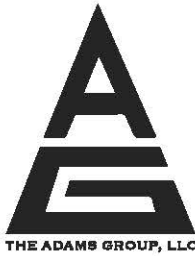


**PRAIRIE FARM METROPOLITAN  
DISTRICT  
Adams County, Colorado**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
YEAR ENDED DECEMBER 31, 2018**

**PRAIRIE FARM METROPOLITAN DISTRICT  
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CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Prairie Farm Metropolitan District  
Commerce City, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of the Prairie Farm Metropolitan District (the District) as of and for the year ended December 31, 2018, 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.

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2018, and the respective changes in financial position and where applicable, cash flows thereof, 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 Supplemental Information

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

### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information and other information are presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information, on pages 19 and 20 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 the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information on pages 21 to 24 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.

*The Adams Group, LLC*

July 26, 2019  
Denver, Colorado

## **BASIC FINANCIAL STATEMENTS**

**PRAIRIE FARM METROPOLITAN DISTRICT  
STATEMENT OF NET POSITION  
DECEMBER 31, 2018**

	Governmental Activities
<b>ASSETS</b>	
Cash and Investments	\$ 23,035
Cash and Investments - Restricted	2,324,416
Receivable - County Treasurer	26
Property Taxes Receivable	3,788
Capital assets, not being depreciated	295,631
Total Assets	2,646,896
<b>LIABILITIES</b>	
Accounts Payable	28,750
Due to County	3,650
Accrued Interest Payable - Senior	40,644
Noncurrent Liabilities:	
Due in More Than One Year	10,895,109
Total Liabilities	10,968,153
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property Tax Revenues	3,788
Total Deferred Inflows of Resources	3,788
<b>NET POSITION</b>	
Restricted for:	
Emergency Reserves	200
Unrestricted	(8,325,245)
Total Net Position	\$ (8,325,045)

See accompanying Notes to Basic Financial Statements.

**PRAIRIE FARM METROPOLITAN DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2018**

		Program Revenues			Net Revenues (Expenses) and Change in Net Position
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Governmental Activities:					
General Government	\$ 49,166	\$ -	\$ -	\$ -	\$ (49,166)
Interest and Related Costs on Long-Term Debt	667,813	-	148,395	-	(519,418)
Dedication of Capital Assets to Other Governments	7,667,520	-	-	-	(7,667,520)
Total Governmental Activities	\$ 8,384,499	\$ -	\$ 148,395	\$ -	(8,236,104)
 <b>GENERAL REVENUES</b>					
Property Taxes					3,563
Specific Ownership Taxes					294
Net Investment Income					40,245
Total General Revenues					44,102
 <b>CHANGE IN NET POSITION</b>					(8,192,002)
Net Position - Beginning of Year					(133,043)
 <b>NET POSITION - END OF YEAR</b>					\$ (8,325,045)

See accompanying Notes to Basic Financial Statements.

**PRAIRIE FARM METROPOLITAN DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2018**

<b>ASSETS</b>	General	Debt Service	Capital Projects	Total Governmental Fund
Cash and Investments	\$ 23,035	\$ -	\$ -	\$ 23,035
Cash and Investments - Restricted	200	2,260,222	63,994	2,324,416
Receivable - County Treasurer	26	-	-	26
Property Taxes Receivable	629	3,159	-	3,788
Total Assets	\$ 23,890	\$ 2,263,381	\$ 63,994	\$ 2,351,265
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	11,384	-	17,366	28,750
Due to County	3,650	-	-	3,650
Total Liabilities	15,034	-	17,366	32,400
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Property Tax	629	3,159	-	3,788
Total Deferred Inflows of Resources	629	3,159	-	3,788
<b>FUND BALANCES</b>				
Restricted for:				
Emergency Reserves	200	-	-	200
Debt Service	-	2,260,222	-	2,260,222
Capital Projects	-	-	46,628	46,628
Assigned:				
For Subsequent Year's Expenditures	3,224	-	-	3,224
Unassigned	4,803	-	-	4,803
Total Fund Balances	8,227	2,260,222	46,628	2,315,077
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 23,890	\$ 2,263,381	\$ 63,994	

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 as assets in the funds.

