

**PIONEER METROPOLITAN DISTRICT NO. 3**  
**Weld County, Colorado**

**FINANCIAL STATEMENTS**  
**December 31, 2017**

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Office of the State Auditor

July 30, 2018

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Board of Directors  
Pioneer Metropolitan District No. 3  
Weld County, Colorado

### Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities and each major fund of the Pioneer Metropolitan District No. 3, as of and for the year ended December 31, 2017, 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 of 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles 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 the Pioneer Metropolitan District No. 3 as of December 31, 2017, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other-Matters***

*Required Supplementary Information*

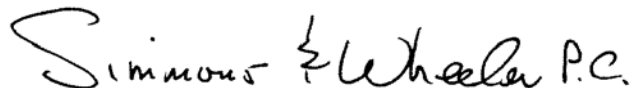
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required 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 Pioneer Metropolitan District No. 3's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of 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. Such 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The continuing disclosure annual financial information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



Englewood, CO  
July 10, 2018

## **BASIC FINANCIAL STATEMENTS**

**PIONEER METROPOLITAN DISTRICT NO. 3**  
**STATEMENT OF NET POSITION**  
**December 31, 2017**

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Cash and investments	\$ 1,952,600
Cash and investments - Restricted	603,030
Property taxes receivable	13,587
Receivable from Pioneer Regional	10,005
Receivable from Resource	6,849
Due from District No. 2	217
Due from District No. 4	410
Due from District No. 5	9,689
Prepaid expense	12,491
Capital assets	4,596,952
Total assets	<u>7,205,830</u>
<b>LIABILITIES</b>	
Accounts payable	630,159
Retainage payable	7,595
Accrued interest payable	28,362
Noncurrent liabilities	
Due in more than one year	5,244,332
Total liabilities	<u>5,910,448</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property tax revenue	13,587
Total deferred inflows of resources	<u>13,587</u>
<b>NET POSITION</b>	
Net investment in capital assets	2,370,038
Restricted for:	
Emergency reserves	15,400
Debt service	4,107
Capital projects	988,865
Unrestricted	(2,096,615)
Total net position	<u><u>\$ 1,281,795</u></u>

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

**PIONEER METROPOLITAN DISTRICT NO. 3**  
**STATEMENT OF ACTIVITIES**  
Year Ended December 31, 2017

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expenses)</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenues and Changes in Net Position</u>
					<u>Governmental Activities</u>
Government activities:					
General government	\$ 383,809	\$ -	\$ 483,261	\$ -	\$ 99,452
Interest and related costs on long-term debt	414,029		1,610,905		1,196,876
	<u>\$ 797,838</u>	<u>\$ -</u>	<u>\$ 2,094,166</u>	<u>\$ -</u>	<u>1,296,328</u>
General revenues:					
Property tax					1
Other revenue					7,500
Net investment income					37,456
Proceeds from sale of water rights					2,232,500
Total general revenues					<u>2,277,457</u>
Change in net position					3,573,785
Net position - Beginning					<u>(2,291,990)</u>
Net position - Ending					<u>\$ 1,281,795</u>

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

**PIONEER METROPOLITAN DISTRICT NO. 3  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2017**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and investments	\$ 329,294	\$ -	\$ 1,623,306	\$ 1,952,600
Cash and investments - Restricted	15,400	24,534	563,096	603,030
Property taxes receivable	3,135	10,452	-	13,587
Receivable from Pioneer Regional	10,005	-	-	10,005
Receivable from Resource	6,849	-	-	6,849
Due from District No. 2	50	167	-	217
Due from District No. 4	95	315	-	410
Due from District No. 5	2,236	7,453	-	9,689
Prepaid expense	12,491	-	-	12,491
Total assets	<u>\$ 379,555</u>	<u>\$ 42,921</u>	<u>\$ 2,186,402</u>	<u>\$ 2,608,878</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 3,313	\$ -	\$ 626,846	\$ 630,159
Retainage payable	-	-	7,595	7,595
Total liabilities	<u>3,313</u>	<u>-</u>	<u>634,441</u>	<u>637,754</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property tax revenue	3,135	10,452	-	13,587
Total deferred inflows of resources	<u>3,135</u>	<u>10,452</u>	<u>-</u>	<u>13,587</u>
<b>FUND BALANCES</b>				
Nonspendable for:				
Prepaid expenses	12,491	-	-	12,491
Restricted for:				
Emergency reserves	15,400	-	-	15,400
Debt service	-	32,469	-	32,469
Assigned for:				
Subsequent year's expenditures	322,645	-	-	322,645
Capital projects	-	-	1,551,961	1,551,961
Unassigned	22,571	-	-	22,571
Total fund balances	<u>373,107</u>	<u>32,469</u>	<u>1,551,961</u>	<u>1,957,537</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 379,555</u>	<u>\$ 42,921</u>	<u>\$ 2,186,402</u>	

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

Capital assets are recorded as assets on the statement of net position, but are recorded as expenditures in the funds.

