

FOOTHILLS METROPOLITAN DISTRICT
Larimer County, Colorado

FINANCIAL STATEMENTS
December 31, 2016



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Certified Public Accountants and Business Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Foothills Metropolitan District
Larimer County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Foothills Metropolitan District (the District) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Foothills Metropolitan District, as of December 31, 2016, and the respective changes in financial position thereof, 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.

I

Barnes Griggs & Associates, PC

Other Matters

Economic Dependency

The District has not yet established a revenue base sufficient to pay its operational expenditures. As discussed in Note 8, the District will be dependent upon the developer of the District's service area to provide funding for such expenditures.

Required Supplementary 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 statement in an appropriate operation, 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 as listed in the table of contents is presented for purposes of legal compliance and additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Sarner Griggs & Associates, PC

Lakewood, Colorado
July 31, 2017

BASIC FINANCIAL STATEMENTS

**FOOTHILLS METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
December 31, 2016**

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 96,953
Cash and investments - Restricted	12,440,406
Accounts receivable	161,036
Prepaid expenses	5,666
Receivable from county treasurer	4,996
Property taxes receivable	826,113
Capital assets not being depreciated:	
Construction in progress	51,079,896
Total assets	<u><u>\$ 64,615,066</u></u>
LIABILITIES	
Accounts payable	11,867
Accrued interest payable	355,622
Noncurrent liabilities:	
Due in more than one year	73,686,620
Total liabilities	<u><u>74,054,109</u></u>
DEFERRED INFLOWS OF RESOURCES	
Deferred property tax revenue	826,113
Total deferred inflows of resources	<u><u>826,113</u></u>
NET POSITION	
Restricted for:	
Emergency reserves	4,100
Debt service	306,124
Unrestricted	(10,575,380)
Total net position	<u><u>\$ (10,265,156)</u></u>

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

**FOOTHILLS METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
December 31, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government:					
Government activities:					
General government	\$ 130,065	\$ -	\$ -	\$ -	\$ (130,065)
Interest and related costs on long-term debt	4,342,457	-	-	-	(4,342,457)
	<u>\$ 4,472,522</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(4,472,522)</u>
General revenues:					
Property taxes					747,783
Specific ownership					60,287
Public improvement fees					805,485
Net investment income					77,658
Total general revenues					<u>1,691,213</u>
Change in net position					(2,781,309)
Net position - Beginning					<u>(7,483,847)</u>
Net position - Ending					<u>\$ (10,265,156)</u>

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

**FOOTHILLS METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS				
Investments	\$ 96,953	\$ -	\$ -	\$ 96,953
Investments - Restricted	4,100	10,475,486	1,960,820	12,440,406
Accounts receivable	-	161,036	-	161,036
Prepaid expenses	3,041	2,625	-	5,666
Receivable from County Treasurer	833	4,163	-	4,996
Property taxes receivable	137,696	688,417	-	826,113
TOTAL ASSETS	<u>\$ 242,623</u>	<u>\$11,331,727</u>	<u>\$ 1,960,820</u>	<u>\$ 13,535,170</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 10,247	\$ -	\$ 1,620	\$ 11,867
Total liabilities	<u>10,247</u>	<u>-</u>	<u>1,620</u>	<u>11,867</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred property tax revenue	137,696	688,417	-	826,113
Total deferred inflows of resources	<u>137,696</u>	<u>688,417</u>	<u>-</u>	<u>826,113</u>
FUND BALANCES				
Nonspendable:				
Prepaid expenses	3,041	2,625	-	5,666
Restricted for:				
Emergency reserve	4,100	-	-	4,100
Debt service	-	10,640,685	-	10,640,685
Capital projects	-	-	1,959,200	1,959,200
Assigned to:				
Subsequent year's expenditures	35,688	-	-	35,688
Unassigned	51,851	-	-	51,851
Total fund balances	<u>94,680</u>	<u>10,643,310</u>	<u>1,959,200</u>	<u>12,697,190</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 242,623</u>	<u>\$11,331,727</u>	<u>\$ 1,960,820</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.