295,631

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	(10,560,000)
Accrued Bond Interest - Senior	(40,644)
Accrued Bond Interest - Sub	(28,177)
Developer Advance Payable	(301,109)
Accrued Interest on Developer Advance	(5,823)
	(11,255,753)

Net Position of Governmental Activities

\$ (8,325,045)

See accompanying Notes to Basic Financial Statements.

**PRAIRIE FARM METROPOLITAN DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2018**

	General	Debt Service	Capital Projects	Total Governmental Fund
<b>REVENUES</b>				
Property Taxes	\$ 3,563	\$ -	\$ -	\$ 3,563
Specific Ownership Taxes	294	-	-	294
Net Investment Income	34	11,420	28,791	40,245
Total Revenues	<u>3,891</u>	<u>11,420</u>	<u>28,791</u>	<u>44,102</u>
<b>EXPENDITURES</b>				
Accounting	15,447	-	-	15,447
County Treasurer's Fees	53	-	-	53
Dues and Subscriptions	257	-	-	257
Election	182	-	-	182
Insurance and Bonds	2,013	-	-	2,013
Legal Services	31,214	-	-	31,214
Bond Interest - Senior Bonds	-	105,674	-	105,674
Parks and Recreation	-	-	295,631	295,631
SWINK Note Repayment	-	-	148,395	148,395
Bond Issue Costs	-	-	435,268	435,268
Streets	-	-	4,217,138	4,217,138
Sanitation	-	-	1,604,228	1,604,228
Water	-	-	1,846,154	1,846,154
Total Expenditures	<u>49,166</u>	<u>105,674</u>	<u>8,546,814</u>	<u>8,701,654</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(45,275)	(94,254)	(8,518,023)	(8,657,552)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	2,352,961	-	2,352,961
Transfers Out	-	-	(2,352,961)	(2,352,961)
Bond Proceeds - 2018A	-	-	9,290,000	9,290,000
Bond Proceeds - 2018B	-	-	1,270,000	1,270,000
Developer Advance	62,726	-	209,217	271,943
Developer Contribution	-	-	148,395	148,395
Total Other Financing Sources (Uses)	<u>62,726</u>	<u>2,352,961</u>	<u>8,564,651</u>	<u>10,980,338</u>
<b>NET CHANGE IN FUND BALANCES</b>	17,451	2,258,707	46,628	2,322,786
Fund Balances - Beginning of Year	<u>(9,224)</u>	<u>1,515</u>	<u>-</u>	<u>(7,709)</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 8,227</u>	<u>\$ 2,260,222</u>	<u>\$ 46,628</u>	<u>\$ 2,315,077</u>

See accompanying Notes to Basic Financial Statements.

**PRAIRIE FARM METROPOLITAN DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2018**

Net Change in Fund Balances - Total Governmental Funds \$ 2,322,786

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, the conveyance of capital assets to other governments and depreciation expense in the current period are as follows:

Expenditures for Capital Assets	7,963,151
Capital Assets Transferred to City of Commerce City	(7,667,520)

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

Developer Advance	(271,943)
Developer Advance Contribution	148,395
Bond Issuance	(10,560,000)

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.

