

**PROSPER COORDINATING METROPOLITAN DISTRICT**  
Arapahoe County, Colorado

**FINANCIAL STATEMENTS**  
December 31, 2017

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Office of the State Auditor

September 27, 2018

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**Haynie &  
Company**

**Certified Public Accountants** (a professional corporation)

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## **Independent Auditor's Report**

To the Board of Directors  
Prosper Coordinating Metropolitan District

We have audited the accompanying financial statements of the governmental activities and the major funds of Prosper Coordinating Metropolitan District 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 from material misstatement.

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major funds of Prosper Coordinating Metropolitan District, as of December 31, 2017 and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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**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 an opinion on the financial statements that collectively comprise Prosper Coordinating Metropolitan District's financial statements as a whole. The supplementary information and continuing disclosure annual financial information sections are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary information as listed in the table of contents the responsibility of management and were derived from and relate 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 as listed in the table of contents is fairly stated, in relation to the basic financial statements as a whole.

The continuing disclosure annual financial information section, 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 it.



Littleton, Colorado  
September 24, 2018

## **BASIC FINANCIAL STATEMENTS**

**PROSPER COORDINATING METROPOLITAN DISTRICT**  
**STATEMENT OF NET POSITION**  
**December 31, 2017**

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Cash and investments	\$ 245,724
Cash and investments - restricted	27,647
Due from other districts	5,839
Prepaid insurance	10,361
Capital assets not being depreciated:	
Construction in progress	1,402,207
Total assets	<u>1,691,778</u>
<b>LIABILITIES</b>	
Accounts payable	159,987
Developer advances	921,234
Total liabilities	<u>1,081,221</u>
<b>NET POSITION</b>	
Restricted for:	
Emergency reserves	27,647
Unrestricted	582,910
Total net position	<u>\$ 610,557</u>

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

**PROSPER COORDINATING METROPOLITAN DISTRICT**  
**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>Revenue and Changes in Net Position</u>
					<u>Governmental Activities</u>
Primary government:					
Government activities:					
General government	\$ 269,683	\$ -	\$ 921,345	\$ -	\$ 651,662
Interest and related costs on long term debt	44,182	-	-	-	(44,182)
	<u>\$ 313,865</u>	<u>\$ -</u>	<u>\$ 921,345</u>	<u>\$ -</u>	<u>607,480</u>
General revenues:					
Interest income					51
Other revenue					162
Total general revenues					<u>213</u>
Change in net position					607,693
Net position - Beginning					2,864
Net position - Ending					<u>\$ 610,557</u>

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

**PROSPER COORDINATING METROPOLITAN DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2017**

	General	Capital Projects	Total Governmental Funds
<b>ASSETS</b>			
Cash and investments	\$ 127,791	\$ 117,933	\$ 245,724
Cash and investments - restricted	27,647	-	27,647
Due from other districts	5,839	-	5,839
Prepaid insurance	10,361	-	10,361
<b>TOTAL ASSETS</b>	<b>\$ 171,638</b>	<b>\$ 117,933</b>	<b>\$ 289,571</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 42,054	\$ 117,933	\$ 159,987
Total liabilities	42,054	117,933	159,987
<b>FUND BALANCES</b>			
Restricted for			
Emergency reserve	27,647	-	27,647
Prepaid insurance	10,361	-	10,361
Unrestricted	91,576	-	91,576
Total fund balances	129,584	-	129,584
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 171,638</b>	<b>\$ 117,933</b>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Construction in progress	1,402,207
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Developer advance payable	(877,052)
Developer advance interest payable	(44,182)

Net position of governmental activities	\$ 610,557
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These financial statements should be read only in connection with the accompanying notes to financial statements.

