

FRONTERRA VILLAGE METROPOLITAN DISTRICT
City of Commerce City, Adams County, Colorado

FINANCIAL STATEMENTS
December 31, 2016



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Independent Auditor's Report

To the Board of Directors
Fronterra Village Metropolitan District

We have audited the accompanying financial statements of the governmental activities and the major funds of Fronterra Village Metropolitan 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 the major funds of Fronterra Village Metropolitan District, as of December 31, 2016 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.

Other-Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Fronterra Village Metropolitan District's financial statements as a whole. The supplementary information and continuing disclosure annual financial information sections are presented for purposes of additional analysis and are not a required part of the financial statements.

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

The continuing disclosure annual financial information section, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Littleton, Colorado
June 5, 2017

BASIC FINANCIAL STATEMENTS

FRONTERRA VILLAGE METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
December 31, 2016

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 107,216
Cash and investments - Restricted	182,881
Receivable - County Treasurer	5,559
Property tax receivable	927,840
Prepaid expense	3,301
Total assets	<u>1,226,797</u>
LIABILITIES	
Accounts payable	1,876
Accrued interest payable	39,508
Noncurrent liabilities	
Due within one year	375,000
Due in more than one year	11,713,906
Total liabilities	<u>12,130,290</u>
DEFERRED INFLOWS OF RESOURCES	
Property tax revenue	927,840
Total deferred inflows of resources	<u>927,840</u>
NET POSITION	
Restricted for:	
Emergency reserves	3,000
Debt service	145,478
Unrestricted	(11,979,811)
Total net position	<u>\$ (11,831,333)</u>

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

**FRONTERRA VILLAGE METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2016**

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>	
	<u>Expenses</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	\$ 35,506	\$ -	\$ -	\$ -	\$ (35,506)
Interest and related costs on long-term debt	<u>560,568</u>	-	-	-	<u>(560,568)</u>
	<u>\$ 596,074</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(596,074)</u>
General revenues:					
Property taxes					942,577
Specific ownership taxes					77,773
Investment income					<u>3,438</u>
Total general revenues					<u>1,023,788</u>
Change in net position					427,714
Net position - Beginning					<u>(12,259,047)</u>
Net position - Ending					<u>\$ (11,831,333)</u>

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

**FRONTERRA VILLAGE METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016**

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash and investments	\$ 107,216	\$ -	\$ 107,216
Cash and investments - Restricted	3,000	179,881	182,881
Receivable - County Treasurer	360	5,199	5,559
Property tax receivable	48,143	879,697	927,840
Prepaid expense	3,301	-	3,301
TOTAL ASSETS	162,020	1,064,777	1,226,797
LIABILITIES			
Accounts payable	1,426	450	1,876
Total liabilities	1,426	450	1,876
DEFERRED INFLOWS OF RESOURCES			
Property tax revenue	48,143	879,697	927,840
Total deferred inflows of resources	48,143	879,697	927,840
FUND BALANCES			
Nonspendable:			
Prepaid amounts	3,301	-	3,301
Restricted for:			
Emergencies (TABOR)	3,000	-	3,000
Debt service	-	184,630	184,630
Unassigned:			
General government	106,150	-	106,150
Total fund balances	112,451	184,630	297,081
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 162,020	\$ 1,064,777	

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

Long-term liabilities are not due and payable in the current period and, therefore, are not recorded as liabilities in the funds

Bonds payable	(12,850,000)
Bond discount	761,094
Accrued interest on bonds payable	(39,508)
Net position of governmental activities	\$ (11,831,333)