Capital assets, net 51,079,896

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 (72,950,000)

Developer advance payable (630,401)

Developer advance interest payable (106,219)

Accrued interest on bonds payable (355,622)

Net position of governmental activities \$ (10,265,156)

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

FOOTHILLS METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 124,630	\$ 623,153	\$ -	\$ 747,783
Specific ownership taxes	10,050	50,237	-	60,287
Public improvement fees	-	805,485	-	805,485
Net investment income	1,226	63,011	13,421	77,658
Total revenues	<u>135,906</u>	<u>1,541,886</u>	<u>13,421</u>	<u>1,691,213</u>
EXPENDITURES				
Current				
Accounting	46,962	-	7,112	54,074
Auditing	5,500	-	-	5,500
County Treasurer's fees	2,493	12,463	-	14,956
District management	21,839	-	-	21,839
Election	285	-	-	285
Insurance	3,078	-	-	3,078
Legal	29,479	-	8,113	37,592
Miscellaneous	3,352	-	-	3,352
Debt service				
Bond interest	-	4,267,463	-	4,267,463
Paying agent / Trustee fees	-	7,966	1,852	9,818
Capital outlay	-	-	1,841,957	1,841,957
Total expenditures	<u>112,988</u>	<u>4,287,892</u>	<u>1,859,034</u>	<u>6,259,914</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>22,918</u>	<u>(2,746,006)</u>	<u>(1,845,613)</u>	<u>(4,568,701)</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	103,951	55,340	8,124	167,415
Transfers to other funds	(8,124)	-	(159,291)	(167,415)
Total other financing sources (uses)	<u>95,827</u>	<u>55,340</u>	<u>(151,167)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	118,745	(2,690,666)	(1,996,780)	(4,568,701)
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	<u>(24,065)</u>	<u>13,333,976</u>	<u>3,955,980</u>	<u>17,265,891</u>
FUND BALANCE - END OF YEAR	<u>\$ 94,680</u>	<u>\$ 10,643,310</u>	<u>\$ 1,959,200</u>	<u>\$ 12,697,190</u>

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

**FOOTHILLS METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2016**

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

Net change in fund balances - Total governmental funds	\$ (4,568,701)
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Governmental funds report capital outlays as expenditures. In the statement of activities capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation/amortization expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset. Therefore, this is the amount of capital outlay, net of depreciation/amortization, in the current period.

Expenditures for capital assets	1,841,957
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Interest on Developer advance	<u>(54,565)</u>
Changes in net position of governmental activities	<u>\$ (2,781,309)</u>

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

**FOOTHILLS METROPOLITAN DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2016**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Property taxes	\$ 125,139	\$ 124,630	\$ (509)
Specific ownership taxes	11,260	10,050	(1,210)
Net investment income	20	1,226	1,206
Total revenues	<u>136,419</u>	<u>135,906</u>	<u>(513)</u>
EXPENDITURES			
Current			
Accounting	50,000	46,962	3,038
Audit	5,000	5,500	(500)
County Treasurer's fees	2,500	2,493	7
District management	35,000	21,839	13,161
Dues and membership	500	-	500
Election	500	285	215
Insurance	3,050	3,078	(28)
Legal	50,000	29,479	20,521
Miscellaneous	1,000	3,352	(2,352)
Contingency	4,450	-	4,450
Total expenditures	<u>152,000</u>	<u>112,988</u>	<u>39,012</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(15,581)</u>	<u>22,918</u>	<u>38,499</u>
OTHER FINANCING SOURCES (USES)			
Transfers to other fund	-	(8,124)	(8,124)
Transfers from other fund		103,951	103,951
Developer advance	20,000	-	(20,000)
Total other financing sources (uses)	<u>20,000</u>	<u>95,827</u>	<u>75,827</u>
NET CHANGE IN FUND BALANCE	4,419	118,745	114,326
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	<u>3,322</u>	<u>(24,065)</u>	<u>(27,387)</u>
FUND BALANCES - END OF YEAR	<u>\$ 7,741</u>	<u>\$ 94,680</u>	<u>\$ 86,939</u>

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

**FOOTHILLS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 1 - DEFINITION OF REPORTING ENTITY

Foothills Metropolitan District (District), a quasi-municipal corporation and political subdivision of the State of Colorado was organized by order and decree of the District Court of Larimer County on January 10, 2013, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District operates under an Amended and Restated Service Plan approved by the City of Fort Collins on May 7, 2013. The District's service area is located entirely within the City of Fort Collins, Larimer County, Colorado. The District was established for the purpose of financing and providing public improvements and related operations and maintenance services within and outside of the boundaries of the District. The public improvements include streets, safety protection, park and recreation facilities, water, sanitation, storm sewer, transportation, fire protection, television relay and translation, security services and mosquito control.