Capital assets 4,596,952

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds payable (5,236,000)

Accrued interest on bonds payable (28,362)

Developer advance payable (8,332)

Net position of governmental activities \$ 1,281,795

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

**PIONEER METROPOLITAN DISTRICT NO. 3**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
Year Ended December 31, 2017

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Property taxes	\$ -	\$ 1	\$ -	\$ 1
Net investment income	2,828	9,434	25,194	37,456
Other income	-	-	7,500	7,500
Transfer from Pioneer Metro No. 2	9,756	32,521	-	42,277
Transfer from Pioneer Metro No. 4	18,490	61,633	-	80,123
Transfer from Pioneer Metro No. 5	455,015	1,516,751	-	1,971,766
Proceeds from sale of water rights	-	-	2,232,500	2,232,500
Total revenues	<u>486,089</u>	<u>1,620,340</u>	<u>2,265,194</u>	<u>4,371,623</u>
<b>EXPENDITURES</b>				
Accounting	43,567	-	9,103	52,670
Audit	4,000	-	-	4,000
Dues and licenses	1,645	-	-	1,645
Insurance and dues	12,767	-	-	12,767
Legal services	52,795	-	114,729	167,524
Miscellaneous	34	174	275	483
Pioneer Regional - Insurance	300	-	-	300
Pioneer Regional - Legal	360	-	-	360
Resource - Insurance	300	-	-	300
Water Conservation Program	-	-	143,760	143,760
Debt Service				
Bond principal	-	1,178,000	-	1,178,000
Interest expense	-	416,910	-	416,910
Paying agent/trustee fees	-	3,500	-	3,500
Capital Projects				
Capital outlay	-	-	1,170,079	1,170,079
Wilson Detention Pond	-	-	58,000	58,000
Huwa Detention Pond	-	-	532,332	532,332
Total expenditures	<u>115,768</u>	<u>1,598,584</u>	<u>2,028,278</u>	<u>3,742,630</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>370,321</u>	<u>21,756</u>	<u>236,916</u>	<u>628,993</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers to other funds	-	(210,006)	-	(210,006)
Transfers from other funds	-	-	210,006	210,006
Total other financing sources (uses)	<u>-</u>	<u>(210,006)</u>	<u>210,006</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u>370,321</u>	<u>(188,250)</u>	<u>446,922</u>	<u>628,993</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>2,786</u>	<u>220,719</u>	<u>1,105,039</u>	<u>1,328,544</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 373,107</u>	<u>\$ 32,469</u>	<u>\$ 1,551,961</u>	<u>\$ 1,957,537</u>

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

**PIONEER METROPOLITAN DISTRICT NO. 3  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ACTIVITIES  
Year Ended December 31, 2017**

Net changes in fund balances - Total governmental funds \$ 628,993

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

Governmental funds report capital outlays 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 1,760,411

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 report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term debt and related items is as follows:

Bond principal payment 1,178,000

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.

Accrued interest on bonds - change in liability 6,381

Change in net position of governmental activities \$ 3,573,785

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

**PIONEER METROPOLITAN DISTRICT NO. 3**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL**  
**December 31, 2017**

	<b>Original and Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>			
Net investment income	\$ 100	\$ 2,828	\$ 2,728
Transfer from Pioneer Metro No. 2	9,502	9,756	254
Transfer from Pioneer Metro No. 4	18,009	18,490	481
Transfer from Pioneer Metro No. 5	443,270	455,015	11,745
Total revenues	<u>470,881</u>	<u>486,089</u>	<u>15,208</u>
<b>EXPENDITURES</b>			
Accounting	35,000	43,567	(8,567)
Audit	5,000	4,000	1,000
Contingency	16,141	-	16,141
Dues and licenses	-	1,645	(1,645)
Insurance and bonds	7,700	12,767	(5,067)
Legal services	20,000	52,795	(32,795)
Miscellaneous	-	34	(34)
Pioneer Regional - Insurance	1,300	300	1,000
Pioneer Regional - Legal	1,000	360	640
Resource - Insurance	1,000	300	700
Resource - Legal	1,000	-	1,000
Total expenditures	<u>88,141</u>	<u>115,768</u>	<u>(27,627)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>382,740</u>	<u>370,321</u>	<u>(12,419)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers to other fund	(206,859)	-	206,859
Total other financing sources (uses)	<u>(206,859)</u>	<u>-</u>	<u>206,859</u>
<b>NET CHANGE IN FUND BALANCES</b>	175,881	370,321	194,440
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>27,824</u>	<u>2,786</u>	<u>(25,038)</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 203,705</u>	<u>\$ 373,107</u>	<u>\$ 169,402</u>

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

**PIONEER METROPOLITAN DISTRICT NO. 3**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 1 - DEFINITION OF REPORTING ENTITY**

Pioneer Metropolitan District No. 3 (District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized by court order and recorded with the Weld County Clerk and Recorder on August 29, 2006, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in Weld County, Colorado. The District was organized to provide financing for the design, acquisition, construction and installation and maintenance of essential public-purpose facilities, such as water, sanitation, storm drainage, streets, safety protection, park and recreation, transportation, television relay and translation, mosquito control, and limited fire protection.

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.

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

**PIONEER METROPOLITAN DISTRICT NO. 3**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

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

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 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 District property taxes, specific ownership taxes, and interest. 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.

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 and construction of capital equipment and facilities.

**Budgets**

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall of 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.

**PIONEER METROPOLITAN DISTRICT NO. 3**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

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

The District has amended its annual budget for the year ended December 31, 2017.

**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.

**Property Taxes**

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

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.

**Capital Assets**

Capital assets are reported in the applicable governmental activities column in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000.

**Water Rights**

The cost of water rights includes acquisition cost, legal and engineering costs related to the development and augmentation of those rights. Since the rights have a perpetual life, they are not amortized. All other costs, including costs incurred for the protection of those rights, are expensed.

**PIONEER METROPOLITAN DISTRICT NO. 3**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

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

**Deferred Inflows of Resources**

In addition to liabilities, the statement of net 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 and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, deferred property tax revenue, is deferred and recognized as an inflow of resources in the period that the amount becomes 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.
- *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.