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

FRONTERRA VILLAGE 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>Total Governmental Funds</u>
REVENUES			
Property taxes	\$ 61,093	\$ 881,484	\$ 942,577
Specific ownership taxes	5,041	72,732	77,773
Investment income	756	2,682	3,438
Total revenues	<u>66,890</u>	<u>956,898</u>	<u>1,023,788</u>
EXPENDITURES			
Current			
Accounting	13,534	-	13,534
Audit	3,300	-	3,300
County Treasurer's fees	917	13,228	14,145
Directors' fees	200	-	200
Dues and subscriptions	309	-	309
Elections	386	-	386
Insurance and bonds	3,258	-	3,258
Legal	13,349	-	13,349
Miscellaneous	238	-	238
Payroll taxes	15	-	15
Debt service			
Bond interest expense	-	485,500	485,500
Bond principal	-	285,000	285,000
Registered coupon payment	-	80,000	80,000
Paying agent fees	-	450	450
Total expenditures	<u>35,506</u>	<u>864,178</u>	<u>899,684</u>
NET CHANGE IN FUND BALANCES	31,384	92,720	124,104
FUND BALANCES - BEGINNING OF YEAR	<u>81,067</u>	<u>91,910</u>	<u>172,977</u>
FUND BALANCES - END OF YEAR	<u>\$ 112,451</u>	<u>\$ 184,630</u>	<u>\$ 297,081</u>

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

**FONTERRA VILLAGE 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 changes in fund balances - Total governmental funds	\$	124,104
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The net effect of these differences in the treatment of long-term debt is as follows:</p>		
Current year bond principal payment		365,000
Current year amortization of bond discount		(62,340)
<p>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:</p>		
Accrued interest on long-term obligations - Change in liability		950
Change in net position of governmental activities	\$	427,714

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

**FRONTERRA VILLAGE 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	\$ 61,163	\$ 61,093	\$ (70)
Specific ownership taxes	4,890	5,041	151
Investment income	120	756	636
Total revenues	<u>66,173</u>	<u>66,890</u>	<u>717</u>
EXPENDITURES			
Current			
Accounting	14,000	13,534	466
Audit	3,500	3,300	200
County Treasurer's fees	900	917	(17)
Directors' fees	400	200	200
Dues and subscriptions	300	309	(9)
Elections	4,000	386	3,614
Insurance and bonds	3,500	3,258	242
Legal	25,000	13,349	11,651
Miscellaneous	100	238	(138)
Payroll taxes	31	15	16
Contingency	8,269	-	8,269
Total expenditures	<u>60,000</u>	<u>35,506</u>	<u>24,494</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	6,173	31,384	25,211
FUND BALANCES - BEGINNING OF YEAR	<u>79,803</u>	<u>81,067</u>	<u>1,264</u>
FUND BALANCES - END OF YEAR	<u>\$ 85,976</u>	<u>\$ 112,451</u>	<u>\$ 26,475</u>

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

FRONTERRA VILLAGE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 - DEFINITION OF REPORTING ENTITY

Fronterra Village 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 for Adams County on November 22, 2000, and is governed by the provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's boundaries are located in Adams County, Colorado entirely within the City of Commerce City (City). The service plan of the District was approved by the City in 2000 and was amended in 2002 and 2007. The District was organized to provide financing for the construction of streets, safety controls, street lighting, landscaping, storm drainage, television relay facilities, park and recreation, and mosquito control improvements.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity, including the City and Fronterra Village Metropolitan District No. 2.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the District are described as follows:

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

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

FRONTERRA VILLAGE 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 governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures and other financing uses level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

FRONTERRA VILLAGE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 into 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.

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

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

Amortization

Original Issue Discount/Premium

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses.

System Development Fees

System development fees of \$900 per single-family home and \$710 for each multi-family residential unit are charged against properties within the District. The development fee is due at the time of issuance of a building permit. The District records the system development fees as revenue when received, which may be at the transfer of property from the Developer to a builder. The system development fees constitute a statutory perpetual lien upon the property until paid.

FRONTERRA VILLAGE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 funds 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.
- *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.