The District's service plan limits the mill levy for operations and maintenance to 15.000 mills. The maximum debt mill levy allowed by the service plan is 50.000 mills as adjusted for changes in the method of calculating assessed value. The Maximum Debt Mill Levy at December 31, 2016, is 50.000 mills.

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.

FOOTHILLS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Separate financial statements are provided for 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 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, specific ownership taxes and public improvement fees. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

**FOOTHILLS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

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 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.

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 and investments.

Investments are carried at fair value.

Property Taxes

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

Property taxes, net of estimated uncollectible taxes, are recorded initially as a deferred inflow of resources in the year they are levied and measurable. The deferred property tax revenues are recorded as revenue in the year they are available or collected.

Capital Assets

Capital assets, which include property and equipment, easements 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 estimated fair value at the date of donation.

**FOOTHILLS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 the net investment in capital assets component of the District's net position.

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.

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(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. Deferred property tax revenue is reported only in the governmental fund balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Equity

Net Position

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the government'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.

**FOOTHILLS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- *Committed fund balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.
- *Assigned fund balance* – The portion of fund balance that is constrained by the government’s intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.
- *Unassigned fund balance* – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District’s practice to use the most restrictive classification first.

NOTE 3 - CASH AND INVESTMENTS

Investments as of December 31, 2016, are classified in the accompanying financial statements as follows:

Statement of net position:

Investments	\$ 96,953
Investments - Restricted	<u>12,440,406</u>
Total cash and investments	<u>\$ 12,537,359</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.

**FOOTHILLS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 3 - CASH AND INVESTMENTS (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, 2016, the District had no deposits with financial institutions.

Investments

The District has not adopted a formal investment policy; however, the District follows 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 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

Fair Value Measurement and Application

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series); money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee); and CSAFE which record their investments at amortized costs.

**FOOTHILLS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

As of December 31, 2016, the District had the following investments:

Investment	Maturity	Fair Value
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	<u>\$ 12,537,359</u>

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE), which is an investment vehicle established by state statutes for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing CSAFE. CSAFE 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.

NOTE 4 - CAPITAL ASSETS

An analysis of the change in capital assets for the year ended December 31, 2016, follows:

	<u>Balance at December 31, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2016</u>
Governmental Activities:				
Capital assets, not being depreciated				
Construction in progress	\$ 49,237,939	\$ 1,841,957	\$ -	\$ 51,079,896
Total capital assets, not being depreciated	<u>49,237,939</u>	<u>1,841,957</u>	<u>-</u>	<u>51,079,896</u>
 Total capital assets, net Governmental activities	 <u>49,237,939</u>	 <u>1,841,957</u>	 <u>-</u>	 <u>51,079,896</u>
capital assets, net	<u>\$ 49,237,939</u>	<u>\$ 1,841,957</u>	<u>\$ -</u>	<u>\$ 51,079,896</u>

**FOOTHILLS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

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, 2016:

	<u>Balance at December 31, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at December 31, 2016</u>	<u>Due Within One Year</u>
Special Revenue Bonds, Series 2014	\$ 72,950,000	\$ -	\$ -	\$ 72,950,000	\$ -
Developer advances	630,401		-	630,401	-
Developer advance interest	51,654	54,565	-	106,219	-
	<u>\$ 73,632,055</u>	<u>\$ 54,565</u>	<u>\$ -</u>	<u>\$ 73,686,620</u>	<u>\$ -</u>

