	-	1,038,261	-
Developer advance - Capital	18,497,616	1,891,879	-	20,389,495	-
Accrued interest on Developer advance - Capital	7,783,429	1,782,864	383,000	9,183,293	-
Funding fee payable	548,953	105,390	-	654,343	-
Subordinate Nonrevolving Line of Credit Note, Series 2010					
Capital	450,000	-	-	450,000	-
Operating	50,000	-	-	50,000	-
Accrued interest	189,388	45,819	-	235,207	-
	<u>\$ 109,313,217</u>	<u>\$ 4,179,881</u>	<u>\$ 1,913,969</u>	<u>\$ 111,579,129</u>	<u>\$ 3,135,000</u>

\$34,545,000 Limited Property Tax Supported Primary Improvements Revenue Bonds, Series 2006A, and \$1,815,000 Limited Property Tax Supported District Improvements Revenue Bonds, Series 2006B.

In December 2006, the District issued Series 2006A and 2006B Bonds (the Bonds) in the total amount of \$36,360,000. The proceeds from the Bonds were used to reimburse the Developer for costs of primary public improvements and District public improvements advanced to Districts No. 1 and No. 2, to fund reserve and capitalized interest accounts, and to pay bond issuance costs. The Bonds are special limited obligations of the District secured by and payable from pledged revenues, consisting of revenues attributable to privately imposed public improvement fees payable with respect to certain retail sales transactions and construction activities occurring within the development, revenues generated from the commercial and residential facilities fees imposed by Prairie Center Metropolitan Districts No. 4 (District No. 4), No. 5 (District No. 5) and No. 10 (District No. 10), and from the imposition by District No. 4 and District No. 5 of ad valorem property taxes not in excess of 50 mills subject to adjustment caused by changes in the method of determining assessed valuation by the State of Colorado, and the related specific ownership taxes. The Bonds are also secured by funds to be held by the Trustee in the Reserve Funds in the required amounts of \$3,398,585 for Series 2006A and \$178,562 for Series 2006B.

PRAIRIE CENTER METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

As of December 31, 2016, the balances of Reserve Fund for Series 2006A and Series 2006B were \$3,400,448 and \$178,660, respectively.

The Series 2006A Bonds are term bonds maturing as follows: \$10,515,000 due December 15, 2021, at an interest rate of 5.25% and \$24,030,000 due December 15, 2031, at an interest rate of 5.40%. The Series 2006B Bonds of \$1,815,000 are term bonds due December 15, 2031, at an interest rate of 5.40%. The 2006A Bonds maturing on December 15, 2021, are subject to mandatory sinking fund redemption beginning December 15, 2009. The 2006A Bonds maturing December 15, 2031, are subject to mandatory sinking fund redemption beginning December 15, 2022. The Series 2006B Bonds are subject to mandatory sinking fund redemption beginning December 15, 2009. The Bonds are subject to redemption prior to maturity, at the option of the District, in whole or in part on any day on or after December 15, 2016, at a redemption price equal to 100% of the principal amount thereof, plus interest with no redemption premium.

The Senior Bonds Series 2006A principal and interest will mature as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 980,000	\$ 1,619,707	\$ 2,599,707
2018	1,095,000	1,568,258	2,663,258
2019	1,220,000	1,510,770	2,730,770
2020	1,350,000	1,446,720	2,796,720
2021	1,490,000	1,375,845	2,865,845
2022-2026	9,675,000	5,529,600	15,204,600
2027-2031	14,355,000	2,442,150	16,797,150
	<u>\$ 30,165,000</u>	<u>\$ 15,493,050</u>	<u>\$ 45,658,050</u>

The Senior Bonds Series 2006B principal and interest will mature as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 50,000	\$ 86,130	\$ 136,130
2018	60,000	83,430	143,430
2019	65,000	80,190	145,190
2020	70,000	76,680	146,680
2021	80,000	72,900	152,900
2022-2026	515,000	291,870	806,870
2027-2031	755,000	128,250	883,250
	<u>\$ 1,595,000</u>	<u>\$ 819,450</u>	<u>\$ 2,414,450</u>

PRAIRIE CENTER METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

\$40,610,000 Subordinate Limited Property Tax Supported Primary Improvements Revenue Bonds, Series 2007A, and \$2,905,000 Subordinate Limited Property Tax Supported District Improvements Revenue Bonds, Series 2007B.

In June 2007, the District issued Series 2007A and 2007B Bonds (Subordinate Bonds) in the total amount of \$43,515,000. The proceeds from the Subordinate Bonds were used for the purposes of funding public infrastructure costs, funding reserve and capitalized interest accounts and paying bond issuance costs. The Subordinate Bonds are special limited obligations of the District secured by and payable from the pledged revenues, subject in all respects to the prior lien in favor of the Senior Bonds, which consist of the Series 2006A and Series 2006B Bonds as well as any additional Senior Bonds that may be issued in the future. Pledged revenues consist primarily of revenues attributable to privately imposed public improvement fees payable with respect to certain retail sales transactions and construction activities occurring within the Development, revenues generated from the commercial and residential Facilities Fee imposed by District No. 4, District No. 5 and District No. 10, and from the imposition of ad valorem property taxes by District No. 4 and District No. 5 not in excess of 50 mills so long as the statutory mill levy limitation set forth in Section 32.1.1101(6)(b) of the Colorado Revised Statutes is applicable and, if not, subject to adjustment caused by changes in the method of determining assessed valuation by the State of Colorado, and the related specific ownership taxes (see Note 8 for amendment, executed in 2010, affecting this provision). The Subordinate Bonds are also secured by funds to be held by the Trustee in the Reserve Funds, in the required amounts of \$1,218,300 for Series 2007A and \$87,150 for Series 2007B. As of December 31, 2016, the Reserve Funds for Series 2007A and Series 2007B had zero balances.