**PIONEER METROPOLITAN DISTRICT NO. 3**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

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

If more than one classification of fund balance 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**

Cash and investments as of December 31, 2017, are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 1,952,600
Cash and investments - Restricted	<u>603,030</u>
Total cash and investments	<u>\$ 2,555,630</u>

Cash and investments as of December 31, 2017, consist of the following:

Deposits with financial institutions	\$ 152,558
Investments	<u>2,403,072</u>
Total cash and investments	<u>\$ 2,555,630</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, 2017, the District's cash deposits had a bank balance of \$177,409 and a carrying balance of \$152,558.

**Investments**

The District's policy is to follow 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.

**PIONEER METROPOLITAN DISTRICT NO. 3**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

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

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, 2017, the District had the following investments:

<b>Investment</b>	<b>Maturity</b>	<b>Amount</b>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	<u>\$ 2,403,072</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. CSAFE records its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

**PIONEER METROPOLITAN DISTRICT NO. 3**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 4 - CAPITAL ASSETS**

The following is an analysis of the changes in capital assets for the year ended December 31, 2017:

	<u>Balance at December 31, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2017</u>
Capital assets, not being depreciated:				
Water rights	\$ 2,836,541	\$ -	\$ -	\$ 2,836,541
Construction in progress	<u>-</u>	<u>1,760,411</u>	<u>-</u>	<u>1,760,411</u>
Governmental activities capital assets	<u>\$ 2,836,541</u>	<u>\$ 1,760,411</u>	<u>\$ -</u>	<u>\$ 4,596,952</u>

The balance shown above consists of certain water rights in the Larimer Fox Hill Aquifer and the Arapahoe Aquifer. It also includes expenses related to Lost Creek Well and project management related acquisition of water rights.

**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, 2017.

	<u>Balance at December 31, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at December 31, 2017</u>	<u>Due Within One Year</u>
General Obligation Bonds:					
Series 2016	\$ 6,414,000	\$ -	\$ 1,178,000	\$ 5,236,000	\$ -
Developer advance	<u>8,332</u>	<u>-</u>	<u>-</u>	<u>8,332</u>	<u>-</u>
	<u>\$ 6,422,332</u>	<u>\$ -</u>	<u>\$ 1,178,000</u>	<u>\$ 5,244,332</u>	<u>\$ -</u>

The details of the District's long-term obligations are as follows:

**\$6,414,000 Limited Tax General Obligation Refunding and Improvement Bonds, Series 2016 (the Series 2016 Bonds)**, were issued on September 30, 2016. The proceeds from the sale of the Series 2016 Bonds were used to finance the costs of certain water related public improvements, currently refund the District's outstanding Limited Tax General Obligation Bonds, Taxable Series 2012, and pay the costs of issuance of the Series 2016 Bonds.

**PIONEER METROPOLITAN DISTRICT NO. 3**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)**

The Series 2016 Bonds bear interest at 6.50% payable semi-annually on June 1 and December 1, beginning on December 1, 2016. The Series 2016 Bonds are structured as cash flow bonds, meaning that there are no scheduled payments of principal prior to the final maturity date. The Series 2016 Bonds mature on December 1, 2046. The flow of funds directs the Trustee to credit the interest account with the amounts necessary to fund current interest for the Bond Year and additional pledged revenues are deposited to the Redemption Account. On October 15th of each year the Trustee will determine how many bonds can be redeemed (in integral multiples of \$1,000) on December 1 and any additional funds on hand will be transferred to the Interest Account to go towards the funding of the following year's interest payments. Any accrued unpaid interest on the Series 2016 Bonds will compound semi-annually on June 1 and December 1. The Series 2016 Bonds are secured by and payable solely from and to the extent of Pledged Revenue consisting of monies derived by the District, net of any costs of collection, from: (i) the District's Required Mill Levy; (ii) all Capital Pledge Agreement Revenues; and (iii) Specific Ownership Tax which is collected as a result of the imposition of the District's Required Mill Levy.

The Indenture provides a Required Mill Levy be imposed upon all taxable property in the District in the amount of 50 mills, subject to adjustment for changes in the method of calculating assessed valuation after January 1, 2006. The Capital Pledge Agreements require Pioneer Metropolitan District Nos. 2, 4, and 5 to also impose 50 mills, subject to adjustment for changes in the method of calculating assessed valuation after January 1, 2006, upon all taxable property in the respective Districts.

The Series 2016 Bonds are subject to optional redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, on December 1, 2021, and on any date thereafter, upon payment of par and accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed, as follows.

<u><b>Date of Redemption</b></u>	<u><b>Redemption Premium</b></u>
December 1, 2021, to November 30, 2022	3.00%
December 1, 2022, to November 30, 2023	2.00%
December 1, 2023, to November 30, 2024	1.00%
December 1, 2024, and thereafter	0.00%

**Capital Pledge Agreements**

Each of Pioneer Metropolitan District Nos. 2, 4, and 5 entered into Capital Pledge Agreements with the District (collectively, the Capital Pledge Agreements). Under such Capital Pledge Agreements, each of District Nos. 2, 4, and 5 covenant to levy an ad valorem mill levy each year upon all taxable property of each of such Districts in the amount of 50 mills. The Districts will transfer all ad valorem tax revenue derived from such levy and all Specific Ownership Tax revenue allocable to such levy to the District for payment on the Series 2016 Bonds.

**PIONEER METROPOLITAN DISTRICT NO. 3**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)**

**Developer Advance**

The Developer advanced \$8,332 to the District in 2014 to pay for operating costs of the District. There is not currently an agreement in place documenting the District's obligation to repay the advance. However, the advance is an obligation of the District that may only be repaid if, and when, funds are available. Such repayment is subject to budget and appropriation.

