

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

FINANCIAL STATEMENTS
December 31, 2017

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Office of the State Auditor

July 10, 2018

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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, 2017 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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



Other-Matters*Required Supplementary Information*

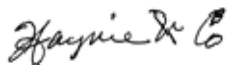
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required 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
July 2, 2018

BASIC FINANCIAL STATEMENTS

FRONTERRA VILLAGE METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
December 31, 2017

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 137,111
Cash and investments - Restricted	155,911
Receivable - County Treasurer	7,283
Property tax receivable	868,125
Prepaid expense	243
Total assets	<u>1,168,673</u>
DEFERRED OUTFLOWS OF RESOURCES	
Cost of debt refunding	<u>347,163</u>
Total deferred outflows of resources	<u>347,163</u>
LIABILITIES	
Accounts payable	18,218
Accrued interest payable	30,632
Noncurrent liabilities	
Due within one year	469,187
Due in more than one year	<u>11,450,302</u>
Total liabilities	<u>11,968,339</u>
DEFERRED INFLOWS OF RESOURCES	
Property tax revenue	<u>868,125</u>
Total deferred inflows of resources	<u>868,125</u>
NET POSITION	
Restricted for:	
Emergency reserves	2,000
Debt service	124,624
Unrestricted	<u>(11,447,252)</u>
Total net position	<u><u>\$ (11,320,628)</u></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, 2017**

<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	\$ 39,694	\$ -	\$ -	\$ -	\$ (39,694)
Interest and related costs on long-term debt	474,968	-	-	-	(474,968)
	<u>\$ 514,662</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(514,662)</u>
General revenues:					
Property taxes					928,880
Specific ownership taxes					89,652
Investment income					6,835
Total general revenues					<u>1,025,367</u>
Change in net position					510,705
Net position - Beginning					(11,831,333)
Net position - Ending					<u>\$ (11,320,628)</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, 2017**

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash and investments	\$ 137,111	\$ -	\$ 137,111
Cash and investments - Restricted	2,000	153,911	155,911
Receivable - County Treasurer	378	6,905	7,283
Property tax receivable	43,406	824,719	868,125
Prepaid expense	243	-	243
TOTAL ASSETS	183,138	985,535	1,168,673
LIABILITIES			
Accounts payable	12,658	5,560	18,218
Total liabilities	12,658	5,560	18,218
DEFERRED INFLOWS OF RESOURCES			
Property tax revenue	43,406	824,719	868,125
Total deferred inflows of resources	43,406	824,719	868,125
FUND BALANCES			
Nonspendable:			
Prepaid amounts	243	-	243
Restricted for:			
Emergencies (TABOR)	2,000	-	2,000
Debt service	-	155,256	155,256
Unassigned:			
General government	124,831	-	124,831
Total fund balances	127,074	155,256	282,330
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 183,138	\$ 985,535	

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

Loans payable	(11,919,489)
Deferred cost of debt refunding	347,163
Accrued interest on loans payable	(30,632)
Net position of governmental activities	\$ (11,320,628)

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, 2017

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
REVENUES			
Property taxes	\$ 48,197	\$ 880,683	\$ 928,880
Specific ownership taxes	4,652	85,000	89,652
Investment income	1,468	5,367	6,835
Total revenues	<u>54,317</u>	<u>971,050</u>	<u>1,025,367</u>
EXPENDITURES			
Current			
Accounting	15,104	-	15,104
Audit	3,500	-	3,500
County Treasurer's fees	724	13,220	13,944
Directors' fees	400	-	400
Dues and subscriptions	285	-	285
Insurance and bonds	3,551	-	3,551
Legal	15,906	-	15,906
Miscellaneous	193	34	227
Payroll taxes	31	-	31
Debt service			
Bond/loan interest expense	-	306,040	306,040
Bond/loan principal	-	93,005	93,005
Loan issue costs	-	158,531	158,531
Total expenditures	<u>39,694</u>	<u>570,830</u>	<u>610,524</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>14,623</u>	<u>400,220</u>	<u>414,843</u>
OTHER FINANCING SOURCES (USES)			
Loan issuance - non-taxable	-	10,000,000	10,000,000
Loan issuance - taxable	-	2,012,494	
Payment to refunded bond escrow	-	(12,442,088)	(12,442,088)
Total other financing sources (uses)	<u>-</u>	<u>(429,594)</u>	<u>(2,442,088)</u>
NET CHANGE IN FUND BALANCES	14,623	(29,374)	(14,751)
FUND BALANCES - BEGINNING OF YEAR	<u>112,451</u>	<u>184,630</u>	<u>297,081</u>
FUND BALANCES - END OF YEAR	<u>\$ 127,074</u>	<u>\$ 155,256</u>	<u>\$ 282,330</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, 2017**