**PROSPER COORDINATING METROPOLITAN DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended December 31, 2017**

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Interest income	\$ 51	\$ -	\$ 51
Transfer from Prosper Metro No. 3	5,009	-	5,009
Transfer from Prosper Metro No. 4	916,336	-	916,336
Other revenue	162	-	162
Total revenues	<u>921,558</u>	<u>-</u>	<u>921,558</u>
<b>EXPENDITURES</b>			
Accounting	28,818	6,821	35,639
District management	23,512	-	23,512
Dues and licenses	1,608	-	1,608
Election expense	70	-	70
Insurance and bonds	10,256	-	10,256
Legal services	77,428	111,628	189,056
Miscellaneous	9,495	47	9,542
Consulting	-	14,691	14,691
Design costs offsite	-	12,052	12,052
Design costs community centers	-	1,606	1,606
Design costs WWTP	-	270,029	270,029
Engineering	-	371,769	371,769
Water	-	13,254	13,254
Water well drilling	-	718,806	718,806
Total expenditures	<u>151,187</u>	<u>1,520,703</u>	<u>1,671,890</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Developer advance	49,500	827,552	877,052
Transfer from (to) other funds	(693,651)	693,651	-
Total other financing sources (uses)	<u>(644,151)</u>	<u>1,521,203</u>	<u>877,052</u>
<b>NET CHANGE IN FUND BALANCE</b>	126,220	500	126,720
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>3,364</u>	<u>(500)</u>	<u>2,864</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 129,584</u>	<u>\$ -</u>	<u>\$ 129,584</u>

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

**PROSPER COORDINATING METROPOLITAN DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
Year ended December 31, 2017**

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

Net change in fund balances - Total governmental funds	\$	126,720
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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/amortization expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset. Therefore, this is the amount of capital outlay, net of depreciation/amortization, in the current period.

Expenditures for capital assets		1,402,207
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The issuance of long-term debt (e.g., bonds, leases) 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.

Current year Developer advance		(877,052)
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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.

Interest on Developer advance		(44,182)
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Changes in net position of governmental activities	\$	<u>607,693</u>
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**PROSPER COORDINATING METROPOLITAN DISTRICT  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
Year Ended 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>				
Transfer from Prosper Metro No. 3	\$ 4,609	\$ 4,981	\$ 5,009	\$ 28
Transfer from Prosper Metro No. 4	843,047	911,347	916,336	4,989
Interest income	-	40	51	11
Other revenue	-	165	162	(3)
Total revenues	<u>847,656</u>	<u>916,533</u>	<u>921,558</u>	<u>5,025</u>
<b>EXPENDITURES</b>				
Accounting	25,000	35,000	28,818	6,182
District management	35,000	28,000	23,512	4,488
Dues and licenses	1,000	1,516	1,608	(92)
Election expense	-	-	70	(70)
Insurance and bonds	7,000	10,674	10,256	418
Legal services	35,000	77,000	77,428	(428)
Miscellaneous	-	12,000	9,495	2,505
Contingency	-	5,810	-	5,810
Total expenditures	<u>103,000</u>	<u>170,000</u>	<u>151,187</u>	<u>18,813</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	744,656	746,533	770,371	23,838
<b>OTHER FINANCING SOURCES (USES)</b>				
Developer advance	-	49,500	49,500	-
Transfers from (to) other funds	(700,000)	(700,000)	(693,651)	(6,349)
Total expenditures	<u>(700,000)</u>	<u>(650,500)</u>	<u>(644,151)</u>	<u>(6,349)</u>
<b>NET CHANGE IN FUND BALANCE</b>	44,656	96,033	126,220	30,187
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>3,173</u>	<u>3,364</u>	<u>3,364</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 47,829</u>	<u>\$ 99,397</u>	<u>\$ 129,584</u>	<u>\$ 30,187</u>

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

**PROSPER COORDINATING METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 1 - ORGANIZATION AND REPORTING ENTITY**

**Organization**

Prosper Coordinating Metropolitan District (the District), a quasi-municipal corporation and political subdivision of the State of Colorado was organized by an Order and Decree of the Arapahoe County District Court issued on June 18, 2015 (recorded on June 23, 2015) and 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 Arapahoe County. The District was organized in conjunction with Prosper Regional Water & Sanitation Service Metropolitan District, Prosper Water & Sanitation Financing Metropolitan District, Prosper Park & Recreation Financing Metropolitan District, and Prosper Metropolitan Districts Nos. 1, 2, 3 and 4 (the Districts). The District was established to provide financing for the design, acquisition, installation, construction and completion of public improvements and services, including water, sanitation, streets, safety protection, park and recreation, transportation, television relay and translation and mosquito control improvements and services. It is anticipated that the District will enter into one or more facilities funding and construction agreements with the Districts in order to provide for the allocation of construction costs and funding responsibilities as development occurs within the Districts.