The Series 2007A Bonds are term bonds maturing as follows: \$40,610,000 due December 15, 2031, at an interest rate of 8.75% through December 14, 2007, and 9.50% thereafter. The Series 2007B Bonds of \$2,905,000 are term bonds due December 15, 2031, at an interest rate of 8.75% through December 14, 2007, and 9.50% thereafter. The Series 2007A Subordinate Bonds are subject to mandatory sinking fund redemption beginning December 15, 2013. The Series 2007B Subordinate Bonds are subject to mandatory sinking fund redemption beginning December 15, 2014. The Bonds are subject to redemption prior to maturity, at the option of the District, in whole or in part on any date on or after June 15, 2008, at a redemption price equal to 100% of the principal, plus accrued interest with no redemption premium.

During 2016, the District did not pay the principal and the full amount of accrued interest due on the 2007 Subordinate Bonds. Pursuant to the indenture for the bonds, due to the limited nature of the revenues pledged, the failure to pay interest and principal when due does not, in itself, create an event of default if the District is otherwise in compliance with the bond documents. The unpaid amount is not subject to compounding interest.

PRAIRIE CENTER METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

The Subordinate Bonds Series 2007A principal and interest will mature as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,970,000	\$ 30,339,195	\$ 32,309,195
2018	875,000	3,670,800	4,545,800
2019	1,100,000	3,587,675	4,687,675
2020	1,295,000	3,483,175	4,778,175
2021	1,565,000	3,360,150	4,925,150
2022-2026	12,685,000	13,997,300	26,682,300
2027-2031	21,120,000	6,322,250	27,442,250
	<u>\$ 40,610,000</u>	<u>\$ 64,760,545</u>	<u>\$ 105,370,545</u>

The Subordinate Bonds Series 2007B principal and interest will mature as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 135,000	\$ 2,076,823	\$ 2,211,823
2018	65,000	263,150	328,150
2019	75,000	256,975	331,975
2020	95,000	249,850	344,850
2021	110,000	240,825	350,825
2022-2026	905,000	1,006,050	1,911,050
2027-2013	1,520,000	455,525	1,975,525
	<u>\$ 2,905,000</u>	<u>\$ 4,549,198</u>	<u>\$ 7,454,198</u>

Authorized Debt

On May 2, 2006, the District's voters authorized total indebtedness of \$5,290,000,000 for construction of public improvements and operating and maintenance expenditures and \$750,000,000 each for debt refunding and debt related to intergovernmental agreements or other contracts with other public entities.

PRAIRIE CENTER METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

At December 31, 2016, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Amount Authorized on May 2, 2006	Authorization Used			Authorized But Unissued
		Series 2006 Bonds	Series 2007 Bonds	2010 Note	
Public improvements	\$ 4,540,000,000	\$ 36,360,000	\$ 43,515,000	\$ 450,000	\$ 4,459,675,000
Operations and maintenance	750,000,000	-	-	50,000	749,950,000
Intergovernmental agreements	750,000,000	-	-	-	750,000,000
Debt refunding	750,000,000	-	-	-	750,000,000
	<u>\$ 6,790,000,000</u>	<u>\$ 36,360,000</u>	<u>\$ 43,515,000</u>	<u>\$ 500,000</u>	<u>\$ 6,709,625,000</u>

Pursuant to the Service Plans of District Nos. 2 – 10, the maximum aggregate principal of debt that may be incurred by all of such Districts, together with District No. 1, collectively is \$750,000,000. In 2010, the District issued a Subordinate Nonrevolving Line of Credit Note, Series 2010 (see below) in the principal sum of \$670,125,000 which brings the District's total debt, together with previously issued bonds, to \$750,000,000. Accordingly, District Nos. 2 – 10 may not issue any additional debt without obtaining an amendment or modification to their Service Plans.

In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area.

Developer Advances

The District has entered into the Facilities Funding and Acquisition Agreement and Novation of Funding and Reimbursement Agreement (Agreement) with the Developer wherein the District agrees to reimburse the Developer for advances made on behalf of the District (see Note 8). During 2016, advances received from the Developer totaled \$1,891,879.

As of December 31, 2016, outstanding advances under the Agreement totaled \$2,200,578 for operations and maintenance costs, \$2,066,963 for debt service costs, and \$20,389,495 for capital costs. Accrued interest on Developer advances as of December 31, 2016, totaled \$35,989 for operations and maintenance costs, \$1,038,261 for debt service costs, and \$9,183,293 for capital costs.

PRAIRIE CENTER METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Subordinate Nonrevolving Line of Credit Note, Series 2010

On October 13, 2010, the District's Board of Directors approved a resolution authorizing the issuance of the Subordinate Nonrevolving Line of Credit Note, Series 2010 (Note) in a principal sum of not to exceed \$670,125,000, for the purpose of reimbursing certain amounts advanced and/or certified as expended by the Developer to the District under the Facilities Funding and Acquisition Agreement (see note on page 25). The Developer is, collectively, THF Prairie Center Development, L.L.C. and THF Prairie Center Retail One, L.L.C. (see Note 10 - Related Party). The Note shall have an irrevocable lien on the Pledged Revenue, but not an exclusive lien, subordinate to the lien on any Senior Bonds. The Note is payable solely from Pledged Revenue derived by the District from the required mill levies and facilities fees collected, and from any other legal available monies available, by District Nos. 2, 6, 7 and 8 (collectively, the Taxing Districts) pursuant to Pledge Agreements entered into by the District, separately, with each of the Taxing Districts. The Note bears interest at the rate of three percent (3%) per annum above the rate announced by Bank of America, N.A., St. Louis, Missouri (or its successor), payable annually on each December 15, commencing on December 15, 2011, maturing on December 15, 2040. Unpaid interest compounds semi-annually. The initial principal balance of the Note, as accepted by the District, which also represents the outstanding balance as of December 31, 2016, is \$500,000, of which \$450,000 is for public improvements and \$50,000 is for operations and maintenance costs.