**Authorized Debt**

On May 2, 2006, a majority of the qualified electors of the District who voted in the election authorized the issuance of indebtedness in an amount not to exceed \$3,680,000,000. On May 4, 2010, and on May 6, 2014, a majority of the qualified electors of the District who voted in the election authorized the issuance of indebtedness in an amount not to exceed \$3,680,000,000 and \$4,010,000,000, respectively. At December 31, 2017, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	<b>Debt Authorized</b>	<b>Authorization Used for Series 2012 Bonds</b>	<b>Authorization Used for Series 2016 Bonds</b>	<b>Authorized But Unissued</b>
Streets	\$ 990,000,000	\$ -	\$ -	\$ 990,000,000
Water	990,000,000	3,695,000	2,671,000	983,634,000
Sanitary sewer	990,000,000	145,000	-	989,855,000
Parks and recreation	990,000,000	-	-	990,000,000
Traffic and safety	990,000,000	-	-	990,000,000
Mosquito control	990,000,000	-	-	990,000,000
Public transportation	990,000,000	-	-	990,000,000
Fire protection	990,000,000	-	-	990,000,000
Television relay and translation	990,000,000	-	-	990,000,000
Security Service	330,000,000	-	-	330,000,000
Operations and maintenance	150,000,000	310,000	-	149,690,000
Debt refunding	990,000,000	-	3,743,000	986,257,000
Intergovernmental contracts	990,000,000	-	-	990,000,000
	<u>\$11,370,000,000</u>	<u>\$ 4,150,000</u>	<u>\$ 6,414,000</u>	<u>\$11,359,436,000</u>

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. However, as of the date of this audit, the amount and timing of any debt issuance is not determinable.

**PIONEER METROPOLITAN DISTRICT NO. 3**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 6 - NET POSITION**

The District's net position consists of three components – net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets 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, 2017, the District had net investment in capital assets calculated as follows:

	<b>Governmental Activities</b>
Net investment in capital assets:	
Capital assets, net	\$ 4,596,952
Noncurrent portion of outstanding long-term obligations	(2,495,263)
Unspent bond proceeds	268,349
Net investment in capital assets	<b>\$ 2,370,038</b>

Restricted 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 restricted net position as of December 31, 2017, as follows:

	<b>Governmental Activities</b>
Restricted net assets:	
Emergency reserves	\$ 15,400
Debt service	4,107
Capital Projects	988,865
Total restricted net assets	<b>\$ 1,008,372</b>

The District has a deficit in unrestricted net position.

**NOTE 7 - RELATED PARTY**

The members of the Board of Directors are employees, owners or are otherwise associated with HP Farms Holding, LLC (the Property Owner) and Gateway American Resources, LLC (the Developer). The Property Owner and the Developer may have conflicts of interest in dealing with the District. During 2017, the District paid \$525,000 for project management to the Developer.

**PIONEER METROPOLITAN DISTRICT NO. 3**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 8 - AGREEMENTS**

**Memorandum of Understanding, dated November 12, 2008 (as amended March 26, 2012)**

As contemplated by the Service Plan, Pioneer Regional Metropolitan District ("Pioneer Regional") was designated as the "Service District" and Pioneer Metropolitan District Nos. 1 through 6, inclusive, were designated as the "Financing Districts." The Service Plans for the Service District and each of the Financing Districts provided that the Service District and the Financing Districts would enter into a Facilities Funding Construction and Operations Agreement (the "FFCO") in order to establish the rights and obligations of the Service District and Financing Districts to provide for the financing, construction, operation, and maintenance of certain public infrastructure required for the planned future development within the Districts (the "Future Development"). Prior to completing discussions on the terms of the FFCO, the Service District and the Financing Districts entered into a Memorandum of Understanding (the "MOU") dated November 12, 2008 (as amended March 26, 2012), by and among Pioneer Metropolitan District Nos. 1 through 6 and Pioneer Regional, whereby the Financing Districts agreed to reimburse the Service District for certain expenses incurred by the Service District for the benefit of each of the Financing Districts.

Such expenses are those incurred by the Service District in connection with the organization and administration of the Districts, District No. 1 and District No. 6, and in the planning and designing of improvements to serve the Future Development (the "Reimbursable Costs"), as defined therein. The MOU was amended on March 26, 2012, to release the Districts from their obligations under the MOU and to allow the Districts to enter in to the 2012 FFCO (defined below) as contemplated by the Service Plans for the Districts. The amendment to the MOU, however, contemplates that the FFCO will be amended in the future to ensure transition and/or use of any public improvements constructed thereunder to Pioneer Regional as the Service District.

**Facilities Funding Construction and Operations Agreement**

As anticipated by the amendment to the MOU as noted above, on March 26, 2012, the District entered into a Facilities Funding, Construction and Operations Agreement with Pioneer Metropolitan District Nos. 2, 4, and 5, (the "2012 FFCO"). Pursuant to the 2012 FFCO, the District is generally responsible for coordinating the financing, construction, ownership, operation and maintenance of public improvements, while District Nos. 2, 4, and 5, serving as the "Financing Districts," are generally responsible for producing property tax and other revenue sufficient to pay the costs of operations and debt service expenses incurred for the purpose of providing such improvements and services.

In addition, the District, in its capacity as the "Coordinating District" under the FFCO has agreed to pay the Reimbursable Costs.

