

PROSPER COORDINATING METROPOLITAN DISTRICT
Arapahoe County, Colorado

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2020

**PROSPER COORDINATING METROPOLITAN DISTRICT
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YEAR ENDED DECEMBER 31, 2020**

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Directors

Prosper Coordinating Metropolitan District
Arapahoe County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Prosper Coordinating Metropolitan District (the District) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 Prosper Coordinating Metropolitan District, as of December 31, 2020, 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.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Prosper Coordinating Metropolitan District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Prosper Coordinating Metropolitan District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Prosper Coordinating Metropolitan District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Prosper Coordinating Metropolitan District's ability to continue as a going concern for a reasonable period of time.

Other Matters

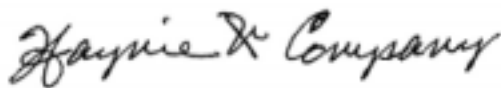
Required Supplementary Information

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

Other Information

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

The supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Littleton, Colorado
June 16, 2021

BASIC FINANCIAL STATEMENTS

PROSPER COORDINATING METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2020

	Governmental Activities
ASSETS	
Cash and Investments - Restricted	\$ 27,565
Due from Other Districts	4,833
Prepaid Insurance	14,987
Capital Assets Not Being Depreciated:	
Construction in Progress	6,433,304
Total Assets	6,480,689
LIABILITIES	
Accounts Payable	11,161
Noncurrent Liabilities:	
Due in More Than One Year	4,961,608
Total Liabilities	5,003,072
NET POSITION	
Restricted For:	
Emergency Reserves	31,300
Unrestricted	1,446,317
Total Net Position	\$ 1,477,617

See accompanying Notes to Basic Financial Statements.

**PROSPER COORDINATING METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

FUNCTIONS/PROGRAMS Primary Government: Government Activities: General Government Interest and Related Costs on Long-Term Debt	Program Revenues			Net Revenue (Expenses) and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
	\$ 195,472	\$ -	\$ 1,042,993	\$ 847,521
	295,608	-	-	(295,608)
Total Governmental Activities	\$ 491,080	\$ -	\$ 1,042,993	\$ 551,913

GENERAL REVENUES

Interest Income	38
Other Revenue	950
Total General Revenues	<u>988</u>

CHANGE IN NET POSITION

Net Position - Beginning of Year	552,901
	<u>924,716</u>
NET POSITION - END OF YEAR	\$ 1,477,617

See accompanying Notes to Basic Financial Statements.

**PROSPER COORDINATING METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash and Investments - Restricted	\$ 1,964	\$ 25,601	\$ 27,565
Due from Other Districts	4,833	-	4,833
Prepaid Insurance	14,987	-	14,987
	<u>\$ 21,784</u>	<u>\$ 25,601</u>	<u>\$ 47,385</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 15,863	\$ 25,601	\$ 41,464
Total Liabilities	<u>15,863</u>	<u>25,601</u>	<u>41,464</u>
FUND BALANCES			
Nonspendable for:			
Prepaid Expenses	14,987	-	14,987
Restricted for:			
Emergency Reserve	31,300	-	31,300
Unrestricted	(40,368)	-	(40,368)
Total Fund Balances	<u>5,921</u>	<u>-</u>	<u>5,921</u>
Total Liabilities and Fund Balances	<u>\$ 21,784</u>	<u>\$ 25,601</u>	

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	6,433,304
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	(4,199,792)
Developer Advance Interest Payable	(761,816)
Net Position of Governmental Activities	<u>\$ 1,177,617</u>

See accompanying Notes to Basic Financial Statements.