NOTE 6 - NET POSITION

The District has net position consisting of three components - net investments in capital interests, restricted, and unrestricted.

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets. As of December 31, 2016, the District had the following net investment in capital assets, calculated as follows:

	Governmental Activities
Net investment in capital assets:	
Capital assets, net	\$ 13,332,953
Less: capital related debt	
Current portion of long-term obligations	(536,529)
Noncurrent portion of long-term obligations	(15,300,130)
Net investment in capital assets	\$ (2,503,706)

PRAIRIE CENTER METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 6 - NET POSITION (CONTINUED)

The restricted component of net position includes assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position at December 31, 2016, as follows:

	Governmental Activities
Restricted net position:	
Emergencies	\$ 31,700
Total restricted net position	\$ 31,700

The District has a deficit in unrestricted net position. This deficit amount is a result of the District being responsible for the repayment of bonds issued for public improvements, a portion of which have been conveyed and/or will be conveyed to other governmental entities.

NOTE 7 - INTERFUND TRANSFERS

	Total Transfers Out	Transfers In		
		General Fund	Debt Service Fund	Capital Projects Fund
Debt Service Fund	\$ (362,010) ⁽¹⁾	\$ 362,010 ⁽¹⁾	\$ -	\$ -
Capital Projects Fund	(292) ⁽²⁾	-	292 ⁽²⁾	-
	\$ (362,302)	\$ 362,010	\$ 292	\$ -

⁽¹⁾ Operations and maintenance funds held by Trustee used for operational expenditures as permitted by Bond Agreement.

⁽²⁾ Interest earned from Capital Projects trust accounts pledged for debt service.

PRAIRIE CENTER METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 8 - AGREEMENTS

Facilities Funding, Construction and Operations Agreement (FFCO)

On November 8, 2006, the District entered into the Facilities Funding, Construction and Operations Agreement (FFCO) with District Nos. 2 and 4 – 10 establishing certain expectations as to the financing, construction, operation and maintenance of improvements as contemplated in the Service Plans for the purpose of providing, in a timely and coordinated fashion, essential services within the Districts. Other than the Capital Pledge Agreements, the District No. 1 Pledge Agreement and the Operations Financing IGAs (all described below), the FFCO represents the only agreement among such Districts relating to the provision of improvements contemplated in the Service Plans. The FFCO also contemplates that the Prior Funding Agreements with the Developer will be superseded by the Facilities Funding and Acquisition Agreement (described below).

Pursuant to the FFCO, the District is designated as the Operating District and agrees to provide the following: 1) project administration services (generally comprised of contracting for and supervising the acquisition, construction, operation and maintenance of public improvements), and 2) district administration services (including, but not limited to, serving as the depository for district records, coordinating board meetings, filing and notices, preparing financial reports and budgets and coordinating legal, accounting, management, engineering and other professional services) for District Nos. 2 and 4 – 10 (Taxing Districts). The FFCO anticipates that the District will enter into intergovernmental agreements with the respective Taxing Districts whereby the Taxing Districts will agree to share in the Districts' administration costs and/or pledge certain revenues to pay capital projects costs incurred and/or to repay bonds issued by the District. The District has presently entered into such agreements with District Nos. 2, 4 – 5, 6 – 8, and 10.

Comprehensive Agreement

The Comprehensive Funding Plan, Master Development Agreement, Pre-Annexation Agreement and Intergovernmental Agreement for Prairie Center (Agreement) was made and entered into, in December 2005, by and between the City of Brighton, the City of Brighton Water, Sewer and Drainage Enterprise, THF Prairie Center Development L.L.C., THF Prairie Center Retail One L.L.C., Prairie Center Metropolitan District No. 1 (District No. 1) and Prairie Center Metropolitan District No. 2 (District No. 2) (collectively the Districts). The Agreement establishes the framework for the construction and financing of public infrastructures required by the Prairie Center Development, and sets forth the terms and provisions pertaining to the imposition, collection and application of the privately imposed Credit Public Improvement Fee (Credit PIF) and privately imposed Add-On Public Improvement Fee (Add-On PIF), and the implementation of the City Sales/Use Tax Credit. The Agreement categorizes the public infrastructure required by the Development and legally permitted to be funded by the Districts into: 1) Primary Public Improvements (PPI), such as major and minor arterial streets and related landscaping and trails, collector streets and related landscaping and trails, traffic signals, certain potable and non-potable water distribution lines, regional/community/neighborhood parks, trails and open spaces; 2) Parks and Recreation Public Improvements (PRI); and 3) District Public Improvements (DPI) which is comprised of all other improvements that may be provided by the Districts. The Agreement provides that the Districts' receipt of the 1.25% Credit PIF (for which the City grants a credit against the municipal sales and use taxes that would otherwise be payable on sales and use tax transactions) may only be used for PPI improvements. Pursuant