The 2012 FFCO allows for a future amendment to include Pioneer Regional, District No. 1 and District No. 6 to ensure transition and/or use of any public improvements constructed thereunder to Pioneer Regional, as the provider of services to end users within the Districts, and the eventual transition to each of the Districts to provide services to its future residents and/or commercial users.

**PIONEER METROPOLITAN DISTRICT NO. 3**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 8 - AGREEMENTS (CONTINUED)**

**Keenesburg Agreement (Pipeline)**

Pursuant to an agreement with the Town of Keenesburg, as amended and assigned to the District, the District had the sole, exclusive and perpetual right to 800 gallons per minute of capacity in the Keenesburg Well Water Transmission Line (the Water Line). On March 31, 2017, the District assigned 100% of its rights in the Water Line to the Town of Castle Rock by and through the Town of Castle Rock Water Enterprise (Castle Rock). As consideration for the assignment, Castle Rock paid \$2,232,500 to the District and assumed the requirement to pay \$63,098.58 annually to Keenesburg until the final payment on May 25, 2032.

**Pioneer Community Reimbursement IGA**

In accordance with the MOU, Pioneer Regional incurred certain costs on behalf of the Financing Districts. Pursuant to the Intergovernmental Agreement Regarding Assignment of Reimbursement Obligations; Consent to Construction; and Collection of Regional Mill Levy dated as of March 26, 2012, between Pioneer Regional and the District (the "Pioneer Community Reimbursement IGA"), Pioneer Regional assigned to the District certain obligations it had with respect to the Reimbursement Obligations and Organization Costs and Services (each, as defined therein) which are collectively referred to therein as the "Pioneer Community Reimbursement Obligations." Pioneer Regional has agreed to adjust the formula in determining its rates to be charged to end users in the Future Development in exchange for the District assuming the Pioneer Community Reimbursement Obligations.

Pioneer Regional is obligated to provide water and wastewater service to the future residents and commercial development of the Districts. As noted above, in exchange for the District's assumption of the Pioneer Community Reimbursement Obligations, Pioneer Regional agreed that it will adjust the calculation considered in establishing its rate structure so that no charges are passed along that would have otherwise been assessed as a result of Pioneer Regional's former obligations pursuant to the MOU. This is expected to result in a decrease in the tap fee rates ultimately payable for connection to water and wastewater systems for service.

Under the Pioneer Community Reimbursement IGA, Pioneer Regional agreed that it will not object to the District's construction of (or causing the construction of) future water and wastewater infrastructure that would otherwise be the responsibility of Pioneer Regional pursuant to its Service Plan. The District agreed to give Pioneer Regional advance written notice prior to constructing any water and wastewater improvements. In addition, pursuant to the First Amendment to the MOU and the Pioneer Community Reimbursement IGA, Pioneer Regional and the District will enter into an agreement prior to the connection of any resident to water or wastewater service to ensure Pioneer Regional has adequate access to such infrastructure to provide the services contemplated under its Service Plan and to establish an orderly transition of the use and ownership of the improvements to each of the Districts.

**PIONEER METROPOLITAN DISTRICT NO. 3**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 8 - AGREEMENTS (CONTINUED)**

Finally, each of the Financing Districts will be obligated to impose a regional improvements mill levy (the "Regional Mill Levy"), the proceeds of which are to be remitted to Pioneer Regional to be used for the provision of regional water and wastewater improvements. Pursuant to the Pioneer Regional Community Reimbursement IGA, the District will cause each of the other Financing Districts to impose the Regional Mill Levy and will collect and remit the revenue derived from such levy to Pioneer Regional. Pioneer Regional is to use such revenue for payment of its on-going operations expenses and certain reimbursement obligations which were retained by Pioneer Regional and not assigned to or assumed by the District and for any other purpose authorized by its Service Plan. The District did not make any payments related to this agreement during 2017.

The Pioneer Community Reimbursement IGA was amended by that certain First Amendment to Intergovernmental Agreement Regarding Assignment of Reimbursement Obligations; Consent to Construction; and Collection of Regional Mill levy dated May 28, 2013 (the "First Amendment to Pioneer IGA"). Pursuant to the First Amendment to Pioneer IGA, the District agreed to make funds available to Pioneer Regional for Pioneer Regional's implementation of the Program (defined below) adopted by the Board of Directors of Pioneer Regional. Pursuant to the First Amendment to Pioneer IGA, such funds may be used for payment of any incentive payments, water infrastructure or water as may be necessary for Pioneer Regional's implementation of the Program. During 2017, the District made an incentive payment under the Program to Greenleaf Acres, LLC in the amount of \$143,760.

**Agricultural Water Conservation Pilot Program**

Pioneer Regional is intended to provide retail water and wastewater services within the Pioneer communities, including the service area of the District. A Planned Unit Development (PUD) was approved for the Pioneer Communities in 2013 which zoning document approved certain agricultural uses within the Pioneer Communities. Since Pioneer Regional will be providing water services, it determined that implementation of a water conservation program by the agricultural users within the Pioneer Communities will benefit all of the residents and inhabitants in the Pioneer Communities. In May 2013 the Board of Directors of Pioneer Regional adopted the Pioneer Regional Agricultural Water Conservation Pilot Program. The Program was created to promote and incentivize on-farm physical improvements, soils amendment, crop selection, irrigation management practices and water measurement that promote water conservation and increase crop density and yield ("Conservation Measures"). Pioneer Regional's goal is to ensure water is being used efficiently and that it is being put to beneficial use. Under the Program, financial incentives are made available to farmers and ranchers ("Growers") for a 12 year period beginning in 2013. In order to participate in the Program, a Grower must meet certain eligibility requirements, including, but not limited to actively farming or ranching within the Program Area a total of not less than 500 acres for commercial purposes only. In addition, the Conservation Measures to be implemented must be located within the taxing boundaries of one of the District Nos. 2 through 5. As noted above, the First Amendment to the Pioneer Community Reimbursement IGA was entered into between Pioneer Regional and the District to evidence the District's agreement to making funding available for the Program. At this time, one participation agreement under the Program has been executed, as described below.