Change in Accrued Interest on Developer Advances	(58,050)
Change in Accrued Interest Payable on 2018A Bonds	(40,644)
Change in Accrued Interest Payable on 2018B Bonds	(28,177)

Change in Net Position of Governmental Activities \$ (8,192,002)

**PRAIRIE FARM METROPOLITAN DISTRICT  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2018**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property Taxes	\$ 3,562	\$ 3,562	\$ 3,563	\$ 1
Specific Ownership Taxes	392	392	294	(98)
Net Investment Income	10	10	34	24
Total Revenues	<u>3,964</u>	<u>3,964</u>	<u>3,891</u>	<u>(73)</u>
<b>EXPENDITURES</b>				
Accounting	12,500	20,000	15,447	4,553
County Treasurer's Fees	50	50	53	(3)
Director Fees	600	600	-	600
Dues and Subscriptions	500	500	257	243
Election	500	500	182	318
Insurance and Bonds	2,371	2,371	2,013	358
Legal Services	12,500	40,000	31,214	8,786
Miscellaneous	1,200	1,200	-	1,200
Payroll Taxes	50	50	-	50
Contingency	4,729	8,752	-	8,752
Total Expenditures	<u>35,000</u>	<u>74,023</u>	<u>49,166</u>	<u>24,857</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(31,036)	(70,059)	(45,275)	24,784
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	35,200	-	(35,200)
Developer Advance	31,772	65,000	62,726	(2,274)
Total Other Financing Sources (Uses)	<u>31,772</u>	<u>100,200</u>	<u>62,726</u>	<u>(37,474)</u>
<b>NET CHANGE IN FUND BALANCES</b>	736	30,141	17,451	(12,690)
Fund Balances - Beginning of Year	<u>100</u>	<u>100</u>	<u>(9,224)</u>	<u>(9,324)</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 836</u>	<u>\$ 30,241</u>	<u>\$ 8,227</u>	<u>\$ (22,014)</u>

See accompanying Notes to Basic Financial Statements.

**PRAIRIE FARM METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 1 DEFINITION OF REPORTING ENTITY**

Prairie Farm Metropolitan District (the District), a quasi-municipal corporation and political subdivision of the State of Colorado, located entirely in the City of Commerce City, Adams County, Colorado, was organized on May 18, 2006, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District was established to provide for the design, construction, acquisition, and financing of certain public improvements including street, safety protection, water, sanitation, storm drainage, mosquito control, and park and recreation facilities and improvements. The District operates pursuant to a Service Plan, as approved on March 27, 2006 by the City of Commerce City.

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.

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

**PRAIRIE FARM METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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

**Government-Wide and Fund Financial Statements (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 the governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

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

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

**PRAIRIE FARM METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**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's budget was amended for the year December 31, 2018.

**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.

**Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress, and are not included in the calculation of net investment in capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

**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.

**PRAIRIE FARM METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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

**Property Taxes (continued)**

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflow 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.

The District has not yet developed a tax base to fund operation and is therefore, reliant upon Developer Advances to fund operations

**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.

**PRAIRIE FARM METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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

**Equity (Continued)**

**Fund Balance (Continued)**

*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, 2018, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 23,035
Cash and Investments - Restricted	2,324,416
Total Cash and Investments	\$ 2,347,451

Cash and investments as of December 31, 2018, consist of the following:

Deposits with Financial Institutions	\$ 66,382
Investments	2,281,069
Total Cash and Investments	\$ 2,347,451

**Cash Deposits**

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, 2018, the District’s cash deposits had a bank balance of \$66,382 and a carrying balance of \$66,382.

**PRAIRIE FARM METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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

**Investments**

The District's formal investment 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.

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 of the World Bank
- . Certain international agency securities
- . 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 collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- \* Local government investment pools

As of December 31, 2018, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted Average Under 60 Days	<u>\$ 2,281,069</u>

**PRAIRIE FARM METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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

**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.

**NOTE 4 CAPITAL ASSETS**

During 2018, all of the capital assets acquired by the District, except for Park and Recreation improvements, were conveyed to other governmental entities. The costs of all capital assets transferred to other governmental entities were removed from the District's financial records. The District anticipates depreciating assets beginning in calendar year 2019.