PRAIRIE CENTER METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 8 – AGREEMENTS (CONTINUED)

to the Agreement, the maximum amount of PPI costs that the Districts can finance from the Credit PIF (Cap Amount) is approximately \$125 million, subject to reduction to approximately \$120 million in the event that certain sanitary sewer lines are funded by third parties; plus interest costs and cost of issuance which are not counted toward the Cap Amount. The Agreement also requires that one-fifth of the 1.25% Credit PIF be applied to PRI improvements in the principal amount of \$14 million (which amount does not count against the Cap Amount), generally comprised of the restoration and improvements of Lutz Reservoir, landscape and public trails within the Lutz Reservoir wildlife sanctuary, and the initial phase of an adult recreation center. Further, the Agreement allows the Districts to receive a 1% Add-On PIF to finance any other public improvements or services (DPI) that the Districts are authorized by statute and its Service Plans to provide.

On November 8, 2006, an Assignment of Agreement was made between and among District No. 1, District No. 2 and the District. As of the date of the assignment, District No. 1 and District No. 2 assigned to the District, and the District assumed, all their rights, benefits, obligations and duties under the Agreement, with the exception of District No. 1's rights and obligations related to the operation of the London Mine Water Tunnel and Extension Tunnel Facility and activities related to such operation. Such rights and obligations were assigned to District No. 9 on January 1, 2008.

In July 2009, the First Amendment to the Comprehensive Agreement was executed to include certain properties to the Incorporated Property for all purposes under the Comprehensive Agreement and to increase the Cap Amount for the Project. The amended Cap Amount is \$146,476,240.

In February 2012, the Second Amendment to the Comprehensive Agreement was executed to modify certain terms of the Agreement. The Second Amendment, among other matters, redefined Shared Revenues to include Credit PIF Revenues, Shared City Fees, Shared Sales Tax Incremental Revenues, Shared General Fund Sales Taxes, and other City or Brighton Urban Renewal Authority (BURA) revenues that the parties agree are to be shared by the City or BURA with the District to pay or reimburse Eligible Costs. The terms as to when and how the new Revenues (such as General Fund Sales Taxes) will be shared were also explained in the Second Amendment. Further, the Second Amendment restated and clarified the definitions of Eligible Costs, which is comprised of Hard Costs, Soft Costs, Interest Costs and Financing Costs, that can be paid from Shared Revenues. With regard to the Interest Costs incurred by the District in connection with a Developer Advance and payable from Shared Revenues, the Second Amendment allows a simple rate of 5% per annum accruing from the date of such Developer Advance.

The Third Amendment to the Comprehensive Agreement was entered into as of June 16, 2015. The Third Amendment reduced the principal amount of the 1.25% Credit PIF to be applied to PRI Improvements from \$14 million to \$9 million and requires that \$2.5 million of such revenues be paid to the City for design and/or construction of the second phase of an adult recreation center and relieved the District of its obligations under the original Cooperation Agreement related to the initial phase of the adult recreation center. The Third Amendment also provides for the City to rebate portions of certain City bridge/crossing and traffic impact fees paid with

PRAIRIE CENTER METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 8 – AGREEMENTS (CONTINUED)

respect to development of the phase of residential single-family dwelling units known as Prairie Center Residential Village One in the total amount of \$2.5 million, which rebated fees shall be applied to specified street improvements and shall count against the Cap Amount. The rebated use tax and rebated building permit fees (or any other rebated fees approved by Council) do not need to be applied to eligible costs related to primary public improvements and do not count against the Cap Amount.

Cooperation Agreement

On July 18, 2012, the District entered into the Cooperation Agreement (Agreement) with the City of Brighton, Colorado (City) and the Brighton Urban Renewal Authority (Authority). Pursuant to the Agreement, to the extent that the District designs, finances and constructs Primary Public Improvements to serve the Southeast Brighton Regional Urban Renewal Plan Area, the Authority will reimburse the District for Eligible Costs, according to the terms and provisions of the Comprehensive Agreement and this Agreement, by a pledge of certain General Fund Sales Tax Incremental Revenues, subject to the Cap Amount initially commencing when taxable retail sales within the Plan Area are at least \$150 million or at least one Qualifying Retailer opens for business. The City shall be obligated to transfer to the Authority only the Allocated Increment Amount, which initially shall be equal to 30% (and increase to 49% as additional development triggers are met) of the City's General Fund Sales Tax of two percent (2.0%) after deduction of (i) the General Fund Sales Tax Base Amount (\$2,273,417) and (ii) the proportionate share of costs and expenses related to the collection of the General Fund Sales Tax in the Plan Area. The Authority's obligation to remit the Allocated Increment Amount to the District terminates upon the earlier of (i) the District's repayment of bonds and Developer Advances for Primary Public Improvement Costs, (ii) receipt of Credit PIF, General Fund Sales Tax Incremental Revenues and other Shared Revenues (defined in the Comprehensive Agreement) up to the Cap Amount, or (iii) April 3, 2037.

General Fund Sales Tax Sharing Agreement

The District entered into the General Fund Sales Tax Sharing Agreement (Agreement) with the City of Brighton, Colorado (City) on July 18, 2012. Pursuant to the Agreement, the term of this Agreement commences upon the termination or expiration of the Cooperation Agreement to the extent that the District has not repaid in full bonds and Developer Advances for Primary Public Improvement Costs and the Cap Amount has not been fully utilized. Under this Agreement, the City agrees on an annual appropriation basis to remit to the District Shared General Fund Sales Taxes after retail sales of taxable goods and services equal (i) at least \$150 million in any calendar year, one-half of one percent (0.50%) as a portion of the City's 2.0% General Fund Sales Tax collected from the project, and (ii) at least \$300 million in any calendar year, three-quarters of one percent (0.75%) as a portion of the City's 2.0% General Fund Sales Tax collected from the project.