**PIONEER METROPOLITAN DISTRICT NO. 3**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 8 - AGREEMENTS (CONTINUED)**

**Pioneer Regional Metropolitan District Participation Agreement Agricultural Water Conservation Pilot Program – Greenleaf Acres, LLC**

On July 8, 2013, Pioneer Regional entered into its first participation agreement under the Program with Greenleaf Acres, LLC (“Greenleaf”) (the “Greenleaf Participation Agreement”). Pursuant to the Greenleaf Participation Agreement, Greenleaf has elected to participate in the Program with respect to 920 acres of its property. The term of the Greenleaf Participation Agreement is for 12 years. Greenleaf must make an annual election of the Conservation Measures it intends to implement in any particular growing season (the “Plan”). If Greenleaf fulfills its Plan in accordance with the Program requirements, then Greenleaf will be entitled to certain incentive payments.

Pursuant to the First Amendment to Pioneer IGA, the District is required to make an incentive payment to Greenleaf consisting of a combination of water delivery and/or cash, as set forth in the Greenleaf Participation Agreement. In the event the total assessed valuation of real property located within Pioneer Metropolitan District Nos. 2 – 5 decreases in any year from the total assessed valuation for collection year 2013, the Greenleaf Participation Agreement provides that the District has the right to decrease the amount of the incentive payment by an amount that is proportionate to the decrease in total assessed valuation.

The scheduled cash payment for 2017 was \$100,000. The total assessed valuation did not decrease from 2013 collection year to 2017 collection year. The District did not deliver 200 acre feet of water to Greenleaf in 2017. The cash value of that water was \$43,760. During 2017, the District paid Greenleaf \$143,760 for its obligation.

**Resource Colorado Water and Sanitation Metropolitan District Reimbursement IGA**

The District, Resource Colorado Water and Sanitation Metropolitan District (“Resource”), Resource Colorado Water and Sanitation District acting by and through Resource Colorado Water and Sanitation District GAR Water Activity Enterprise No. 1 (“Enterprise No. 1”), and Resource Colorado Water and Sanitation District acting by and through Resource Colorado Water and Sanitation District Water Activity Enterprise (the “Original Enterprise”), entered into that certain Intergovernmental Agreement Regarding Assignment of Reimbursement Obligations and Consent to Construction on April 19, 2012 (“Resource IGA”).

Pursuant to the Resource IGA, Resource, the Original Enterprise, and Enterprise No. 1 agree to assign, and the District agrees to assume, their respective responsibilities for repayment of those reimbursement obligations pursuant to those certain Gateway American Resources Operation Funding Agreements, the Quebec Corp. Operation Funding Agreements, the Gateway American Resources Project Funding Agreement and the Quebec Corp. Project Funding Agreement (as defined therein) (the “Reimbursement Obligations”). In exchange, Resource, the Original Enterprise, and Enterprise No. 1 agree not to include the costs incurred in any rate structure for service established by Resource, the Original Enterprise or Enterprise No. 1 for future services provided to the Districts’ service area (the “Pioneer Community”).

**PIONEER METROPOLITAN DISTRICT NO. 3**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 8 - AGREEMENTS (CONTINUED)**

In addition, pursuant to the Resource IGA, Resource on behalf of itself and the Pioneer Community Enterprise consents to and agrees that it will not object to the District's construction, or causing such construction to be done, in the future, of water infrastructure that may be construed as a Resource and/or Pioneer Community Enterprise obligation under Resource's Service Plan provided the District gives Resource advance written notice together with a copy of the construction plans prior to commencement of such construction. Further, the Parties agree that if the District undertakes any water or sewer infrastructure construction, it will enter into an agreement with Pioneer Regional as contemplated in the First Amendment to MOU between Pioneer Regional and Pioneer prior to the connection of a resident for water or sewer service to a Pioneer Regional Improvement to ensure both Pioneer Regional (as the contracting entity with Resource) and Resource have adequate access to such infrastructure to provide its services under its respective Service Plan and such that Resource can satisfy the terms and provisions of the Will Serve Letter (defined therein).

**Memorandum of Understanding, dated November 2, 2015**

The District entered into a Memorandum of Understanding (the "MOU") as of November 2, 2015, by and between Pioneer Regional and Resource. Pioneer Regional and Resource declared Inactive Status effective January 1, 2016. Pioneer Regional and Resource anticipate a shortfall in funding necessary to fund Pioneer Regional and Resources' General Fund expenditures during the period of Inactive Status (the "Inactive Period Shortfall"). The District will cause the Pioneer Districts to impose the Regional Mill Levy for budget years 2016 through 2020, the proceeds of which will be retained by the District. Pursuant to the MOU, the District agrees to directly pay for any operation and maintenance expenses of Pioneer Regional and Resource which may be required to maintain their corporate existence and compliance with applicable laws, rules and regulations of the State of Colorado and Weld County.

**NOTE 9 - INTERFUND AND OPERATING TRANSFERS**

The transfer from the Debt Service Fund to the Capital Projects Fund represents Series 2016 Bond proceeds deposited to the Project Fund trust account to be used to pay capital costs.

**NOTE 10 - 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 is 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.