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

On October 9, 2014, the District issued \$72,950,000 in Special Revenue Bonds for street, park and recreation, water and sanitation improvements. Bond proceeds were also transferred by the bond resolution from the Capital Projects Fund to the Debt Service Fund to pay the bond interest for the subsequent construction period and to establish a reserve account. The interest rate ranges from 5.25 to 6.00%. Interest is payable semiannually on June 1 and December 1 and principal is payable annually on December 1. The bonds mature on December 1, 2038, and are term bonds subject to redemption, prior to maturity, at the option of the District, as a whole or in multiples of \$1,000, on December 1, 2024, upon payment of par and accrued interest, without redemption premium. The Bonds maturing on December 1, 2024, are subject to mandatory sinking fund redemption. The Series 2014 Bonds were issued for the purpose of financing public improvements.

The bonds are secured by and payable from the Pledged Revenue consisting of monies derived by the District from the following sources, net of any collection costs: 1) the Required Mill Levy, 2) the portion of the Specific Ownership tax which is collected as a result of the imposition of the Required Mill Levy, 3) Property Tax Increment revenues, 4) Add-On PIF revenues, 5) Sale Tax Increment revenues and 6) any other legally available monies which the District determines to be treated as Pledged Revenue.

**FOOTHILLS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

The District's long-term obligations will mature as follows:

	Governmental Activities		Total
	Principal	Interest	
2017	\$ -	\$ 4,267,463	\$ 4,267,463
2018	625,000	4,267,462	4,892,462
2019	815,000	4,234,650	5,049,650
2020	1,175,000	4,191,862	5,366,862
2021	1,325,000	4,130,175	5,455,175
2022-2026	9,600,000	19,395,288	28,995,288
2027-2031	15,945,000	16,009,725	31,954,725
2032-2036	24,945,000	10,299,600	35,244,600
2037-2038	18,520,000	1,842,000	20,362,000
	<u>\$ 72,950,000</u>	<u>\$ 68,638,225</u>	<u>\$ 141,588,225</u>

Authorized Debt

On November 6, 2012, 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 \$1,525,000,000 at an interest rate not to exceed 18% per annum. At December 31, 2016, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Amount Authorized on November 6, 2012	Authorization Used 2014 Bonds	Authorized but Unissued at December 31, 2016
Streets	\$ 100,000,000	\$ 43,923,195	\$ 56,076,805
Park and recreation	100,000,000	16,822,270	83,177,730
Water	100,000,000	2,662,675	97,337,325
Sanitation	100,000,000	9,541,860	90,458,140
Transportation	100,000,000	-	100,000,000
Mosquito control	25,000,000	-	25,000,000
Traffic/safety controls	100,000,000	-	100,000,000
Fire protection	100,000,000	-	100,000,000
TV relay	100,000,000	-	100,000,000
Security	100,000,000	-	100,000,000
Refundings	600,000,000	-	600,000,000
	<u>\$1,525,000,000</u>	<u>\$ 72,950,000</u>	<u>\$1,452,050,000</u>

**FOOTHILLS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Pursuant to the Service Plan, the District is permitted to issue bond indebtedness of up to \$180,000,000.

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.

Developer Advances

The District has entered into Reimbursement and Acquisition Agreements with the Developer as follows:

Reimbursement and Infrastructure Acquisition Agreement

On April 26, 2013, the District has entered into a Reimbursement and Infrastructure Acquisition Agreement with Walton Foothills Holdings VI, LLC (Developer) pursuant to which the District agrees to reimburse the Developer for advances made to or on behalf of the District plus interest of 8% annually for costs related to the construction of public improvements subject to limitations set forth in the Service Plan. This agreement was amended on May 28, 2014. As of December 31, 2016, outstanding advances under the agreement totaled \$630,401 and accrued interest totaled \$106,219.

NOTE 6 - NET POSITION

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

Restricted assets include net position 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, 2016, as follows:

	Governmental Activities
Restricted net position:	
Emergency reserves	\$ 4,100
Debt service	306,124
Total restricted net position	\$ 310,224

The District has a deficit in unrestricted net position. This deficit amount was a result of the District being responsible for the repayment of bonds issued for public improvements which are intended to be conveyed to other governmental entities and will be removed from the District's financial records when construction is completed.

