

**PIONEER METROPOLITAN DISTRICT NO. 5**  
**Weld County, Colorado**

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

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**RECEIVED**

Office of the State Auditor

September 21, 2018

## TABLE OF CONTENTS

	<b>PAGE</b>
<b>INDEPENDENT AUDITOR'S REPORT</b> .....	<b>1</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>Government-wide Financial Statements</b>	
Statement of Net Position .....	1
Statement of Activities.....	2
<b>Fund Financial Statements</b>	
Balance Sheet - Governmental Funds .....	3
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	4
General Fund - Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual.....	5
Notes to Financial Statements .....	6
<b>SUPPLEMENTARY INFORMATION</b> .....	<b>16</b>
Debt Service Fund - Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual.....	17
Schedule of Assessed Valuation, Mill Levy and Property Taxes Collected .....	18

Board of Directors  
Pioneer Metropolitan District No. 5  
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. 5, 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. 5 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***

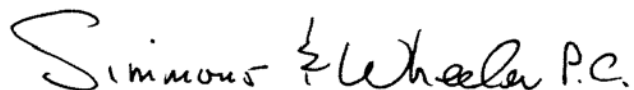
*Required Supplementary Information*

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. 5'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.



Englewood, CO  
August 16, 2018

## **BASIC FINANCIAL STATEMENTS**

**PIONEER METROPOLITAN DISTRICT NO. 5**  
**STATEMENT OF NET POSITION**  
**December 31, 2017**

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Receivable from County Treasurer	\$ 9,689
Property taxes receivable	<u>1,182,222</u>
Total assets	<u>1,191,911</u>
<b>LIABILITIES</b>	
Payable to Pioneer Metro No. 3	<u>9,689</u>
Total liabilities	<u>9,689</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property tax revenue	<u>1,182,222</u>
Total deferred inflows of resources	<u>1,182,222</u>
<b>NET POSITION</b>	
Unrestricted	<u>-</u>
Total net position	<u><u>\$ -</u></u>

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

**PIONEER METROPOLITAN DISTRICT NO. 5**  
**STATEMENT OF ACTIVITIES**  
Year Ended December 31, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (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	\$ 27,838	\$ -	\$ -	\$ -	\$ (27,838)
Intergovernmental transfers to Pioneer Metro District No. 3					
Operations	455,015	-	-	-	(455,015)
Debt service	1,516,751	-	-	-	(1,516,751)
	<u>\$ 1,999,604</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,999,604)</u>
General revenues:					
Property taxes					1,855,881
Specific ownership taxes					143,723
Total general revenues					<u>1,999,604</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.

**PIONEER METROPOLITAN DISTRICT NO. 5  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2017**

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Receivable from County Treasurer	\$ 2,236	\$ 7,453	\$ 9,689
Property taxes receivable	272,820	909,402	1,182,222
Total assets	<u>\$ 275,056</u>	<u>\$ 916,855</u>	<u>\$ 1,191,911</u>
<b>LIABILITIES</b>			
Payable to Pioneer Metro No. 3	<u>\$ 2,236</u>	<u>\$ 7,453</u>	<u>\$ 9,689</u>
Total liabilities	<u>2,236</u>	<u>7,453</u>	<u>9,689</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property tax revenue	272,820	909,402	1,182,222
Total deferred inflows of resources	<u>272,820</u>	<u>909,402</u>	<u>1,182,222</u>
<b>FUND BALANCES</b>			
Unassigned	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
	<u>\$ 275,056</u>	<u>\$ 916,855</u>	<u>\$ 1,191,911</u>

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

**PIONEER METROPOLITAN DISTRICT NO. 5**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended December 31, 2017**

	<b>General</b>	<b>Debt Service</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Property taxes	\$ 428,273	\$ 1,427,608	\$ 1,855,881
Specific ownership taxes	33,166	110,557	143,723
Total revenues	461,439	1,538,165	1,999,604
<b>EXPENDITURES</b>			
General			
County Treasurer's fees	6,424	21,414	27,838
Transfer to Pioneer Metro No. 3	455,015	1,516,751	1,971,766
Total expenditures	461,439	1,538,165	1,999,604
<b>NET CHANGE IN FUND BALANCES</b>	-	-	-
<b>FUND BALANCES - BEGINNING OF YEAR</b>	-	-	-
<b>FUND BALANCES - END OF YEAR</b>	\$ -	\$ -	\$ -

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

**PIONEER METROPOLITAN DISTRICT NO. 5  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
December 31, 2017**

	<u>Budget</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property taxes	\$ 428,280	\$ 428,280	\$ 428,273	\$ (7)
Specific ownership taxes	21,414	33,167	33,166	(1)
Other income	5,000	3,553	-	(3,553)
Total revenues	<u>454,694</u>	<u>465,000</u>	<u>461,439</u>	<u>(3,561)</u>
<b>EXPENDITURES</b>				
County Treasurer's fees	6,424	6,424	6,424	-
Transfer to Pioneer Metro No. 3	443,270	455,023	455,015	8
Contingency	5,000	3,553	-	3,553
Total expenditures	<u>454,694</u>	<u>465,000</u>	<u>461,439</u>	<u>3,561</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**PIONEER METROPOLITAN DISTRICT NO. 5**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 1 - DEFINITION OF REPORTING ENTITY**

Pioneer Metropolitan District No. 5 (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.