**PIONEER METROPOLITAN DISTRICT NO. 3**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 10 - RISK MANAGEMENT (CONTINUED)**

The District pays annual premiums to the Pool for liability, property, and public officials' liability, and workers compensation 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 11 - TAX, SPENDING AND DEBT LIMITATIONS**

Article X, Section 20 of the Colorado Constitution, referred to 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.

The District's management believes it is in compliance 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.

On May 2, 2006, the electorate approved the removal of limitations imposed by the TABOR Amendment and any other law that purports to limit the District's revenue or expenditures, a \$10,000,000 annual property tax increase for operations, a \$330,000,000 annual property tax increase for intergovernmental agreements, and a \$330,000,000 annual property tax increase for regional improvements.

**NOTE 12 - COMMITMENTS AND CONTINGENCIES**

As of December 31, 2017, the District had unexpended construction related contract commitments of approximately \$292,503.

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

## **SUPPLEMENTAL INFORMATION**

**PIONEER METROPOLITAN DISTRICT NO. 3**  
**DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL**  
**Year Ended December 31, 2017**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property taxes	\$ -	\$ 1	\$ 1	\$ -
Net investment income	100	9,400	9,434	34
Transfer from Pioneer Metro No. 2	31,675	32,522	32,521	(1)
Transfer from Pioneer Metro No. 4	60,029	61,633	61,633	-
Transfer from Pioneer Metro No. 5	1,477,567	1,516,743	1,516,751	8
Total revenues	<u>1,569,371</u>	<u>1,620,299</u>	<u>1,620,340</u>	<u>41</u>
<b>EXPENDITURES</b>				
Bond principal	1,130,000	1,178,000	1,178,000	-
Interest expense - Bonds	420,837	416,910	416,910	-
Miscellaneous	-	100	174	(74)
Paying agent fees	2,000	7,500	3,500	4,000
Contingency	7,163	7,484	-	7,484
Total expenditures	<u>1,560,000</u>	<u>1,609,994</u>	<u>1,598,584</u>	<u>11,410</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	9,371	10,305	21,756	11,451
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer to other fund	-	(210,006)	(210,006)	-
Total other financing sources (uses)	<u>-</u>	<u>(210,006)</u>	<u>(210,006)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	9,371	(199,701)	(188,250)	11,451
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>3,309</u>	<u>220,719</u>	<u>220,719</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 12,680</u>	<u>\$ 21,018</u>	<u>\$ 32,469</u>	<u>\$ 11,451</u>

**PIONEER METROPOLITAN DISTRICT NO. 3  
CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
Year Ended December 31, 2017**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>			
Net investment income	\$ 500	\$ 25,194	\$ 24,694
Other revenue	-	7,500	7,500
Proceeds from sale of water rights	-	2,232,500	2,232,500
Total revenues	<u>500</u>	<u>2,265,194</u>	<u>2,264,694</u>
<b>EXPENDITURES</b>			
Accounting	-	9,103	(9,103)
Capital outlay	3,023,839	1,170,079	1,853,760
Keenesburg Agreement	63,099	-	63,099
Legal services	-	114,729	(114,729)
Miscellaneous	-	275	(275)
Water Conservation Program	143,760	143,760	-
Wilson Detention Pond	-	58,000	(58,000)
Huwa Detention Pond	-	532,332	(532,332)
Total expenditures	<u>3,230,698</u>	<u>2,028,278</u>	<u>1,202,420</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(3,230,198)</u>	<u>236,916</u>	<u>3,467,114</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other fund	<u>206,859</u>	<u>210,006</u>	<u>3,147</u>
Total other financing sources (uses)	<u>206,859</u>	<u>210,006</u>	<u>3,147</u>
<b>NET CHANGE IN FUND BALANCES</b>	(3,023,339)	446,922	3,470,261
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>3,023,339</u>	<u>1,105,039</u>	<u>(1,918,300)</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ -</u>	<u>\$ 1,551,961</u>	<u>\$ 1,551,961</u>

**CONTINUING DISCLOSURE  
(UNAUDITED)**

**PIONEER METROPOLITAN DISTRICT NO. 3  
HISTORY OF THE PIONEER METROPOLITAN  
DISTRICT NOS. 2, 3, 4 AND 5 ASSESSED VALUATION  
December 31, 2017  
(Unaudited)**

<u>Levy/ Collection Year</u>	<u>All Districts</u>	<u>Percent Change</u>
2007/2008	\$ 6,046,880	-
2008/2009	5,815,530	-3.83%
2009/2010	7,455,400	28.20%
2010/2011	1,809,098	-75.73%
2011/2012	888,940	-50.86%
2012/2013	23,375,230	2529.56%
2013/2014	16,227,776	-30.58%
2014/2015	9,207,560	-43.26%
2015/2016	14,254,810	54.82%
2016/2017	30,324,070	112.73%
2017/2018	19,839,760	-34.57%

**PIONEER METROPOLITAN DISTRICT NO. 3**  
**ASSESSED VALUATION OF CLASSES OF PROPERTY IN THE**  
**PIONEER METROPOLITAN DISTRICT NOS. 2, 3, 4 AND 5**  
**December 31, 2017**  
**(Unaudited)**