PROSPER COORDINATING METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES			
Interest Income	\$ 38	\$ -	\$ 38
Transfer from Prosper Metro No. 3	4,490	-	4,490
Transfer from Prosper Metro No. 4	802,252	-	802,252
Transfer from Prosper W&SFD	236,251	-	236,251
Other Revenue	950	-	950
Total Revenues	<u>1,043,981</u>	<u>-</u>	<u>1,043,981</u>
EXPENDITURES			
Accounting	39,624	-	39,624
Auditing	5,700	-	5,700
District Management	12,344	-	12,344
Dues and Licenses	2,523	-	2,523
Election Expense	3,097	-	3,097
Insurance and Bonds	19,933	-	19,933
Legal Services	59,302	32,634	91,936
Miscellaneous	1,312	15,000	16,312
Utilities	4,003	-	4,003
Capital Outlay	-	20,835	20,835
CDOT/I-70 Interchange	-	500,000	500,000
Consulting	-	15,980	15,980
Design Costs WWTP	-	60,733	60,733
Engineering	-	525,010	525,010
Total Expenditures	<u>147,838</u>	<u>1,170,222</u>	<u>1,318,060</u>
OTHER FINANCING SOURCES (USES)			
Developer Advance	86,658	209,342	296,000
Transfer from (to) Other Funds	<u>(989,672)</u>	<u>989,672</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(903,014)</u>	<u>1,199,014</u>	<u>296,000</u>
NET CHANGE IN FUND BALANCES	(6,871)	28,792	21,921
Fund Balances - Beginning of Year	<u>12,792</u>	<u>(28,792)</u>	<u>(16,000)</u>
FUND BALANCES - END OF YEAR	<u>\$ 5,921</u>	<u>\$ -</u>	<u>\$ 5,921</u>

See accompanying Notes to Basic Financial Statements.

**PROSPER COORDINATING 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, 2020**

Net Change in Fund Balances - Governmental Funds \$ 21,921

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/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 1,122,588

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 (295,000)

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.

Interest on Developer Advance (295,608)

Changes in Net Position of Governmental Activities \$ 552,901

**PROSPER COORDINATING METROPOLITAN DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Transfer from Prosper Metro No. 3	\$ 4,111	\$ 4,190	\$ 4,190	\$ -
Transfer from Prosper Metro No. 4	793,997	802,252	802,252	-
Transfer from Prosper W&SFD	233,820	236,251	236,251	-
Interest Income	50	50	38	(12)
Other Revenue	589	1,000	950	(50)
Total Revenues	<u>1,032,900</u>	<u>1,044,043</u>	<u>1,043,981</u>	<u>(62)</u>
EXPENDITURES				
Accounting	64,000	45,000	39,624	5,376
Auditing	10,000	5,700	5,700	-
District Management	35,000	35,000	42,344	22,656
Dues and Licenses	2,500	2,530	2,523	7
Election Expense	1,200	3,100	3,097	3
Insurance and Bonds	15,700	20,000	19,933	67
Legal Services	77,000	65,000	59,302	5,698
Miscellaneous	1,000	1,400	1,312	88
Utilities	5,000	5,000	4,003	997
Contingency	7,189	-	-	-
Total Expenditures	<u>218,589</u>	<u>182,730</u>	<u>147,838</u>	<u>37,892</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	814,311	861,313	896,143	34,530
OTHER FINANCING SOURCES (USES)				
Developer Advance	-	156,895	86,658	(70,237)
Transfers from (to) Other Funds	(804,411)	(999,600)	(989,672)	9,928
Total Expenditures	<u>(804,411)</u>	<u>(842,705)</u>	<u>(903,014)</u>	<u>(60,309)</u>
NET CHANGE IN FUND BALANCE	9,900	18,608	(6,871)	(25,179)
Fund Balance - Beginning of Year	<u>21,100</u>	<u>12,792</u>	<u>12,792</u>	<u>-</u>
FUND BALANCE - END OF YEAR	\$ 31,000	\$ 31,400	\$ 5,921	\$ (25,479)

See accompanying Notes to Basic Financial Statements.

**PROSPER COORDINATING METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 DEFINITION OF REPORTING ENTITY

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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

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, 2020.

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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (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, 2020, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments - Restricted	\$ 27,565
Total Cash and Investments	<u>\$ 27,565</u>

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

PROSPER COORDINATING METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Deposits with Financial Institutions (Continued)

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, 2020, the District's cash deposits had a bank balance and a carrying balance of \$27,565.

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, 2020, the District had no investments.