FRONTERRA VILLAGE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- *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, 2016, are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$ 107,216
Cash and investments - Restricted	<u>182,881</u>
Total cash and investments	<u><u>\$ 290,097</u></u>

Cash and investments as of December 31, 2016 consist of the following:

Deposits with financial institutions	\$ 3,889
Investments	<u>286,208</u>
Total cash and investments	<u><u>\$ 290,097</u></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.

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's cash deposits had a bank balance of \$7,190 and a carrying balance of \$3,889.

Investments

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

**FRONTERRA VILLAGE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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.

The 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 cost.

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>\$ 286,208</u>

**FRONTERRA VILLAGE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

CSAFE

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

The following is an analysis of changes in long-term obligations for the year ended December 31, 2016:

	<u>Balance at December 31, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at December 31, 2016</u>	<u>Due Within One Year</u>
General Obligation Refunding and Improvement Bonds, Series 2007	\$ 11,355,000	\$ -	\$ 285,000	\$ 11,070,000	\$ 295,000
B Interest Certificates	1,860,000	-	80,000	1,780,000	80,000
	13,215,000	-	365,000	12,850,000	375,000
Bond discount, Series 2007	(823,434)	-	(62,340)	(761,094)	(60,876)
	<u>\$ 12,391,566</u>	<u>\$ -</u>	<u>\$ 302,660</u>	<u>\$ 12,088,906</u>	<u>\$ 314,124</u>

General Obligation Bonds

On March 1, 2007, the District advance refunded and defeased (debt legally satisfied) \$7,200,000 of General Obligation Bonds (Limited Tax Convertible to Unlimited Tax) dated September 1, 2001, with interest rates from 8.0% to 8.05% by the issuance of \$12,850,000 in General Obligation Refunding and Improvement Bonds Series 2007 and \$2,800,000 in Supplemental "B" Interest Registered Coupons.

The 2007 bonds bear interest from 3.65% to 4.375% per annum, due June 1 and December 1. Principal is due on December 1. The coupons were issued to yield from 3.86% to 4.87% per annum. Principal is due on December 1. The bonds maturing on or before December 1, 2016, are not subject to redemption prior to their respective maturity dates. The bonds maturing on and after December 1, 2017, are subject to redemption prior to maturity at the option of the district. The bonds mature on December 1, 2036. The District purchased a financial guaranty insurance policy with CIFG Assurance North America, Inc. (CIFG). During 2008 and 2010,

**FRONTERRA VILLAGE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)

CIFG's ratings were lowered by Standard & Poor's and other ratings agencies. During October 2008, Assured Guaranty Corp. (Assured) entered into a definitive agreement with CIFG under which Assured assumed via reinsurance approximately \$13 billion of net par insured from CIFG's public finance business, of which the District's bonds are included. More information on this transaction can be found at the websites of Standard & Poor's, CIFG, and Assured. On June 20, 2011, the District approved execution of a Certificate of Consent to Transfer, Assumption and Release submitted by Assured whereby CIFG would transfer the insurance policy associated with the bonds to Assured. Assured is currently rated AA-Stable by Standard & Poor's.

In addition to refunding all of the District's outstanding Series 2001 bonds, additional bond proceeds were used to acquire certain water facility improvements, reimburse the Developer for the cost of constructing certain public improvements, purchase a financial guaranty insurance policy, and pay the costs of issuing the bonds.

The bonds are secured by and payable from 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, and 3) any other legally available monies which the District determines to be treated as Pledged Revenue. The Required Mill Levy means an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient to pay the principal, premium if any, and interest on the bonds as the same become due and payable without limitation of rate in an amount sufficient to make such payment when due.

