

**PRAIRIE CENTER METROPOLITAN DISTRICT NO. 4**  
**Adams County, Colorado**

**FINANCIAL STATEMENTS**  
**December 31, 2016**



**RECEIVED**

*By Electronic Submission at 9:39 am, May 10, 2017*

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Certified Public Accountants and Business Consultants

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Prairie Center Metropolitan District No. 4  
Adams County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Prairie Center Metropolitan District No. 4 (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. 4 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.

I

Barnes Griggs & Associates, PC

## **Other Matters**

### *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.

*Larner Grigg & Associates, PC*

Lakewood, Colorado

April 28, 2017

## **BASIC FINANCIAL STATEMENTS**

**PRAIRIE CENTER METROPOLITAN DISTRICT NO. 4**  
**STATEMENT OF NET POSITION**  
**December 31, 2016**

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Receivable - County Treasurer	\$ 7,999
Property taxes receivable	<u>1,328,759</u>
Total assets	<u>1,336,758</u>
<b>LIABILITIES</b>	
Due to District No. 3	<u>7,999</u>
Total liabilities	<u>7,999</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property tax revenue	<u>1,328,759</u>
Total deferred inflows of resources	<u>1,328,759</u>
<b>NET POSITION</b>	
Total net position	<u><u>\$ -</u></u>

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

**PRAIRIE CENTER METROPOLITAN DISTRICT NO. 4**  
**STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenue and Changes in Net Position</u>
					<u>Governmental Activities</u>
Primary government:					
Government activities:					
General government	\$ 838,201	\$ -	\$ -	\$ -	\$ (838,201)
Interest and related costs on long-term debt	598,716	-	-	-	(598,716)
	<u>\$ 1,436,917</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,436,917)</u>
General revenues:					
Property taxes					1,327,000
Specific ownership taxes					109,917
Total general revenues					<u>1,436,917</u>
Change in net position					-
Net position - Beginning					-
Net position - Ending					<u>\$ -</u>

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

**PRAIRIE CENTER METROPOLITAN DISTRICT NO. 4  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2016**

	<b>General</b>	<b>Debt Service</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Receivable - County Treasurer	\$ 4,666	\$ 3,333	\$ 7,999
Property taxes receivable	775,109	553,650	1,328,759
<b>TOTAL ASSETS</b>	<b>\$ 779,775</b>	<b>\$ 556,983</b>	<b>\$ 1,336,758</b>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Due to District No. 3	\$ 4,666	\$ 3,333	\$ 7,999
Total liabilities	4,666	3,333	7,999
 <b>DEFERRED INFLOWS OF RESOURCES</b>			
Property tax revenue	775,109	553,650	1,328,759
Total deferred inflows of resources	775,109	553,650	1,328,759
 <b>FUND BALANCES</b>			
Total fund balances	-	-	-
 <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 779,775</b>	<b>\$ 556,983</b>	<b>\$ 1,336,758</b>

Amounts reported for governmental activities in the Statement of Net Position  
are the same as above.

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

**PRAIRIE CENTER METROPOLITAN DISTRICT NO. 4**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended December 31, 2016**

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Property taxes	\$ 774,083	\$ 552,917	\$ 1,327,000
Specific ownership taxes	64,118	45,799	109,917
Total revenues	<u>838,201</u>	<u>598,716</u>	<u>1,436,917</u>
<b>EXPENDITURES</b>			
County Treasurer's fees	11,611	8,294	19,905
Miscellaneous	980	700	1,680
Transfer to District No. 3	825,610	589,722	1,415,332
Total expenditures	<u>838,201</u>	<u>598,716</u>	<u>1,436,917</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	-	-
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Amounts reported for governmental activities in the Statement of Activities  
are the same as above.