	Balance - December 31, 2017	Increases	Decreases	Balance - December 31, 2018
Capital Assets, Not Being Depreciated:				
Parks and Recreation	\$ -	\$ 295,631	\$ -	\$ 295,631
Streets	-	4,217,138	4,217,138	-
Sanitation	-	1,604,228	1,604,228	-
Water	-	1,846,154	1,846,154	-
Capital Assets, Net	<u>\$ -</u>	<u>\$ 7,963,151</u>	<u>\$ 7,667,520</u>	<u>\$ 295,631</u>

**PRAIRIE FARM METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 5 LONG-TERM OBLIGATIONS**

The following is an analysis of changes in the District's long-term obligations for the year ended December 31, 2018:

	Balance - December 31, 2017	Additions	Reductions	Balance - December 31, 2018	Due Within One Year
Governmental Activities:					
G.O. Limited Tax Bonds:					
Series 2018A - Senior	\$ -	\$ 9,290,000	\$ -	\$ 9,290,000	\$ -
Series 2018B - Subordinate	-	1,270,000	-	1,270,000	-
Interest on 2018B Bonds	-	28,177	-	28,177	-
Developer Advance -					
Operating	29,166	62,726	-	91,892	-
SWINK Advance - Operating	96,168	52,227	148,395	-	-
Interest on Developer					
Advance - Operating	-	3,975	-	3,975	-
Developer Advance - Capital	-	209,217	-	209,217	-
Interest on Developer					
Advance - Capital	-	1,848	-	1,848	-
Total	<u>\$ 125,334</u>	<u>\$ 10,918,170</u>	<u>\$ 148,395</u>	<u>\$ 10,895,109</u>	<u>\$ -</u>

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

**SWINK, LLC**

In 2010 the District entered into a 15-year promissory note with SWINK, LLC for the amount of \$96,118. In 2018 the notes were repaid by the Developer, who cancelled the note, the District is no longer obligated to repay these notes. The amounts which were to be paid to SWINK, LLC under these notes was a significant estimate. As a result, interest from the inception of the notes to when the notes were paid is included in the current year expense.

**General Obligation (Limited Tax Convertible to Unlimited Tax) Bonds, Series 2018A**

On September 13, 2018, the District issued \$9,290,000 of Tax Exempt General Obligation Bonds (the 2018 Bonds). The 2018 Bonds were issued with interest rates of 5.250% per annum. Interest is payable semi-annually on June 1 and December 1, commencing on December 1, 2018. Mandatory principal payments are due on December 1, commencing on December 1, 2023, with final payment due on December 1, 2048. The 2018 Bonds cannot be prepaid prior to December 1, 2022. From December 1, 2022 to November 30, 2023 bonds can be prepaid at a redemption premium of 3%. From December 1, 2023 to November 30, 2024 bonds can be prepaid at a redemption premium of 2%. From December 1, 2024 to November 30, 2025 bonds can be prepaid at a redemption premium of 1%. After November 30, 2025 bonds can be redeemed without premium.

The 2018 Bonds are secured by (1) the Required Mill Levy, (2) that portion of the Specific Ownership Tax allocable to the Required Mill Levy, and (3) Capital fees, if imposed, and (4) any other legally available moneys which the District determines in its sole discretion to apply as pledged revenue. Proceeds of the 2018 bonds were used to (1) repay Developer advances, (2) finance the cost of capital improvements, and (3) pay the costs of issuing the 2018 Bonds.

**PRAIRIE FARM METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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

**General Obligation (Limited Tax Convertible to Unlimited Tax) Bonds, Series 2018A  
(Continued)**

Prior to the date that the Debt to Assessed Ratio is less than 50%, the Required Mill Levy shall be an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient, when combined with other legally available moneys in the Bond Fund, to pay the principal of, premium if any, and interest on the Bonds as the same become due and payable, but not in excess of fifty (50) mills (as adjusted). Such maximum and minimum mill levies are subject to adjustment per the Gallagher Amendment from December 20, 2016 and are currently 55.277 mills. For purposes of the foregoing, a change in the ratio of actual valuation to assessed valuation shall be deemed to be a change in the method of calculating assessed valuation. Once the Debt to Assessed Ratio is 50% or less, the Required Mill Levy shall be an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient to pay the principal of, premium if any, and interest on the Bonds as the same become due and payable, without limitation of rate and in amounts sufficient to make such payments when due. The District's failure to pay principal and interest when due does not constitute an Event of Default.