The City's obligation to remit Shared General Fund Sales Taxes is subject to annual appropriation and terminates upon the earlier of (i) the District's repayment of bonds and Developer advances for Primary Public Improvements, or (ii) receipt of Shared General Sales Taxes and other Shared Revenues up to Cap Amount.

PRAIRIE CENTER METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 8 – AGREEMENTS (CONTINUED)

Intergovernmental Agreement Regarding Design, Financing and Construction of Regional Drainage Improvements

In May 2011, the District entered into the Intergovernmental Agreement Regarding Design, Financing and Construction of Regional Drainage Improvements (Stormwater IGA) with the City of Brighton (City). Pursuant to the Stormwater IGA, the District will design, finance and construct drainage improvements subject to reimbursement from the City to the District from certain stormwater impact fees for certain of the District's costs to design, finance and construct such drainage improvements. With respect to the Over-Detention Ponds, the eligible costs which the City may reimburse the District totaled \$1.2 million. With respect to the Outfall Channel/Fulton Ditch Improvements, the eligible costs which the City may reimburse the District will not exceed \$3,000,000. The Stormwater IGA also provides the procedures for certifying costs, requesting reimbursement and calculation of applicable interest.

In January 2012, the First Amendment to the Intergovernmental Agreement Regarding Design, Financing and Construction of Regional Drainage Improvements was executed to, among other matters, amend the District's commencement of construction of the Fulton Ditch Improvements and increase the maximum costs of the Outfall Channel/Fulton Ditch Improvements to an amount not to exceed \$3,600,000.

Capital Pledge Agreements with District Nos. 4, 5 and 10

On December 1, 2006, the District entered into the Capital Pledge Agreement (Agreement) with American National Bank (Trustee) (succeeded as Trustee by UMB Bank, n.a.), District No. 4 and District No. 5 (individually a Taxing District; collectively the Taxing Districts). Pursuant to the Agreement, the District shall issue Bonds as necessary to finance and construct Improvements for the benefit of the Taxing Districts. The Agreement obligates the Taxing Districts to impose annually in each of the years 2006 – 2030 a mill levy at a rate of 25.000 mills for District No. 4 and 40.000 mills for District No. 5, subject to certain adjustments, and remit to the District's Trustee tax revenues derived from such mill levies, together with facilities fees and a portion of specific ownership taxes collected by the Taxing Districts, to repay the Bonds. The Taxing Districts' obligation to pay such revenues to the District constitute an irrevocable lien on such revenues, and each Taxing District has agreed not to issue or incur Bonds, notes or other obligations payable in whole or in part from, or constituting a lien upon, the revenues pledged to the District without the District's prior consent. The rate of maximum mill levy permitted to be levied by each Taxing District is 50.000 mills, subject to certain adjustments.

On March 1, 2009, the District appointed UMB Bank, n.a. to succeed American National Bank as Trustee, pursuant to the terms and conditions set forth in the Indenture of Trust securing the District's Bonds.

A First Amendment to the Capital Pledge Agreement was executed by the parties on October 1, 2009. The amendment amends the definition of the "Capital Levies" and makes other technical corrections to the Agreement.

PRAIRIE CENTER METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 8 – AGREEMENTS (CONTINUED)

A Second Amendment to the Capital Pledge Agreement was executed by the parties on September 1, 2010. The amendment clarifies the definition of the “Capital Levies” and the District’s intent to impose a maximum levy of 50.000 mills, without any adjustments, unless required to pay debt service on the Senior Bonds. To the extent a mill levy of less than 50 mills is sufficient to pay debt service on the Senior Bonds, the Taxing Districts are not required to increase their debt service mill levies notwithstanding any shortfalls in revenues necessary to pay principal and interest on the Subordinate Bonds when due.

On March 1, 2009, the District entered into a Capital Pledge Agreement with District No. 10. Pursuant to the Agreement, the District agrees to finance a portion of the costs of public improvements within District No. 10 through the issuance of bonds; and District No. 10 agrees to pledge to the District, for purposes of paying debt service on the bonds, if needed, and otherwise for funding certain improvements, revenues resulting from the imposition of facilities fees. Prior to March 1, 2009, facilities fees collected by District No. 10 were not pledged for debt service.

Operations Financing Intergovernmental Agreements

On December 19, 2006, the District entered into an Operations Financing IGA, separately, with each of District No. 4 and District No. 5. The IGAs require that District No. 4 and District No. 5 impose, collect and remit to the District an operational mill levy in order to pay for certain administrative and management costs incurred by the District. The operational mill levy imposed individually by District No. 4 and District No. 5, together with any capital mill levies, cannot exceed 60.000 mills.

On December 4, 2008, a similar IGA was executed between the District and District No. 10. Total mills to be levied by District No. 10 may not also exceed 60.000 mills for operations and maintenance and debt service.