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

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

**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.

**PROSPER COORDINATING METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

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

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

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

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

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and intergovernmental revenues. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental fund:

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 Capital Projects Fund is used to account for financial resources to be used for the maintenance or acquisition and construction of recreational facilities.

**PROSPER COORDINATING METROPOLITAN DISTRICT**  
**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 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.

**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 or investment 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.

**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.

**PROSPER COORDINATING METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

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

- *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 - 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	\$ 245,724
Cash and investments - Restricted	27,647
Total cash and investments	\$ 273,371

**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 \$285,515 and a carrying balance of \$273,371.

**PROSPER COORDINATING METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

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

**Investments**

The District has adopted an investment policy by which it follows state statutes regarding investments.

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

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

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

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

As of December 31, 2017, the District had no investments.

**PROSPER COORDINATING METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 4 – AUTHORIZED DEBT**

On November 03, 2015 the District’s voters authorized the issuance of the indebtedness in an amount not to exceed \$13,004,160,000. At December 31, 2017, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	<b>Amount Authorized on November 3, 2015</b>	<b>Authorized But Unissued</b>
Street Improvements	\$1,000,320,000	\$1,000,320,000
Parks and Recreation	1,000,320,000	1,000,320,000
Water	1,000,320,000	1,000,320,000
Sanitation	1,000,320,000	1,000,320,000
Transportation	1,000,320,000	1,000,320,000
Mosquito Control	1,000,320,000	1,000,320,000
Traffic Safety Protection	1,000,320,000	1,000,320,000
Fire Protection	1,000,320,000	1,000,320,000
Television Relay	1,000,320,000	1,000,320,000
Security Services	1,000,320,000	1,000,320,000
O&M Expenses	1,000,320,000	1,000,320,000
Refunding	1,000,320,000	1,000,320,000
Intergovernmental agreements	1,000,320,000	1,000,320,000
	<u>\$13,004,160,000</u>	<u>\$13,004,160,000</u>

Pursuant to the Service Plan, the District is permitted to issue bonded indebtedness of up to \$1,000,320,000.

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.

**NOTE 5 - NET POSITION**

The District has a net position consisting of two components – restricted and unrestricted.

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 Activites</b>
Restricted net position:	
Emergency reserves	\$ 27,647
	<u>\$ 27,647</u>

**PROSPER COORDINATING METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 7 – AGREEMENTS**

**Memorandum of Understanding**

On December 8, 2015, the District entered into a Memorandum of Understanding (MOU) with Prosper Metropolitan District Nos. 1-4, Prosper Water & Sanitation Financing Metropolitan District, Prosper Park & Recreation Financing District, and Prosper Regional Water & Sanitation Services Metropolitan District (the Districts) whereby the District and the Districts set forth their intention to enter into one or more Facilities Funding and Construction Agreements (FFCO Agreements) in order to provide for allocation of construction costs and funding responsibilities as development occurs with the Districts. Pursuant to the MOU, the District and the Districts agree that, until such time as they enter into one or more FFCO Agreements, the District will provide for the construction, administration, and operation and maintenance of improvements for the benefit of the Districts. The anticipated FFCO Agreements will provide procedures by which the Districts will reimburse the District for their allocable share of costs incurred by the District pursuant to the MOU.