The District's bonds mature as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Coupons</u>	<u>Total</u>
2017	\$ 295,000	\$ 474,100	\$ 80,000	\$ 849,100
2018	325,000	461,563	80,000	866,563
2019	335,000	448,562	80,000	863,562
2020	365,000	435,163	85,000	885,163
2021	380,000	450,563	85,000	915,563
2022-2026	2,300,000	1,847,314	425,000	4,572,314
2027-2031	3,050,000	1,293,888	455,000	4,798,888
2032-2036	4,020,000	546,218	490,000	5,056,218
	<u>\$ 11,070,000</u>	<u>\$ 5,957,371</u>	<u>\$ 1,780,000</u>	<u>\$ 18,807,371</u>

**FRONTERRA VILLAGE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)

Authorized Debt

On November 7, 2000, the District's electors authorized the issuance of indebtedness in an amount not to exceed \$10,000,000 for infrastructure improvements at an interest rate not to exceed 18% and \$7,500,000 for refunding the District's debt or other obligations. On May 7, 2002, the District's electors authorized the issuance of indebtedness in an amount not to exceed \$1,750,000 for infrastructure improvements at an interest rate not to exceed 18% per annum.

At December 31, 2016, the District had authorized but unissued indebtedness in the following amount allocated for the following purposes:

	Authorized November 7, 2000 Election	Authorized May 7, 2002 Election	Authorization Used		Remaining at December 31, 2014
			Series 2001	Series 2007	
Sanitary sewer	\$ 2,000,000	\$ 875,000	\$ 600,000	\$ 1,590,000	\$ 685,000
Water supply	-	875,000	-	875,000	-
Street improvements	3,500,000	-	3,500,000	-	-
Parks and recreation	4,500,000	-	3,105,000	1,395,000	-
Debt refunding	7,500,000	-	-	1,790,000	5,710,000
	<u>\$ 17,500,000</u>	<u>\$ 1,750,000</u>	<u>\$ 7,205,000</u>	<u>\$ 5,650,000</u>	<u>\$ 6,395,000</u>

Per the amended Service Plan, the District is limited to issuing \$12,750,000 in debt. The District considers any debt refunding not subject to this limitation. In addition, the maximum debt service mill levy for the District is 50 mills, as adjusted for changes in the ratio of actual value to assessed value of property within the District.

In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area.

NOTE 5 - NET POSITION

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

The restricted component of net position consists of 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 of \$3,000 for Emergency Reserves and \$145,478 for debt service on the Series 2007 bonds as of December 31, 2016.

FRONTERRA VILLAGE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 5 - NET POSITION (CONTINUED)

The unrestricted component of net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the restricted component of net position.

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

NOTE 6 - RELATED PARTIES

The Developer of the property that constitutes the District is JF Companies LLC, formerly known as Gateway American Properties LLC (the Developer). The members of the Board of Directors of the District are owners of or are otherwise associated with the Developer or the owner and may have conflicts of interest in dealing with the District.

NOTE 7 - RISK MANAGEMENT

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

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

The District pays annual premiums to the Pool for liability, property, 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 8 - TAX, SPENDING AND DEBT LIMITATIONS

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

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

FRONTERRA VILLAGE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 8 - TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)

On November 7, 2000, the District voters passed an election question to increase property taxes \$250,000 annually, without limitation of rate, to pay the District's operations, maintenance and other expenses. Additionally, 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.

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

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

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

SUPPLEMENTARY INFORMATION

**FRONTERRA VILLAGE METROPOLITAN DISTRICT
DEBT SERVICE FUND
SCHEDULE 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	\$ 882,488	\$ 881,484	\$ (1,004)
Specific ownership tax	70,600	72,732	2,132
Investment income	200	2,682	2,482
Total revenues	<u>953,288</u>	<u>956,898</u>	<u>3,610</u>
EXPENDITURES			
County Treasurer's fees	13,240	13,228	12
Bond interest	485,500	485,500	-
Bond principal	285,000	285,000	-
Registered coupon payment	80,000	80,000	-
Paying agent fees	300	450	(150)
Contingency	1,960	-	1,960
Total expenditures	<u>866,000</u>	<u>864,178</u>	<u>1,822</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	87,288	92,720	5,432
FUND BALANCES - BEGINNING OF YEAR	<u>92,301</u>	<u>91,910</u>	<u>(391)</u>
FUND BALANCES - END OF YEAR	<u>\$ 179,589</u>	<u>\$ 184,630</u>	<u>\$ 5,041</u>