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

**PRAIRIE CENTER METROPOLITAN DISTRICT NO. 4  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
Year Ended December 31, 2016**

	<b>Original and Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>			
Property taxes	\$ 777,981	\$ 774,083	\$ (3,898)
Specific ownership taxes	77,798	64,118	(13,680)
Total revenues	<u>855,779</u>	<u>838,201</u>	<u>(17,578)</u>
<b>EXPENDITURES</b>			
County Treasurer's fees	11,670	11,611	59
Miscellaneous	-	980	(980)
Transfer to District No. 3	844,109	825,610	18,499
Total expenditures	<u>855,779</u>	<u>838,201</u>	<u>17,578</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	-	-
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**PRAIRIE CENTER METROPOLITAN DISTRICT NO. 4**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 1 - DEFINITION OF REPORTING ENTITY**

Prairie Center Metropolitan District No. 4 (District) is a quasi-municipal corporation located in the City of Brighton, Adams County, Colorado and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District was organized on June 6, 2006, concurrently with Prairie Center Metropolitan District Nos. 3 and 5-10, 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.

District Nos. 3 – 10 were 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 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.

**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 taxes 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.

**PRAIRIE CENTER METROPOLITAN DISTRICT NO. 4**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 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 government 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 property taxes and specific ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

The General Fund is the District's 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 transferred to District No. 3 (Operating District) for the payment of principal, interest and other related costs on bonds issued by the Operating District for the benefit of the District.

**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.

**PRAIRIE CENTER METROPOLITAN DISTRICT NO. 4**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property Taxes**

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August, and generally, sale of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows of resources in the year they are levied and measurable. The unearned property tax revenues are recorded as revenue in the year they are available or collected.

**Deferred Inflows of Resources**

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**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.

**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.

**PRAIRIE CENTER METROPOLITAN DISTRICT NO. 4**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- *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.

**NOTE 3 - CASH AND INVESTMENTS**

**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 had no cash deposits.

**PRAIRIE CENTER METROPOLITAN DISTRICT NO. 4**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

**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 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.

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

As of December 31, 2016, the District had no investments.

**PRAIRIE CENTER METROPOLITAN DISTRICT NO. 4**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 4 - AUTHORIZED DEBT**

On May 2, 2006, the District's voters authorized total indebtedness of \$6,790,000,000 for construction of public improvements, operations and maintenance expenditures and debt refunding. At December 31, 2016, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	<b>Amount Authorized on May 2, 2006</b>	<b>Authorized But Unissued</b>
Streets	\$ 750,000,000	\$ 750,000,000
Water	750,000,000	750,000,000
Sewer	750,000,000	750,000,000
Parks and recreation	750,000,000	750,000,000
Public transportation	750,000,000	750,000,000
Traffic and safety control	750,000,000	750,000,000
Television relay and translation	20,000,000	20,000,000
Mosquito control	20,000,000	20,000,000
Operations and maintenance	750,000,000	750,000,000
Debt refunding	750,000,000	750,000,000
Intergovernmental agreements	750,000,000	750,000,000
	<u>\$ 6,790,000,000</u>	<u>\$ 6,790,000,000</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, District No. 3 (Operating District) issued a Subordinate Nonrevolving Line of Credit Note, Series 2010, in the principal sum of \$670,125,000 which brings District No. 3'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.

**NOTE 5 - 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 – 3 and 5 – 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. The FFCO sets forth the agreement among such Districts relating to the provision of improvements contemplated in the Service Plans.

**PRAIRIE CENTER METROPOLITAN DISTRICT NO. 4**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 5 – AGREEMENTS (CONTINUED)**

Pursuant to the FFCO, District No. 3 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 of district records, coordinating board meetings, filing and notices, preparing financial reports and budgets and coordinating legal, accounting, management, engineering and other professional services) for the District and District Nos. 2, 5 – 10 (Taxing Districts). The FFCO anticipates that District No. 3 will enter into intergovernmental agreements with the respective Taxing Districts whereby the Taxing Districts will agree to share in the District No. 3's administration costs and/or pledge certain revenues to pay capital projects costs incurred and/or to repay bonds issued by District No. 3. District No. 3 has presently entered into such agreements with the District and District Nos. 2, 5 – 8 and 10.