The Senior Bonds are also secured by amounts held in the Senior Reserve Fund in the amount of the Required Reserve equal to \$787,918.

**Subordinate Limited Tax General Obligation Bonds, Series 2018B**

\$1,270,000 Subordinate General Obligation Limited Tax Obligation Bonds, Series 2018B, dated September 13, 2018, with interest of 7.375% per annum. Interest on the bonds shall be payable beginning December 15, 2018, and unpaid interest shall accrue and compound on each December 15, through maturity the principal, interest, and accrued interest shall be payable each December 15. The Series 2018B Bonds are subject to mandatory redemption beginning on December 15, 2018. The Subordinate Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal prior to the final maturity date. Unpaid interest on the Subordinate Bonds compounds annually on each December 15. In addition, the Series 2018B Bonds are subject to redemption prior to maturity, at the option of the District, in whole or in part, on December 15, 2022, and on any date thereafter, upon payment of the Redemption Price thereof. The District is required to impose a maximum required mill levy of 50.000 (as adjusted) less the mill levy required to be imposed for repayment of the Senior Bonds. If the maximum mill levy is required for the Senior Bonds, no additional mill levy will be imposed for the Subordinate Bonds. The District does not anticipate making payments on the Subordinate bonds in 2019. Management anticipates there may be no available revenues to pay the Series B bonds until 2046. The District's failure to pay principal and interest when due does not constitute an Event of Default.

The District has no operating or capital leases.

**PRAIRIE FARM METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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

The District's long-term obligations relating to the Senior 2018 Bonds will mature as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ -	\$ 487,725	\$ 487,725
2020	-	487,725	487,725
2021	-	487,725	487,725
2022	-	487,725	487,725
2023	15,000	487,725	502,725
2024-2028	725,000	2,370,377	3,095,377
2029-2033	1,170,000	2,131,239	3,301,239
2034-2038	1,695,000	1,771,877	3,466,877
2039-2043	2,390,000	1,257,639	3,647,639
2044-2048	3,295,000	540,489	3,835,489
Total	<u>\$ 9,290,000</u>	<u>\$ 10,510,246</u>	<u>\$ 19,800,246</u>

**Authorized Debt**

On May 2, 2006 and November 7, 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 \$28,700,000. In the November 7, 2006 election, a majority of the qualified electors of the District voted solely for a phased tax increase up to \$800,000 annually. Remaining authorized but unissued debt at December 31, 2018, is as follows:

	<u>Authorized May 2, 2006 Election</u>	<u>Authorization Used</u>	<u>Remaining at December 31, 2018</u>
Streets	\$ 4,300,000	\$ 4,300,000	\$ -
Water	3,000,000	3,000,000	-
Sanitary Sewer	2,800,000	2,800,000	-
Parks and Recreation	2,000,000	390,529	1,609,471
Traffic and Safety	500,000	-	500,000
Mosquito Control	500,000	-	500,000
Public Transportation	500,000	-	500,000
Television Relay and Translation	500,000	-	500,000
Operations and Maintenance	500,000	69,471	430,529
Debt Refunding	14,100,000	-	14,100,000
Total	<u>\$ 28,700,000</u>	<u>\$ 10,560,000</u>	<u>\$ 18,140,000</u>

Pursuant to the Service Plan, the District is permitted to issue bond indebtedness of up to \$10,052,855, with exception being made by the Board of Directors to issue indebtedness in excess of this amount. 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.