**FOOTHILLS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 7 - RELATED PARTY

The Developer of the property which constitutes the District is Walton Foothills Holdings VI, LLC. The members of the Board of Directors are employees, owners or are otherwise associated with the Developer and its affiliates and may have conflicts of interest in dealing with the District.

NOTE 8 - ECONOMIC DEPENDENCY

The District has not yet established a revenue base sufficient to pay operational expenditures. Until an independent revenue base is established, continuation of operations in the District will be dependent upon funding by the Developer.

NOTE 9 - INTERFUND TRANSFER

The transfer of \$8,124 from the General Fund to the Capital Projects Funds was to pay for trustee fees, accounting fees, and legal fees. The transfer of \$159,291 from the Capital Projects Funds to the General and Debt Service Funds represents the transfer of remaining funds in the cost of issuance fund.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Construction Commitments

As of December 31, 2016, the District had unexpended construction related contract commitments of approximately, \$1,924,805.

NOTE 11 - AGREEMENTS

Tri-Party Agreement

On September 2, 2014, the District entered into a tri-party agreement with the City of Fort Collins (City) and H&M Hennes & Mauritz LP (H&M). H&M is bound by the PIF declaration, as defined in the lease, which requires H&M to collect from purchasers or recipients of goods or services a public improvement fee (PIF) in an amount not to exceed one percent of the sales of such goods or services and remit such amounts to the designated collection agent. H&M requires that the District obtain the amount of H&M's sales from the City for purposes of verifying H&M's compliance with the PIF obligation.

**FOOTHILLS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 11 - AGREEMENTS (CONTINUED)

Redevelopment and Reimbursement Agreement

On January 17, 2014, the District entered into a redevelopment and reimbursement agreement, as amended on May 12, 2014, August 18, 2014, December 31, 2015, and on March 28, 2016, with Fort Collins Urban Renewal Authority (Authority), Walton Foothills Holdings VI, LLC (Developer) and the City of Fort Collins (City) wherein the Developer or District has the right to construct improvements known as the Foothills Mall (property) and desires to redevelop the property. The Developer and/or the District shall: 1) construct the project, without limitation, all eligible improvements, 2) be responsible for compliance in all respects with the Development Approvals, and 3) be responsible for payment of fees related to redevelopment of the property and construction of the project. The eligible improvements shall be financed from the net proceeds of the District Bonds. The remainder of the project shall be financed by the Developer. The estimated completion date for the property is for the Fall of 2017.

NOTE 12 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in the past fiscal year.

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

NOTE 13 - 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 that 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.

**FOOTHILLS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 13 - TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)

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.

On November 6, 2012, District voters passed an election question to increase property taxes \$20,000,000 annually to pay the District's operational and maintenance costs, without regard to any limitations under TABOR.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

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

SUPPLEMENTARY INFORMATION

**FOOTHILLS METROPOLITAN DISTRICT
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2016**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property taxes	\$ 625,700	\$ 623,153	\$ (2,547)
Specific ownership taxes	56,310	50,237	(6,073)
Public improvement fees	1,387,357	805,485	(581,872)
Net investment income	19,250	63,011	43,761
Sales tax increment	1,753,482	-	(1,753,482)
Total revenues	<u>3,842,099</u>	<u>1,541,886</u>	<u>(2,300,213)</u>
EXPENDITURES			
Debt service			
Paying agent fees	9,000	7,966	1,034
Bond interest	4,267,462	4,267,463	(1)
Contingency	1,024	-	1,024
County Treasurer's fees	12,514	12,463	51
Total expenditures	<u>4,290,000</u>	<u>4,287,892</u>	<u>2,108</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(447,901)</u>	<u>(2,746,006)</u>	<u>(2,298,105)</u>
OTHER FINANCING SOURCES			
Transfers from other fund	-	55,340	55,340
Total other financing sources	<u>-</u>	<u>55,340</u>	<u>55,340</u>
NET CHANGE IN FUND BALANCE	(447,901)	(2,690,666)	(2,242,765)
FUND BALANCES - BEGINNING OF YEAR	<u>13,061,351</u>	<u>13,333,976</u>	<u>272,625</u>
FUND BALANCES - END OF YEAR	<u>\$ 12,613,450</u>	<u>\$ 10,643,310</u>	<u>\$ (1,970,140)</u>