**2015 Operation Funding Agreement with Prosper Farms Investments, LLC**

On December 8, 2015, with an effective date of June 23, 2015, the District entered into a 2015 Operation Funding Agreement with Prosper Farms Investments, LLC (Landowner) pursuant to which the Landowner agrees to advance funds to the District for certain operation and maintenance expenses on a periodic basis as needed for fiscal year 2015 (2015 OFA). The maximum amount to be advanced for operations and maintenance expenses pursuant to this agreement is One Hundred Thousand Dollars (\$100,000). The District agrees to repay these advances pursuant to the priority established in the 2015 OFA, together with accrued interest at the rate of 8% per annum accruing from the date of deposit into the District's bank account or from the date of direct deposit by the Landowner. The 2015 OFA does not constitute a debt or indebtedness of the District nor does it constitute a multi-year fiscal obligation. The making of any reimbursement thereunder is subject to annual appropriation by the District to the extent the District has funds available from the impositions of its taxes, fees, rates, tolls, penalties and charges, and from other legally available revenue, after the payment of its annual debt service obligations, if any, and annual operations and maintenance expenses. As of December 31, 2017, there were no outstanding balances under this agreement.

**2016 Operation Funding Agreement with VREI, Inc.**

On December 30, 2015, with an effective date of January 1, 2016, the District entered into a 2016 Operation Funding Agreement with VREI, Inc. (Developer) pursuant to which the Developer agrees to advance funds to the District for certain operation and maintenance expenses on a periodic basis as needed for fiscal year 2016 (2016 OFA). The maximum amount to be advanced for operations and maintenance expenses pursuant to this agreement is One Hundred Thousand Dollars (\$100,000). The District agrees to repay these advances pursuant to the priority established in the 2016 OFA, together with accrued interest at the rate of 8% per annum accruing from the date of deposit into the District's bank account or from the date of direct deposit by the Developer.

**PROSPER COORDINATING METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 7 – AGREEMENTS (CONTINUED)**

The 2016 OFA does not constitute a debt or indebtedness of the District nor does it constitute a multi-year fiscal obligation. The making of any reimbursement thereunder is subject to annual appropriation by the District to the extent the District has funds available from the impositions of its taxes, fees, rates, tolls, penalties and charges, and from other legally available revenue, after the payment of its annual debt service obligations, if any, and annual operations and maintenance expenses. As of December 31, 2017, there were no outstanding balances under this agreement.

**2017-2018 Operation Funding Agreement with VREI, Inc.**

On January 22, 2018, with an effective date of January 1, 2017, the District entered into a 2017-2018 Operation Funding Agreement with the Developer pursuant to which the Developer agrees to advance funds to the District for certain operation and maintenance expenses on a periodic basis as needed for fiscal years 2017 and 2018 (2017-2018 OFA). The maximum amount to be advanced for operations and maintenance expenses pursuant to this agreement is One Hundred Thirty Thousand Dollars (\$130,000). The District agrees to repay these advances pursuant to the priority established in the 2017-2018 OFA, together with accrued interest at the rate of 8% per annum accruing from the date of deposit into the District's bank account or from the date of direct deposit by the Developer. The 2017-2018 OFA does not constitute a debt or indebtedness of the District nor does it constitute a multi-year fiscal obligation. The making of any reimbursement thereunder is subject to annual appropriation by the District to the extent the District has funds available from the impositions of its taxes, fees, rates, tolls, penalties and charges, and from other legally available revenue, after the payment of its annual debt service obligations, if any, and annual operations and maintenance expenses. As of December 31, 2017, the outstanding balance totaled \$49,500 and accrued interest totaled \$2,825.

**2015 Facilities Funding and Acquisition Agreement with Prosper Farms Investments, LLC**

On December 8, 2015, with an effective date of June 23, 2015, the District entered into the 2015 Facilities Funding and Acquisition Agreement with the Landowner pursuant to which the Landowner agrees to make advances not to exceed Three Million Dollars (\$3,000,000) to the District for the purpose of funding the construction and/or acquisition of public improvements (2015 FFAA). The Landowner agrees to make such advances on a periodic basis as needed for fiscal year 2015. The 2015 FFAA does not constitute a debt of the District, but is an annual appropriations agreement intended to be repaid through future bond issuances. As of December 31, 2017, there were no outstanding balances under this agreement.