**PRAIRIE FARM METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 6 NET POSITION**

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

The 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 a restricted net position as of December 31, 2018, as follows:

	Governmental Activities
Restricted Net Position:	
Emergency Reserves	\$ 200
Total Restricted Net Position	\$ 200

The District has a deficit in unrestricted net position. This deficit amount is a result of the District being responsible for the repayment of bonds issued for public improvements which were conveyed to other entities and which costs were removed from the District’s financial records.

**NOTE 7 AGREEMENTS**

**Advance and Reimbursement Agreement**

On January 30, 2018 the District entered into an Advance and Reimbursement Agreement to repay advances made by the Developer for advances made to the District. The District agreed to repay the Developer for such advances plus accrued interest at the rate of 6%. As of December 31, 2018, outstanding advances under the agreement totaled \$301,109 and accrued interest totaled \$ 5,823. Of which \$95,867 is operations and \$211,065 is capital.

**NOTE 8 INTERFUND TRANSFERS**

The transfer from the Capital Projects Fund to the Debt Service Fund was related to the transfer of proceeds from the Series 2018A and Series 2018B Bonds to establish the Bond Fund and Reserve Fund.

**NOTE 9 RELATED PARTY**

The Developer of the property which constitutes the District is Richmond American Homes of Colorado, Inc. The majority members of the Board of Directors are employees, owners or otherwise associated with the Developer, and may have conflicts of interest in dealing with the District.

**PRAIRIE FARM METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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

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

**NOTE 11 TAX, SPENDING, AND DEBT LIMITATIONS**

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

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

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

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 6, 2006, the District's voters passed an election question 5A to increase property taxes \$500,000, annually, or by lesser amount as may be necessary to pay the District's operational and maintenance costs, such taxes to consist of an ad valorem mill levy imposed without limitation of rate or with such limitations as may be determined by the board.

## **SUPPLEMENTARY INFORMATION**

**PRAIRIE FARM METROPOLITAN DISTRICT  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2018**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Net Investment Income	\$ -	\$ -	\$ 11,420	\$ 11,420
Total Revenues	-	-	11,420	11,420
<b>EXPENDITURES</b>				
Bond Interest - Senior Bonds	-	113,674	105,674	8,000
Total Expenditures	-	113,674	105,674	8,000
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	-	(113,674)	(94,254)	19,420
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	2,352,961	2,352,961	-
Total Other Financing Sources (Uses)	-	2,352,961	2,352,961	-
<b>NET CHANGE IN FUND BALANCES</b>	-	2,239,287	2,258,707	19,420
Fund Balances - Beginning of Year	1,515	1,515	1,515	-
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 1,515</b>	<b>\$ 2,240,802</b>	<b>\$ 2,260,222</b>	<b>\$ 19,420</b>

**PRAIRIE FARM METROPOLITAN DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2018**

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>REVENUES</b>				
Net Investment Income	\$ -	\$ 29,000	\$ 28,791	\$ (209)
Total Revenues	-	29,000	28,791	(209)
<b>EXPENDITURES</b>				
Parks and Recreation	-	295,630	295,631	(1)
SWINK Note Repayment	-	148,395	148,395	-
Bond Issue Costs	-	473,754	435,268	38,486
Streets	-	4,217,138	4,217,138	-
Sanitation	-	1,604,228	1,604,228	-
Water	-	1,846,154	1,846,154	-
Total Expenditures	-	8,585,299	8,546,814	38,485
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	-	(8,556,299)	(8,518,023)	38,276
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	-	(2,388,161)	(2,352,961)	35,200
Bond Proceeds - 2018A	-	9,290,000	9,290,000	-
Bond Proceeds - 2018B	-	1,270,000	1,270,000	-
Bond Premium	-	26,848	-	(26,848)
Developer Advance	-	209,217	209,217	-
Developer Contribution	-	148,395	148,395	-
Total Other Financing Sources (Uses)	-	8,556,299	8,564,651	8,352
<b>NET CHANGE IN FUND BALANCES</b>	-	-	46,628	46,628
Fund Balances - Beginning of Year	-	-	-	-
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,628</u>	<u>\$ 46,628</u>