Property Class	2012 Assessed Valuation	Percentage of 2012 Assessed Valuation	2013 Assessed Valuation	Percentage of 2013 Assessed Valuation	2014 Assessed Valuation	Percentage of 2014 Assessed Valuation
Vacant	\$ -	-	\$ -	-	\$ -	-
Residential	44,910	0.19%	19,070	0.12%	19,070	0.21%
Commercial	-	-	-	-	-	-
Agricultural	123,740	0.52%	147,500	0.91%	147,500	1.60%
Oil and Gas State	23,012,610	97.28%	15,722,406	96.89%	8,224,440	89.32%
Assessed Personal Property	475,240	2.01%	338,800	2.09%	816,550	8.87%
Total	<u>\$ 23,656,500</u>	<u>100.00%</u>	<u>\$ 16,227,776</u>	<u>100.00%</u>	<u>\$ 9,207,560</u>	<u>100.00%</u>

Property Class	2015 Assessed Valuation	Percentage of 2015 Assessed Valuation	2016 Assessed Valuation	Percentage of 2016 Assessed Valuation	2017 Assessed Valuation	Percentage of 2017 Assessed Valuation
Vacant	\$ -	-	\$ -	-	\$ -	-
Residential	31,740	0.22%	31,740	0.10%	14,300	0.07%
Commercial	-	-	-	-	-	-
Agricultural	183,260	1.29%	187,740	0.62%	203,260	1.02%
Oil and Gas State	12,310,350	86.36%	28,175,010	92.91%	18,103,210	91.25%
Assessed Personal Property	1,729,460	12.13%	1,929,580	6.36%	1,518,990	7.66%
Total	<u>\$ 14,254,810</u>	<u>100.00%</u>	<u>\$ 30,324,070</u>	<u>100.00%</u>	<u>\$ 19,839,760</u>	<u>100.00%</u>

**PIONEER METROPOLITAN DISTRICT NO. 3  
HISTORICAL ASSESSED AND ACTUAL VALUATION OF  
OIL AND GAS PROPERTIES IN WELD COUNTY  
December 31, 2017  
(Unaudited)**

<b>Levy/ Collection Year</b>	<b>Actual Valuation</b>	<b>Percent Change</b>	<b>Assessed Valuation</b>	<b>Percent Change</b>
2007/2008	\$2,219,722,237	-	\$1,749,119,710	-
2008/2009	2,160,997,296	-2.65%	1,709,997,160	-2.24%
2009/2010	3,541,190,356	63.87%	2,868,304,890	67.74%
2010/2011	2,135,827,100	-39.69%	1,673,838,130	-41.64%
2011/2012	3,114,664,791	45.83%	2,439,298,540	45.73%
2012/2013	4,393,771,015	41.07%	3,282,053,530	34.55%
2013/2014	5,135,073,446	16.87%	3,900,510,227	18.84%
2014/2015	7,530,472,671	46.65%	5,738,450,900	47.12%
2015/2016	10,068,678,775	33.71%	7,669,479,580	33.65%
2016/2017	7,114,656,477	-29.34%	4,959,441,120	-35.34%
2017/2018	6,898,968,972	-3.03%	4,611,244,810	-7.02%

**PIONEER METROPOLITAN DISTRICT NO. 3  
TOTAL TAXES LEVIED AND COLLECTED IN THE  
PIONEER METROPOLITAN DISTRICT NOS. 2, 3, 4 AND 5  
December 31, 2017  
(Unaudited)**

<b>Levy/ Collection Year</b>	<b>Total Taxes Levied</b>	<b>Total Taxes Collected</b>	<b>Percent of Levy Collected</b>	<b>Total Mill Levy for Each District</b>
2012/2013	\$ 1,519,390	\$ 1,517,919	99.90%	65.00
2013/2014	1,054,815	1,054,805	100.00%	65.00
2014/2015	598,493	564,393	94.30%	65.00
2015/2016	960,475	960,475	100.00%	65.00
2016/2017	1,971,066	1,971,066	100.00%	65.00

**PIONEER METROPOLITAN DISTRICT NO. 3**  
**2017 TAXPAYERS AND ASSESSED VALUATION WITHIN THE**  
**PIONEER METROPOLITAN DISTRICT NOS. 2, 3, 4 AND 5**  
**December 31, 2017**  
**(Unaudited)**

<b>Taxpayer</b>	<b>Taxable Value District No. 2</b>	<b>Taxable Value District No. 3</b>	<b>Taxable Value District No. 4</b>	<b>Taxable Value District No. 5</b>	<b>Total District</b>	<b>Percent of Districts' Total Assessed Valuation</b>
Kerr McGee Oil & Gas Onshore LP	\$ -	\$ -	\$ -	\$ 16,335,960	\$ 16,335,960	82.3%
Kerr McGee Gathering LLC	101,060	-	124,050	540,820	765,930	3.9%
Anadarko Watterberg Oil Complex LLC	-	-	-	615,610	615,610	3.1%
Noble Energy Inc	171,280	-	400,540	-	571,820	2.9%
DCP Midstream	221,200	209,030	61,920	-	492,150	2.5%
Public Service Co of Colo (Xcel)	141,400	-	193,180	100,180	434,760	2.2%
Colorado Interstate Gas Co	-	-	-	318,300	318,300	1.6%
Greenleaf Acres LLC	-	-	-	175,830	175,830	0.9%
Flogistix	-	-	-	82,980	82,980	0.4%
Rivera Carmelo Jr	-	-	-	18,360	18,360	0.1%
HP Farms Holdings LLC	570	10	14,020	-	14,600	0.1%
Pioneer Communities Holding LLC	3,690	-	5,080	-	8,770	0.0%
Crestone Peak Resources, LP	-	-	4,690	-	4,690	0.0%
<b>Total Assessed Value in District</b>	<b>\$ 639,200</b>	<b>\$ 209,040</b>	<b>\$ 803,480</b>	<b>\$ 18,188,040</b>	<b>\$ 19,839,760</b>	<b>100.0%</b>