Pledge Agreements with District Nos. 2, 6, 7 and 8

On October 13, 2010, the District entered into a Pledge Agreement, separately, with each of District Nos. 2, 6, 7 and 8 (collectively, the Taxing Districts). The agreement, in general, requires the Taxing Districts to impose the Required Mill Levies (collectively, the capital levies and the O&M levies, the rates of which when combined shall not be less than 25.000 mills and not more than 60.000 mills) and transfer the tax revenues derived from such levies, together with specific ownership taxes and facilities fees, to the District to pay debt service on the Subordinate Nonrevolving Line of Credit Note, Series 2010, and any other bonds that may be issued under the resolution approving the Note, or to pay public improvement and administrative costs incurred or to be incurred by the District, for the benefit of the Taxing Districts. The Taxing Districts elected, with the Developer’s acknowledgement as holder of the Note, not to impose the Required Mill Levies for fiscal years 2011 through 2016 because the property within the Taxing Districts is insufficient to generate revenues in excess of the costs for administering such taxes.

PRAIRIE CENTER METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 8 – AGREEMENTS (CONTINUED)

Facilities Funding and Acquisition Agreement and Novation of Funding and Reimbursement Agreement

On December 26, 2006, the District entered into the Facilities Funding and Acquisition Agreement and Novation of Funding and Reimbursement Agreements (Agreement) with THF Prairie Center Development L.L.C. and THF Prairie Center Retail One L.L.C. (collectively the Developer). Pursuant to the Agreement, the Developer agrees to advance funds to the District to pay for capital and operational expenses when the District's revenues are not sufficient to pay for such expenses. The District will pay the Developer interest compounding semi-annually, from the date of each Developer advance, at the rate of three percent (3%) per annum above the rate announced by Bank of America, N.A., St. Louis, Missouri. In addition, at the Developer's discretion, the District shall pay an additional funding fee of one percent (1%) on amounts outstanding twenty-four (24) months from the funding date, said fee being charged once every twenty-four (24) months while the amounts remain outstanding. The District's payment of Developer advances under this Agreement is subject to annual appropriation.

Upon execution of the Agreement, the District assumed the obligation to acquire certain public infrastructure constructed and financed by the Developer. Additionally, the District assumed the repayment obligations of District No. 1 and District No. 2 under a prior funding agreement with the Developer.

Construction Management Agreement

On January 18, 2007, the District entered into the Construction Management Agreement, with an effective date of August 2, 2006, with R.G. Brinkmann Company (Construction Manager) to supervise the construction of public improvements. The Construction Manager's duties include, but are not limited to, the supervision and coordination of activities with engineers, other consultants, potential builders and the City of Brighton (City), to ensure the public improvements are in compliance with the District's and City's requirements. In consideration of the Construction Manager's services, the District shall pay, on a monthly basis, a fee of five percent (5%) of the aggregate payments the District makes to approved contractors. The Agreement was amended on September 8, 2015, to revise certain insurance and indemnification provisions.

Facilities Management Agreement

The District entered into the Facilities Management Agreement, effective as of July 1, 2006, with Prairie Management, L.L.C. (Facilities Manager), an entity affiliated with the Developer, pursuant to which the Facilities Manager shall manage the operation, maintenance and repair of public improvements owned by the District or for which the District has operation and maintenance responsibilities. The compensation paid to the Facilities Manager is \$3,000 per month.

PRAIRIE CENTER METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 8 – AGREEMENTS (CONTINUED)

Project Management Agreement

On August 2, 2006, the District entered into the Project Management Agreement with Prairie Management L.L.C (Project Manager), an entity affiliated with the Developer. Pursuant to the Agreement, the Project Manager shall provide all management services relating to the planning, design, construction and installation of and obtaining municipal approval of the public improvements. The Project Manager's duties also include supervision, on behalf of the District, of the Construction Manager. As compensation for services provided by the Project Manager, the District shall pay, on a monthly basis, a fee of four percent (4%) of the actual cost of public improvements. Any unpaid fees will accrue interest at the rate of two percent (2%) per annum above the prime rate announced by Bank of America, N.A., St. Louis, Missouri. The Agreement is for one year and shall renew annually thereafter for a period of twenty (20) years. As of December 31, 2016, the outstanding balances of the project management fees and related interest are \$536,192 and \$115,542, respectively.

Intergovernmental Agreement Regarding Facilities Fee Collection

On November 13, 2007, the District entered into the Intergovernmental Agreement Regarding Facilities Fee Collection with District Nos. 2 and 4 – 10, agreeing to administer and collect facilities fees imposed by District Nos. 2 and 4 – 10. The District will deposit facilities fees collected on behalf of said Districts with the Trustee.

Purchase and Sale Agreement

On June 1, 2012, the District entered into the Purchase and Sale Agreement (Agreement) with THF Prairie Center Development L.L.C. (Seller). Pursuant to the Agreement, in consideration for the District's operation, maintenance and repair of Detention Pond Improvements constructed on the Seller's Property by Prairie Center Metropolitan District No. 1 which thereafter were conveyed to the District, the Seller agrees to convey the Property to the District and the District agrees to accept such dedication. If the District removes or relocates the Detention Pond Improvements or otherwise discontinues the operation, maintenance and repair for a period of one year or more, the Seller shall have the option to reacquire the Property, or any portion thereof. In the event the District receives a third-party offer to purchase the Property and/or the District offers the Property for sale, dedication, donation or other conveyance, the District shall give written notice to the Seller. The Seller has the option to repurchase the Property within thirty (30) days of the notice. If the Seller elects not to repurchase the Property or fails to respond within the thirty (30) day time period, the District shall be entitled to consummate the conveyance to such third-party in accordance with the terms of the offer.

NOTE 9 - ECONOMIC DEPENDENCY

The District has not yet established a revenue base sufficient to pay capital expenditures. Until an independent revenue base is established, funding of District capital improvements will be dependent upon the Developer.