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

	\$12,850,000		\$2,800,000		Total General Obligation Bonds
	General Obligation Refunding and Improvement Bonds Series 2007 Dated March 8, 2007 Interest Rate at 3.65% to 4.375% Due June 1 and December 1 Principal Due December 1		Registered Coupons Dated March 8, 2007 Interest Yield of 3.86% to 4.87% Due December 1		
	Principal	Interest	Payment		
2017	\$ 295,000	\$ 474,100	\$ 80,000		\$ 849,100
2018	325,000	461,563	80,000		866,563
2019	335,000	448,562	80,000		863,562
2020	365,000	435,163	85,000		885,163
2021	380,000	450,563	85,000		915,563
2022	410,000	405,363	85,000		900,363
2023	425,000	388,963	85,000		898,963
2024	460,000	370,900	90,000		920,900
2025	485,000	351,350	80,000		916,350
2026	520,000	330,738	85,000		935,738
2027	540,000	308,637	90,000		938,637
2028	580,000	285,688	90,000		955,688
2029	605,000	260,313	90,000		955,313
2030	650,000	233,844	90,000		973,844
2031	675,000	205,406	95,000		975,406
2032	725,000	175,875	95,000		995,875
2033	755,000	144,156	95,000		994,156
2034	805,000	111,125	100,000		1,016,125
2035	840,000	75,906	100,000		1,015,906
2036	895,000	39,156	100,000		1,034,156
	<u>\$ 11,070,000</u>	<u>\$ 5,957,371</u>	<u>\$ 1,780,000</u>		<u>\$ 18,807,371</u>

**FRONTERRA VILLAGE 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	Mill Levy	Total Property Taxes		Percent Collected to Levied
			Levied	Collected	
2012	\$ 14,223,950	58.500	\$ 832,101	\$ 829,926	99.7%
2013	\$ 14,278,830	58.500	\$ 835,312	\$ 834,155	99.9%
2014	\$ 13,741,860	60.750	\$ 834,818	\$ 834,804	100.0%
2015	\$ 13,753,950	60.750	\$ 835,553	\$ 835,535	100.0%
2016	\$ 17,475,000	54.000	\$ 943,651	\$ 942,577	99.9%
Estimated for year ending December 31, 2017	\$ 17,506,410	53.000	\$ 927,840		

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.

CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION

FRONTERRA VILLAGE METROPOLITAN DISTRICT
Continuing Disclosure Annual Financial Information
December 31, 2016
(Unaudited)

2016 Assessed Valuation of Classes of Property in the District

<u>Class</u>	<u>Total Assessed Valuation</u>	<u>Percent of Total Assessed Valuation</u>
Residential	\$ 17,272,870	98.66%
Vacant land	9,720	0.06%
Personal property	222,780	1.27%
State assessed	1,040	0.01%
Total	<u>\$ 17,506,410</u>	<u>100.00%</u>

Largest Taxpayers in the District for 2016

<u>Taxpayer Name</u>	<u>2016 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
American Homes 4 Rent Properties	\$ 226,220	1.29%
Public Service Company of Colorado (Xcel Energy)	183,340	1.05%
Packard Investments LLC	93,360	0.53%
Private homeowner	75,790	0.43%
Private homeowner	62,940	0.36%
Private homeowner	41,530	0.24%
Private homeowner	40,750	0.23%
AH4R I CO LLC	36,400	0.21%
Private homeowner	34,500	0.20%
Private homeowner	34,060	0.19%
All others	16,677,520	95.27%
	<u>\$ 17,506,410</u>	<u>100.00%</u>