**PROSPER COORDINATING METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 4 CAPITAL ASSETS

An analysis of the change in capital assets for the year ended December 31, 2020, follows:

	Balance - December 31, 2019	Increases	Decreases	Balance - December 31, 2020
Governmental Activities:				
Capital assets, Not Being Depreciated:				
Construction in Progress	\$ 5,310,716	\$ 1,122,588	\$ -	\$ 6,433,304
Total Capital Assets, Not Being Depreciated:	<u>\$ 5,310,716</u>	<u>\$ 1,122,588</u>	<u>\$ -</u>	<u>\$ 6,433,304</u>

Upon completion and acceptance, a significant portion of capital assets will be conveyed by the District to other local governments. The District will not be responsible for the maintenance of those assets. Upon acceptance of the improvements, the District will remove the cost of construction for its capital assets.

NOTE 5 LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2020:

	Balance - December 31, 2019	Additions	Reductions	Balance - December 31, 2020
Developer Advances -				
Operations	\$ 363,057	\$ 86,658	\$ -	\$ 449,715
Capital	3,540,738	209,342	-	3,750,080
Developer Advance -				
Interest - Operations	37,134	31,370	-	68,504
Interest - Capital	429,074	264,238	-	693,312
Total	<u>\$ 4,370,000</u>	<u>\$ 591,608</u>	<u>\$ -</u>	<u>\$ 4,961,608</u>

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

Developer Advances

The District has entered into a series of Operation Funding Agreements and Facilities Funding and Acquisition Agreements with VREI, Inc. These agreements are disclosed further in Note 7.

**PROSPER COORDINATING METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

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, 2020, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Amount Authorized on November 3, 2015	Authorized But Unissued
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
Total	\$ 13,004,160,000	\$ 13,004,160,000

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 6 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, 2020 as follows:

Restricted Net Position:	
Emergency Reserves	\$ 31,300
Total Restricted Net Position:	\$ 31,300

**PROSPER COORDINATING METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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 intent on 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.

Agreements with Prosper Farm Investments, LLC

2015 Operation Funding Agreement

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, 2020, there were no outstanding balances under this agreement.

2015 Facilities Funding and Acquisition Agreement

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, 2020, there were no outstanding balances under this agreement.

**PROSPER COORDINATING METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 7 AGREEMENTS (CONTINUED)

Agreements with VREI, Inc. (the Developer)

Operation Funding Agreements (OFAs)

The District has entered into several Operation Funding Agreements pursuant to which the Developer agrees to advance funds to the District for certain operation and maintenance expenses, up to a maximum amount agreed, on a periodic basis as needed. The District agrees to repay these advances pursuant to the priority established in the OFAs, 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.

These OFAs do not constitute a debt or indebtedness of the District nor do they constitute multi-year fiscal obligations. 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.

The details of the District's OFAs and their balances as of December 31, 2020 are as follows:

<u>Agreement</u>	<u>Date Entered</u>	<u>Effective Date</u>	<u>Reimbursement Termination Date</u>	<u>Maximum Amount</u>	<u>Outstanding Balance</u>	<u>Accrued Interest</u>
2016 OFA	12/30/2015	1/1/2016	12/31/2056	\$ 100,000	\$ -	\$ -
2017 - 2018 OFA	1/22/2018 (1)	1/1/2017	12/31/2057	400,000	363,054	63,787
2019 OFA	1/26/2018 (2)	1/1/2019	12/31/2060	132,000	88,658	4,707
					<u>\$ 449,712</u>	<u>\$ 68,494</u>

(1) Amended 11/26/2018 to increase maximum amount to \$400,000.

(2) 1st Amendment to 2019 OFA dated 11/23/2020 and effective 01/01/2020, extended termination date to 12/31/2060 and increased maximum amount to \$132,000.

Facilities Funding and Acquisition Agreements (FFAAs)

The District has entered into several Facilities Funding and Acquisition Agreements with the Developer pursuant to which the Developer agrees to make advances to the District for the purpose of funding the construction and/or acquisition of public improvement. The Developer agrees to make such advances up to a maximum amount, on a periodic basis as needed on the prescribed fiscal year. These FFAAs do not constitute a debt of the District, but are annual appropriations agreements intended to be repaid through future bond issuances.