PRAIRIE CENTER METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 10 - RELATED PARTY

The developer of the property which constitutes the District is collectively THF Prairie Center Development, L.L.C., a Colorado limited liability company, and THF Prairie Center Retail One, L.L.C., a Missouri limited liability company (Developer). All members of the Board of Directors are officers or employees of an entity affiliated with the Developer or the majority owner of the Developer and may have conflicts of interest in dealing with the District (see Note 8).

In September 2010, THF Prairie Center Development, L.L.C. purchased and became the new owner of the District's Subordinate Bonds, Series 2007 A and B in the amount of \$43,515,000.

NOTE 11 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

The District was a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property and public officials' liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 12 - TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments, except Enterprises.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or benefit increases.

PRAIRIE CENTER METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 12 - TAX, SPENDING AND DEBT LIMITATIONS

On May 2, 2006, a majority of the District's electors authorized the District to increase property taxes \$10,000,000 annually, without limitation to rate, to pay the District's operations and maintenance costs. Additionally, the District's voters authorized the District to collect, retain and spend all revenue in excess of TABOR spending, revenue raising or other limitations.

The District's management has taken steps it believes are necessary to comply with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

NOTE 13 – COMMITMENTS

Major Construction Commitment

As of December 31, 2016, the District had unexpended commitments from various contracts of approximately \$186,000, of which \$103,000 was recorded as retainage payable.

NOTE 14 – RESTATEMENT OF BEGINNING NET POSITION

Pursuant to the Facilities Funding and Acquisition Agreement and Novation of Funding and Reimbursement Agreement, the District shall pay a funding fee of one percent (1%) of amounts outstanding and payable to the Developer twenty-four (24) months from the funding date, which fee shall be charged once every twenty-four (24) months while advances remain outstanding. The 1% funding fee is payable on Developer's discretion and payment of which is subject to annual appropriation. The District has not recorded such fees in prior years, and has restated the current year's beginning net position to reflect such fees because payment in the future is probable.

	Governmental Activities
Net position - December 31, 2015, as originally stated	\$ (107,479,078)
Restatement related to funding fee payable	(548,953)
Net position - December 31, 2015, as restated	\$ (108,028,031)

This information is an integral part of the accompanying financial statements.

SUPPLEMENTARY INFORMATION

PRAIRIE CENTER METROPOLITAN DISTRICT NO. 3
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2016

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Credit public improvement fees from retail sales	\$ 1,250,000	\$ 1,357,845	\$ 107,845
Add-on public improvement fees from retail sales	1,250,000	1,364,965	114,965
Credit public improvement fees from building permits	174,400	161,103	(13,297)
Add-on public improvement fees from building permits	175,000	161,103	(13,897)
Facilities fees	537,000	144,000	(393,000)
Net investment income	5,000	29,565	24,565
Transfer from other Districts	603,055	589,840	(13,215)
Total revenues	<u>3,994,455</u>	<u>3,808,421</u>	<u>(186,034)</u>
EXPENDITURES			
Principal - 2006 Bonds	915,000	915,000	-
Principal - 2007 Bonds	575,000	-	575,000
Interest - 2006 Bonds	1,753,943	1,753,943	-
Interest - 2007 Bonds	4,061,725	882,667	3,179,058
Paying agent fees	6,000	6,000	-
Total expenditures	<u>7,311,668</u>	<u>3,557,610</u>	<u>3,754,058</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(3,317,213)</u>	<u>250,811</u>	<u>3,568,024</u>
OTHER FINANCING SOURCES (USES)			
Transfers (to) other funds	(300,000)	(362,010)	(62,010)
Transfers from other funds	50	292	242
Developer advance	3,088,263	-	(3,088,263)
Total other financing sources (uses)	<u>2,788,313</u>	<u>(361,718)</u>	<u>(3,150,031)</u>
NET CHANGE IN FUND BALANCES	(528,900)	(110,907)	417,993
FUND BALANCES - BEGINNING OF YEAR	<u>4,326,047</u>	<u>4,566,257</u>	<u>240,210</u>
FUND BALANCES - END OF YEAR	<u>\$ 3,797,147</u>	<u>\$ 4,455,350</u>	<u>\$ 658,203</u>

**PRAIRIE CENTER METROPOLITAN DISTRICT NO. 3
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2016**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Credit public improvement fees from retail sales	\$ 312,500	\$ 322,000	\$ 339,461	\$ 17,461
Credit public improvement fees from building permits	43,600	40,276	40,276	-
Net investment income	100	270	333	63
Total revenues	<u>356,200</u>	<u>362,546</u>	<u>380,070</u>	<u>17,524</u>
EXPENDITURES				
Primary public improvements	1,811,550	2,825,000	2,696,941	128,059
District public improvements	102,462	128,022	124,287	3,735
Parks and recreation improvements	60	60	45	15
Transfer to District No. 9	38,000	55,000	53,800	1,200
Miscellaneous/Contingency	9,028	8,618	-	8,618
Total expenditures	<u>1,961,100</u>	<u>3,016,700</u>	<u>2,875,073</u>	<u>141,627</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,604,900)</u>	<u>(2,654,154)</u>	<u>(2,495,003)</u>	<u>159,151</u>
OTHER FINANCING SOURCES (USES)				
Transfers (to) other funds	(50)	(300)	(292)	8
Developer advance	1,917,450	3,623,271	1,891,879	(1,731,392)
Repayment of Developer advance	(312,500)	(383,000)	(383,000)	-
Total other financing sources (uses)	<u>1,604,900</u>	<u>3,239,971</u>	<u>1,508,587</u>	<u>(1,731,384)</u>
NET CHANGE IN FUND BALANCES	-	585,817	(986,416)	(1,572,233)
FUND BALANCES - BEGINNING OF YEAR	<u>-</u>	<u>(585,817)</u>	<u>(585,817)</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,572,233)</u>	<u>\$ (1,572,233)</u>