**2016 Facilities Funding and Acquisition Agreement with VREI, Inc.**

On December 30, 2015, with an effective date of January 1, 2016, the District entered into the 2016 Facilities Funding and Acquisition Agreement with the Developer pursuant to which the Developer agrees to make advances not to exceed Three Million Dollars (\$3,000,000) to the District for the purpose of funding the construction and/or acquisition of public improvements (2016 FFAA). The Developer agrees to make such advances on a periodic basis as needed for fiscal year 2016. The 2016 FFAA does not constitute a debt of the District, but is an annual appropriations agreement intended to be repaid through future bond issuances. As of December 31, 2017, there were no outstanding balances under this agreement.

**PROSPER COORDINATING METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 7 – AGREEMENTS (CONTINUED)**

**2017 Facilities Funding and Acquisition Agreement with VREI, Inc.**

On December 2, 2016, with an effective date of January 1, 2017, the District entered into the 2017 Facilities Funding and Acquisition Agreement with the Developer pursuant to which the Developer agrees to make advances not to exceed Forty-Five Million Dollars (\$45,000,000) to the District for the purpose of funding the construction and/or acquisition of public improvements (2017 FFAA). The Developer agrees to make such advances on a periodic basis as needed for fiscal year 2017. The 2017 FFAA does not constitute a debt of the District, but is an annual appropriations agreement intended to be repaid through future bond issuances. As of December 31, 2017, the outstanding balance totaled \$877,052 and accrued interest totaled \$41,357.

**NOTE 8 - RELATED PARTIES**

The owner of the property which constitutes the District is Prosper Farms Investments, LLC (Landowner) and the developer is VREI, Inc. (Developer). All members of the Board of Directors of the District are officers or employees of or related to the Landowner or the Developer or an entity affiliated with the Landowner or the Developer or the majority owner of the above named Developer, and may have conflicts of interest in dealing with the District.

**NOTE 9 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; error or omissions; 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 Districts pay annual premiums to the Pool for liability and public officials' liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

**PROSPER COORDINATING METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 10 - TAX, SPENDING AND DEBT LIMITATIONS**

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

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

On November 3, 2015, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under TABOR or the 5 ½% limit of Section 29-1-301 C.R.S. Also, on November 3, 2015, a majority of the District's electors authorized the District to collect and spend or retain all of the revenue of the District and authorized taxes to be increased \$25,000,000 in 2015 and every year thereafter by the same amount plus inflation and local growth for operations and maintenance without regard to any limitations under TABOR.

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.

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

## **SUPPLEMENTARY INFORMATION**

**PROSPER COORDINATING METROPOLITAN DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
Year Ended December 31, 2017**

	<b>Original and Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>			
Interest income	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>			
Accounting	15,000	6,821	8,179
Consulting	-	14,691	(14,691)
Design cost offsite	1,297,890	12,052	1,285,838
Design costs community centers	516,483	1,606	514,877
Design costs WWTP	1,821,353	270,029	1,551,324
District management	35,000	-	35,000
Engineering	15,000	371,769	(356,769)
Legal services	360,000	111,628	248,372
Miscellaneous	-	47	(47)
Offsite	3,191,731	-	3,191,731
Park and landscaping	907,200	-	907,200
Water	-	13,254	(13,254)
Well water drilling	1,000,000	718,806	281,194
WWTP and water treatment	4,604,040	-	4,604,040
Total expenditures	<u>13,763,697</u>	<u>1,520,703</u>	<u>12,242,994</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(13,763,697)</b>	<b>(1,520,703)</b>	<b>12,242,994</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Developer advance	13,063,697	827,552	12,236,145
Transfers from (to) other funds	700,000	693,651	6,349
Total expenditures	<u>13,763,697</u>	<u>1,521,203</u>	<u>12,242,494</u>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>500</b>	<b>500</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>-</b>	<b>(500)</b>	<b>(500)</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>