**FOOTHILLS METROPOLITAN DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2016**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Net investment income	\$ -	\$ 13,421	\$ 13,421
Total revenues	<u>-</u>	<u>13,421</u>	<u>13,421</u>
EXPENDITURES			
Capital outlay			
Accounting	-	7,112	(7,112)
Trustee fees	-	1,852	(1,852)
Legal	-	8,113	(8,113)
Capital outlay	8,500,000	1,841,957	6,658,043
Total expenditures	<u>8,500,000</u>	<u>1,859,034</u>	<u>6,640,966</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(8,500,000)</u>	<u>(1,845,613)</u>	<u>6,654,387</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other fund	-	8,124	8,124
Transfers to other funds	-	(159,291)	(159,291)
Total other financing sources	<u>-</u>	<u>(151,167)</u>	<u>(151,167)</u>
NET CHANGE IN FUND BALANCE	(8,500,000)	(1,996,780)	6,503,220
FUND BALANCES - BEGINNING OF YEAR	<u>8,500,000</u>	<u>3,955,980</u>	<u>(4,544,020)</u>
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ 1,959,200</u>	<u>\$ 1,959,200</u>

**FOOTHILLS METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2016**

\$72,950,000 Special Revenue Bonds

Series 2014

Dated October 9, 2014

Interest Rate from 5.25% to 6.00%

Interest Payable June 1 and December 1

Principal Payable December 1

Loan, Bonds and Interest Maturing in the Year Ending December 31,	Principal Payable December 1		
Ending December 31,	Principal	Interest	Total
2017	\$ -	\$ 4,267,463	\$ 4,267,463
2018	625,000	4,267,462	4,892,462
2019	815,000	4,234,650	5,049,650
2020	1,175,000	4,191,862	5,366,862
2021	1,325,000	4,130,175	5,455,175
2022	1,520,000	4,060,613	5,580,613
2023	1,690,000	3,980,812	5,670,812
2024	1,915,000	3,892,088	5,807,088
2025	2,110,000	3,791,550	5,901,550
2026	2,365,000	3,670,225	6,035,225
2027	2,600,000	3,534,237	6,134,237
2028	2,895,000	3,384,738	6,279,738
2029	3,160,000	3,218,275	6,378,275
2030	3,490,000	3,036,575	6,526,575
2031	3,800,000	2,835,900	6,635,900
2032	4,180,000	2,607,900	6,787,900
2033	4,540,000	2,357,100	6,897,100
2034	4,970,000	2,084,700	7,054,700
2035	5,385,000	1,786,500	7,171,500
2036	5,870,000	1,463,400	7,333,400
2037	6,340,000	1,111,200	7,451,200
2038	12,180,000	730,800	12,910,800
	<u>\$ 72,950,000</u>	<u>\$ 68,638,225</u>	<u>\$ 141,588,225</u>

SUPPLEMENTAL INFORMATION

Note: Assumes no redemptions, other than mandatory sinking fund redemptions, prior to maturity. Figures have been rounded.

**FOOTHILLS METROPOLITAN DISTRICT
SUMMARY OF ASSESSED VALUATION, MILL LEVY AND
PROPERTY TAXES COLLECTED
December 31, 2016**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied			Total Property Taxes		Percentage Collected to Levied
		Operations	Debt Service	Refunds and Abatements	Levied	Collected	
2014	\$ 11,668,630	0.000	0.000	0.000	\$ -	\$ -	N/A
2015	\$ 10,253,650	10.000	50.000	0.000	\$ 615,219	\$ 607,568	98.76%
2016	\$ 12,387,830	10.000	50.000	0.611	\$ 750,839	\$ 747,783	99.59%
Estimated for the year ending December 31, 2017	\$ 13,717,791	10.000	50.000	0.222	\$ 826,113		

Note:
Property taxes collected in any one year include collection of delinquent property taxes assessed in prior years, as well as reductions for property tax refunds or abatements. Information received from the County Treasurer does not permit identification of specific year of assessment.