**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 – 3 and 5 – 10, whereby District No. 3 agrees to administer and collect facilities fees imposed by District Nos. 2 and 4 – 10. District No. 3 will deposit facilities fees collected by said Districts with the Trustee.

**Capital Pledge Agreement**

On December 1, 2006, the District and District No. 5 (individually a Taxing District; collectively the Taxing Districts) entered into the Capital Pledge Agreement (Agreement) with American National Bank (Trustee) (succeeded as Trustee by UMB Bank, n.a.) and District No. 3 (Operating District). Pursuant to the Agreement, District No. 3 shall issue Bonds 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 the District and 40.000 mills for District No. 5, subject to certain adjustments, and remit to the 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 District No. 3 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 District No. 3 without District No. 3'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.

A First Amendment to 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. 4**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 5 – AGREEMENTS (CONTINUED)**

A Second Amendment to 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.

**Operations Financing Intergovernmental Agreement**

On December 19, 2006, the District entered into an Operations Financing IGA with District No. 3 (Operating District). The IGA requires that the District impose, collect and remit to District No. 3 an operational mill levy in order to pay for certain administrative and management costs incurred by District No. 3. The operational mill levy imposed by the District, together with any capital mill levies, cannot exceed 60.000 mills.

**NOTE 6 - RELATED PARTIES**

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.

In September 2010, THF Prairie Center Development, L.L.C. purchased and became the new owner of District No. 3’s (Operating District) Subordinate Bonds, Series 2007 A and B, in the amount of \$43,515,000.

**NOTE 7 - 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; 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 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.

**PRAIRIE CENTER METROPOLITAN DISTRICT NO. 4**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 8 - 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.

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 salary or benefit increases. As of December 31, 2016, the District has not provided for an emergency reserve fund equal to at least 3% of fiscal year spending, as defined under TABOR, because net tax revenue is transferred to District No. 3, the Operating District, which provides for the required reserve amount.

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.

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

## **SUPPLEMENTARY INFORMATION**

**PRAIRIE CENTER METROPOLITAN DISTRICT NO. 4  
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>
<b>REVENUES</b>			
Property taxes	\$ 555,701	\$ 552,917	\$ (2,784)
Specific ownership taxes	55,570	45,799	(9,771)
Total revenues	<u>611,271</u>	<u>598,716</u>	<u>(12,555)</u>
<b>EXPENDITURES</b>			
County Treasurer's fees	8,336	8,294	42
Miscellaneous	-	700	(700)
Transfer to District No. 3	602,935	589,722	13,213
Total expenditures	<u>611,271</u>	<u>598,716</u>	<u>12,555</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	-	-
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**PRAIRIE CENTER METROPOLITAN DISTRICT NO. 4  
SUMMARY OF ASSESSED VALUATION, MILL LEVY AND  
PROPERTY TAXES COLLECTED  
December 31, 2016**

<b>Year Ended December 31,</b>	<b>Prior Year Assessed Valuation for Current Year Property Tax Levy</b>	<b>Mills Levied</b>		<b>Total Property Taxes</b>		<b>Percent Collected to Levied</b>
		<b>General</b>	<b>Debt Service</b>	<b>Levied</b>	<b>Collected</b>	
2012	\$ 21,274,370	35.000	25.000	\$1,276,462	\$ 1,275,396	99.92%
2013	\$ 21,269,750	35.000	25.000	\$1,276,185	\$ 1,276,185	100.00%
2014	\$ 21,823,690	35.000	25.000	\$1,309,421	\$ 1,309,421	100.00%
2015	\$ 22,200,630	35.000	25.000	\$1,332,038	\$ 1,332,038	100.00%
2016	\$ 22,228,040	35.000	25.000	\$1,333,682	\$ 1,327,000	99.50%
Estimated for year ending December 31, 2017	\$ 22,145,990	35.000	25.000	\$1,328,759		