**PIONEER METROPOLITAN DISTRICT NO. 5**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**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 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.

**PIONEER METROPOLITAN DISTRICT NO. 5**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

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

**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.

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

**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.

**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.

**PIONEER METROPOLITAN DISTRICT NO. 5**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

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

**Fund Balance**

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned.

Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

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

If more than one classification of fund 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 – LONG-TERM OBLIGATIONS**

**Capital Pledge Agreements**

Each of Pioneer Metropolitan District Nos. 2, 4, and 5 entered into Capital Pledge Agreements with Pioneer Metropolitan District No. 3 (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 Pioneer Metropolitan District No. 3 for payment on the Series 2016 Bonds.

**PIONEER METROPOLITAN DISTRICT NO. 5**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 3 – LONG-TERM OBLIGATIONS (CONTINUED)**

**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. The District's pledge under the Capital Pledge Agreement reduces the District's debt authorization by the amount of the bonds issued by District No. 3. 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>Pledged Under Series 2012 Bonds</b>	<b>Pledged Under 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
Sanitation	990,000,000	145,000	-	989,855,000
Parks and Recreation	990,000,000	-	-	990,000,000
Traffic & 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 Agreements	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.

**NOTE 4 - RELATED PARTY**

Certain members of the Board of Directors are employees, owners or are otherwise associated with HP Farms Holdings, LLC and/or Greenleaf Acres LLC (the Property Owners) and/or Gateway American Resources, LLC (the Developer). The Property Owners and the Developer may have conflicts of interest in dealing with the District.

**PIONEER METROPOLITAN DISTRICT NO. 5**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 5 - 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, 3, and 4, (the “2012 FFCO”). Pursuant to the 2012 FFCO, District No. 3 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, District No. 3, 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. 5**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 5 - AGREEMENTS (CONTINUED)**

**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 District No. 3 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 District No. 3 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 District No. 3'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 District No. 3'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. District No. 3 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 District No. 3 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.

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, District No. 3 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 District No. 3 and for any other purpose authorized by its Service Plan. District No. 3 did not make any payments related to this agreement during 2017.

**PIONEER METROPOLITAN DISTRICT NO. 5**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 5 - AGREEMENTS (CONTINUED)**

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, District No. 3 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, District No. 3 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 District No. 3 to evidence District No. 3'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 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.

**PIONEER METROPOLITAN DISTRICT NO. 5**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 5 - AGREEMENTS (CONTINUED)**

Pursuant to the First Amendment to Pioneer IGA, District No. 3 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 District No. 3 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. District No. 3 did not deliver 200 acre feet of water to Greenleaf in 2017. The cash value of that water was \$43,760. During 2017, District No. 3 paid Greenleaf \$143,760 for its 2017 obligation.

**NOTE 6 - 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.

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 7 - 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.

**PIONEER METROPOLITAN DISTRICT NO. 5**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 7 - TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)**

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.

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

## **SUPPLEMENTARY INFORMATION**

**PIONEER METROPOLITAN DISTRICT NO. 5**  
**DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL**  
Year Ended December 31, 2017

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 1,427,601	\$ 1,427,601	\$ 1,427,608	\$ 7
Specific ownership taxes	71,380	110,556	110,557	1
Other income	10,000	6,843	-	(6,843)
Total revenues	<u>1,508,981</u>	<u>1,545,000</u>	<u>1,538,165</u>	<u>(6,835)</u>
<b>EXPENDITURES</b>				
County Treasurer's fees	21,414	21,414	21,414	-
Transfer to Pioneer Metro No. 3	1,477,567	1,516,743	1,516,751	(8)
Contingency	10,000	6,843	-	6,843
Total expenditures	<u>1,508,981</u>	<u>1,545,000</u>	<u>1,538,165</u>	<u>6,835</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	-	-	-	-
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**PIONEER METROPOLITAN DISTRICT NO. 5  
SCHEDULE OF ASSESSED VALUATION,  
MILL LEVY AND PROPERTY TAXES COLLECTED  
December 31, 2017**

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mills Levied</u>			<u>Total Property Taxes</u>		<u>Percentage Collected to Levied</u>
		<u>General</u>	<u>Debt Service</u>	<u>Regional</u>	<u>Levied</u>	<u>Collected</u>	
2014	\$ 11,491,391	10.000	50.000	5.000	\$ 746,941	\$ 746,940	100.00%
2015	\$ 5,328,110	10.000	50.000	5.000	\$ 346,327	\$ 346,143	99.95%
2016	\$ 10,693,660	10.000	50.000	5.000	\$ 695,088	\$ 695,089	100.00%
2017	\$ 28,552,010	10.000	50.000	5.000	\$ 1,855,881	\$ 1,855,881	100.00%
Estimated for the year ending December 31, 2018	\$ 18,188,040	10.000	50.000	5.000	\$ 1,182,222		

**NOTE:**

Property taxes shown as collected in any one year include collection of delinquent property taxes or abatements of property taxes assessed in prior years. This presentation does not attempt to identify specific years of assessment.