## **OTHER INFORMATION**

**PRAIRIE FARM METROPOLITAN DISTRICT  
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY  
DECEMBER 31, 2018**

<u>Year Ending December 31,</u>	\$9,290,000 2018A General Obligation Bonds Principal Payable December 1 5.250% Interest Payable June 1 and December 1 Beginning December 1, 2018		
	Principal	Interest	Total
2019	\$ -	\$ 487,725	\$ 487,725
2020	-	487,725	487,725
2021	-	487,725	487,725
2022	-	487,725	487,725
2023	15,000	487,725	502,725
2024	90,000	486,938	576,938
2025	130,000	482,213	612,213
2026	155,000	475,388	630,388
2027	165,000	467,250	632,250
2028	185,000	458,588	643,588
2029	195,000	448,875	643,875
2030	220,000	438,638	658,638
2031	230,000	427,088	657,088
2032	255,000	415,013	670,013
2033	270,000	401,625	671,625
2034	295,000	387,450	682,450
2035	310,000	371,963	681,963
2036	340,000	355,688	695,688
2037	360,000	337,838	697,838
2038	390,000	318,938	708,938
2039	415,000	298,463	713,463
2040	450,000	276,675	726,675
2041	475,000	253,050	728,050
2042	510,000	228,113	738,113
2043	540,000	201,338	741,338
2044	580,000	172,988	752,988
2045	615,000	142,538	757,538
2046	660,000	110,250	770,250
2047	695,000	75,600	770,600
2048	745,000	39,113	784,113
Total	\$ 9,290,000	\$ 10,510,246	\$ 19,800,246

**PRAIRIE FARM METROPOLITAN DISTRICT  
 SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED  
 DECEMBER 31, 2018**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied for		Total Property Taxes		Percent Collected to Levied
		General (1)	Debt Service	Levied	Collected	
2013	\$ 227,810	45.000	0.000	\$ 10,251	\$ 520	0.05 %
2014	11,660	45.000	0.000	525	521	0.99
2015	13,710	45.000	0.000	616	617	1.00
2016	13,810	45.000	0.000	621	626	1.01
2017	13,920	45.000	0.000	626	626	1.00
2018	64,440	55.278	0.000	3,562	3,563	1.00
Estimated for the Year Ending December 31, 2019	\$ 57,150	11.000	55.277	\$ 3,788		

**CONTINUING DISCLOSURE OF ANNUAL INFORMATION AS  
REQUIRED BY THE LIMITED TAX GENERAL OBLIGATION  
REFUNDING BONDS, SERIES 2018**

**PRAIRIE FARM METROPOLITAN DISTRICT  
CONTINUING DISCLOSURE OF ANNUAL INFORMATION AS REQUIRED BY  
THE LIMITED TAX GENERAL OBLIGATION REFUNDING BONDS, SERIES 2018  
DECEMBER 31, 2018**

**2018 Assessed and "Actual" Valuation of Classes of Property in the District**

<u>Class</u>	<u>Assessed Valuation</u>	<u>Percent of Assessed Valuation</u>	<u>"Actual" Valuation</u>	<u>Percent of "Actual" Valuation</u>
Vacant	\$ 57,150	100.00%	\$ 194,328	100.00%
Total	<u>\$ 57,150</u>	<u>100.00%</u>	<u>\$ 194,328</u>	<u>100.00%</u>

**2018 Largest Taxpayers Within the District**

<u>Name</u>	<u>2018 Assessed Valuation</u>	<u>Percent of Total Assessed Valuation<sup>1</sup></u>
Richmond American Homes of Colorado, Inc.	\$ 57,140	99.98%
LaCroix LLC	10	0.02
Total	<u>\$ 57,150</u>	<u>100.00%</u>

<sup>1</sup> Based on the 2018 certified assessed valuation of \$57,150