PRAIRIE CENTER METROPOLITAN DISTRICT NO. 3
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2016

	\$34,545,000		
Bonds and Interest Maturing in the Year Ending December 31,	Limited Property Tax Supported Primary Improvements Revenue Bonds, Series 2006A Dated December 28, 2006 Interest Rate at 5.25% - 5.40% Interest Payable June 15 and December 15 Principal Due December 15		
	Principal	Interest	Total
2017	\$ 980,000	\$ 1,619,707	\$ 2,599,707
2018	1,095,000	1,568,258	2,663,258
2019	1,220,000	1,510,770	2,730,770
2020	1,350,000	1,446,720	2,796,720
2021	1,490,000	1,375,845	2,865,845
2022	1,625,000	1,297,620	2,922,620
2023	1,770,000	1,209,870	2,979,870
2024	1,925,000	1,114,290	3,039,290
2025	2,090,000	1,010,340	3,100,340
2026	2,265,000	897,480	3,162,480
2027	2,450,000	775,170	3,225,170
2028	2,650,000	642,870	3,292,870
2029	2,860,000	499,770	3,359,770
2030	3,080,000	345,330	3,425,330
2031	3,315,000	179,010	3,494,010
	\$ 30,165,000	\$ 15,493,050	\$ 45,658,050

PRAIRIE CENTER METROPOLITAN DISTRICT NO. 3
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2016
(Continued)

\$1,815,000			\$40,610,000		
Limited Property Tax Supported District Improvement Revenue Bonds, Series 2006B Dated December 28, 2006 Interest Rate at 5.40% Interest Payable June 15 and December 15 Principal Due December 15			Subordinate Limited Property Tax Supported Primary Improvements Revenue Bonds, Series 2007A Dated June 7, 2007 Interest Rate at 8.75% - 9.50% Interest Payable June 15 and December 15 Principal Due December 15		
Principal	Interest	Total	Principal	Interest	Total
\$ 50,000	\$ 86,130	\$ 136,130	\$ 1,970,000	\$ 30,339,195	\$ 32,309,195
60,000	83,430	143,430	875,000	3,670,800	4,545,800
65,000	80,190	145,190	1,100,000	3,587,675	4,687,675
70,000	76,680	146,680	1,295,000	3,483,175	4,778,175
80,000	72,900	152,900	1,565,000	3,360,150	4,925,150
85,000	68,580	153,580	1,825,000	3,211,475	5,036,475
95,000	63,990	158,990	2,170,000	3,038,100	5,208,100
105,000	58,860	163,860	2,485,000	2,831,950	5,316,950
110,000	53,190	163,190	2,905,000	2,595,875	5,500,875
120,000	47,250	167,250	3,300,000	2,319,900	5,619,900
130,000	40,770	170,770	3,615,000	2,006,400	5,621,400
140,000	33,750	173,750	3,890,000	1,662,975	5,552,975
150,000	26,190	176,190	4,195,000	1,293,425	5,488,425
160,000	18,090	178,090	4,530,000	894,900	5,424,900
175,000	9,450	184,450	4,890,000	464,550	5,354,550
\$ 1,595,000	\$ 819,450	\$ 2,414,450	\$ 40,610,000	\$ 64,760,545	\$ 105,370,545

PRAIRIE CENTER METROPOLITAN DISTRICT NO. 3
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2016
(Continued)

	\$2,905,000		
Bonds and Interest Maturing in the Year Ending December 31,	Subordinate Limited Property Tax Supported District Improvements Revenue Bonds, Series 2007B Dated June 7, 2007 Interest Rate at 8.75% - 9.50% Interest Payable June 15 and December 15 Principal Due December 15		
	Principal	Interest	Total
2017	\$ 135,000	\$ 2,076,823	\$ 2,211,823
2018	65,000	263,150	328,150
2019	75,000	256,975	331,975
2020	95,000	249,850	344,850
2021	110,000	240,825	350,825
2022	130,000	230,375	360,375
2023	150,000	218,025	368,025
2024	180,000	203,775	383,775
2025	205,000	186,675	391,675
2026	240,000	167,200	407,200
2027	260,000	144,400	404,400
2028	280,000	119,700	399,700
2029	300,000	93,100	393,100
2030	325,000	64,600	389,600
2031	355,000	33,725	388,725
	\$ 2,905,000	\$ 4,549,198	\$ 7,454,198

PRAIRIE CENTER METROPOLITAN DISTRICT NO. 3
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2016
(Continued)

Principal	Totals	
	Interest	Total
\$ 3,135,000	\$ 34,121,855	\$ 37,256,855
2,095,000	5,585,638	7,680,638
2,460,000	5,435,610	7,895,610
2,810,000	5,256,425	8,066,425
3,245,000	5,049,720	8,294,720
3,665,000	4,808,050	8,473,050
4,185,000	4,529,985	8,714,985
4,695,000	4,208,875	8,903,875
5,310,000	3,846,080	9,156,080
5,925,000	3,431,830	9,356,830
6,455,000	2,966,740	9,421,740
6,960,000	2,459,295	9,419,295
7,505,000	1,912,485	9,417,485
8,095,000	1,322,920	9,417,920
8,735,000	686,735	9,421,735
\$ 75,275,000	\$ 85,622,243	\$ 160,897,243