**PROSPER COORDINATING METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 7 AGREEMENTS (CONTINUED)

Agreements with VREI, Inc. (the Developer) (Continued)

Facilities Funding and Acquisition Agreements (FFAAs) (Continued)

The details of the District's FFAAs and their balances as of December 31, 2020 are as follows:

Agreement	Date Entered	Effective Date	Reimbursement Termination Date	Maximum Amount	Outstanding Balance	Accrued Interest
2016 FFAA	12/30/2016	1/1/2016	12/31/2016	\$ 3,000,000	\$ -	\$ -
2017 FFAA	12/2/2016	1/1/2017	12/31/2016	45,000,000	827,582	239,379
2018 - 2019 FFAA	11/26/2018 (1)	1/1/2018	12/31/2018	15,000,000	2,922,528	463,933
					<u>\$ 3,750,060</u>	<u>\$ 693,312</u>

(1) Amended 11/25/2019 to cover fiscal year 2020, extend reimbursement termination date to 12/31/2018, and increase maximum amount to \$15,000,000. Further amended 11/23/2020 to cover fiscal year 2021.

1601 Agreement

On June 23, 2020, the District entered into a Funding Agreement with Arapahoe County and Prosper Farms Investments, LLC pursuant to which the District agreed to pay its allocated share of the costs of preparing studies required under the Colorado Department of Transportation's Policy Directive No. 1601.0, Interchange Approval Process ("1601 Studies"). The District is required to obtain a 1601 Study for the Watkins Road/I-70 Interchange ("Watkins Study Area") and, likewise, Sky Ranch Metropolitan District Nos. 1, 3, 4 and 5, the Sky Ranch CAB, and the Sky Ranch Developer are responsible for obtaining a 1601 Study for the Monaghan Road/I-70 Interchange ("Monaghan Study Area"). It was determined that significant cost savings could be obtained by coordinating the 1601 Studies for the Watkins Study Area and the Monaghan Study Area and a single consultant was retained to perform both 1601 Studies. Under the Funding Agreement, the District is responsible for 25% of the total cost of preparing the 1601 Studies. As of December 31, 2020, the District has paid \$500,000 pursuant to this agreement.

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 INTERFUND AND OPERATING TRANSFERS

The transfer from the General Fund to the Capital Projects Fund utilized property taxes transferred from other Districts for capital outlay.

**PROSPER COORDINATING METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 10 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.

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.

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 1/2% 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.

SUPPLEMENTARY INFORMATION

**PROSPER COORDINATING METROPOLITAN DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Interest Income	\$ -	\$ -	\$ -
Total Revenues	-	-	-
EXPENDITURES			
Accounting	15,000	-	15,000
Capital Outlay	-	20,835	(20,835)
CDOT/I-70 Interchange	500,000	500,000	-
Consulting	200,000	15,980	184,020
Contingency	5,000	-	5,000
Design Costs WWTP	250,000	60,733	189,267
District Management:	35,000	-	35,000
Engineering	250,000	525,040	(275,040)
Legal Services	360,000	32,634	327,366
Miscellaneous	1,000	15,000	(14,000)
Water Treatment Plant	6,000,000	-	6,000,000
Well Water Drilling	707,000	-	707,000
WWTP and Water Treatment	3,500,000	-	3,500,000
Total Expenditures	<u>11,823,000</u>	<u>1,170,222</u>	<u>10,652,778</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(11,823,000)	(1,170,222)	10,652,778
OTHER FINANCING SOURCES (USES)			
Developer Advance	10,987,589	209,342	(10,778,247)
Transfers from (to) Other Funds	835,411	989,672	154,261
Total Expenditures	<u>11,823,000</u>	<u>1,199,014</u>	<u>(10,623,986)</u>
NET CHANGE IN FUND BALANCE	-	28,792	28,792
Fund Balance - Beginning of Year	-	(28,792)	(28,792)
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>