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

Net changes in fund balances - Total governmental funds	\$ (14,751)
<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 debt issuance	(12,012,494)
Current year loan principal payment	93,005
Cost of current year debt refunding	353,182
Amortization of 2007 bond discount	(761,094)
Defeasance of 2007 bonds	12,850,000
<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>	
Amortization of cost of debt refunding	(6,019)
Accrued interest on long-term obligations - Change in liability	<u>8,876</u>
Change in net position of governmental activities	<u>\$ 510,705</u>

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, 2017**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Property taxes	\$ 48,143	\$ 48,197	\$ 54
Specific ownership taxes	3,850	4,652	802
Investment income	600	1,468	868
Total revenues	<u>52,593</u>	<u>54,317</u>	<u>1,724</u>
EXPENDITURES			
Current			
Accounting	13,000	15,104	(2,104)
Audit	3,500	3,500	-
County Treasurer's fees	722	724	(2)
Directors' fees	400	400	-
Dues and subscriptions	400	285	115
Insurance and bonds	3,500	3,551	(51)
Legal	14,000	15,906	(1,906)
Miscellaneous	500	193	307
Payroll taxes	31	31	-
Contingency	3,947	-	3,947
Total expenditures	<u>40,000</u>	<u>39,694</u>	<u>306</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	12,593	14,623	2,030
FUND BALANCES - BEGINNING OF YEAR	<u>112,870</u>	<u>112,451</u>	<u>(419)</u>
FUND BALANCES - END OF YEAR	<u>\$ 125,463</u>	<u>\$ 127,074</u>	<u>\$ 1,611</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, 2017

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, 2017

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, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District amended its annual budget for the year ended December 31, 2017.

Pooled Cash and Investments

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited 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.

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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Cost of Debt Refunding

In the government-wide financial statements, the deferred cost of debt refunding is being amortized using the interest method over the life of the new debt. The amortization amount is a component of interest expense. The unamortized deferred cost is reflected as a deferred outflow of resources.

**FRONTERRA VILLAGE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Deferred Inflow/Outflow of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *deferred cost of debt refunding*, is deferred and recognized as an outflow of resources in the period that the amount is incurred.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Equity

Net Position

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

**FRONTERRA VILLAGE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- *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.
- *Unassigned fund balance* – The residual portion of fund balance that does not meet any of the criteria described above.

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

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2017, are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$ 137,111
Cash and investments - Restricted	<u>155,911</u>
Total cash and investments	<u><u>\$ 293,022</u></u>

Cash and investments as of December 31, 2017 consist of the following:

Deposits with financial institutions	\$ 5,604
Investments	<u>287,418</u>
Total cash and investments	<u><u>\$ 293,022</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.

**FRONTERRA VILLAGE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

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, 2017, the District's cash deposits had a bank balance and a carrying balance of \$5,604.

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.

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

As of December 31, 2017, the District had the following investments:

Investment	Maturity	Amount
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	<u>\$ 287,418</u>

**FRONTERRA VILLAGE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAM by Standard & Poor's. CSAFE records its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

NOTE 4 - LONG-TERM OBLIGATIONS

The following is an analysis of changes in long-term obligations for the year ended December 31, 2017:

	<u>Balance at December 31, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at December 31, 2017</u>	<u>Due Within One Year</u>
General Obligation Refunding and Improvement Bonds, Series 2007	\$ 11,070,000	\$ -	\$ 11,070,000	\$ -	\$ -
B Interest Certificates	1,780,000	-	1,780,000	-	-
General Obligation Tax-Free Refunding Loan, Series 2017A	-	10,000,000	93,005	9,906,995	392,171
General Obligation Tax-Free Refunding Loan, Series 2017B	-	2,012,494	-	2,012,494	77,016
	<u>12,850,000</u>	<u>12,012,494</u>	<u>12,943,005</u>	<u>11,919,489</u>	<u>469,187</u>
Bond discount, Series 2007	(761,094)	-	(761,094)	-	-
	<u>\$ 12,088,906</u>	<u>\$ 12,012,494</u>	<u>\$ 12,181,911</u>	<u>\$ 11,919,489</u>	<u>\$ 469,187</u>

**FRONTERRA VILLAGE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)

General Obligation Debt

Series 2017 General Obligation Refunding Loan

On September 29, 2017, the District refunded \$11,070,000 of General Obligation Refunding and Improvement Bonds (Series 2007 Bonds) and \$2,800,000 of Supplemental "B" Interest Registered Coupons (Coupons) dated March 8, 2007, with interest rates from 3.06% to 4.870% by the issuance of \$10,000,000 General Obligation Refunding Loan Series 2017A (2017A Loan) and \$2,012,494 Taxable (Convertible to Tax-Exempt) General Obligation Refunding Loan Series 2017B (2017B Loan) (collectively, the 2017 Loans). Funds from the issuance of the 2017 Loans, along with District funds, were deposited with a trustee and invested in U.S. government securities. The Series 2007 Bonds and Coupons were repaid in full by the trustee on December 1, 2017.

The 2017A Loan bears interest at the fixed rate of 3.06% per annum, due June 1 and December 1. Principal is due on December 1. The 2017B Loan bears interest at the fixed rate of 4.70% per annum, due June 1 and December 1. Principal is due on December 1. The 2017B Loan was converted to a tax-free loan on May 4, 2018 with an interest rate of 3.06%. The 2017 Loans mature on December 1, 2036. The 2017 Loans may be prepaid prior to the maturity date in whole, but not in part, on December 1, 2022, and on any principal payment date thereafter without a prepayment fee or penalty. If the 2017 Loans are prepaid on or prior to December 1, 2021, a prepayment fee will be assessed based upon the remaining years to maturity.

The 2017 Loans 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 Unlimited Mill Levy, (2) the portion of the Specific Ownership Tax which is collected as a result of the imposition of the Unlimited Mill Levy, and (3) any other legally available monies which the District determines to be treated as Pledged Revenue. The Unlimited 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, pre-payment fee if any, and interest on the 2017 Loans as the same become due and payable without limitation of rate in an amount sufficient to such payment when due.

The District's debt matures as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 469,187	\$ 367,578	\$ 836,765
2019	486,386	350,380	836,766
2020	501,270	335,496	836,766
2021	516,608	320,157	836,765
2022	532,417	304,349	836,766
2023-2027	2,916,665	1,267,163	4,183,828
2028-2032	3,391,075	792,752	4,183,827
2033-2036	3,105,881	241,179	3,347,060
	<u>\$11,919,489</u>	<u>\$3,979,054</u>	<u>\$15,898,543</u>

**FRONTERRA VILLAGE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

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 and \$250,000 for operations and maintenance debt 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, 2017, the District had authorized but unissued indebtedness in the following amount allocated for the following purposes:

	<u>Authorized November 7, 2000 Election</u>	<u>Authorized May 7, 2002 Election</u>	<u>Authorization Used</u>		<u>Remaining at December 31, 2017</u>
			<u>Series 2001</u>	<u>Series 2007</u>	
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	-
Operations/maintenance	250,000	-	-	-	250,000
Debt refunding	7,500,000	-	-	1,790,000	5,710,000
	<u>\$ 17,750,000</u>	<u>\$ 1,750,000</u>	<u>\$ 7,205,000</u>	<u>\$ 5,650,000</u>	<u>\$ 6,645,000</u>

Note: The 2017 Loans constituted a refinancing of District debt at a lower interest rate within the meaning of TABOR. Therefore, no voted debt authorization was used in connection with their issuance.

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 \$2,000 for Emergency Reserves and \$124,624 for debt service on the 2017 Loans as of December 31, 2017.

**FRONTERRA VILLAGE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

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). During 2017, some members of the Board of Directors of the District were owners of or were 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, 2017

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, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Property taxes	\$ 879,697	\$ 879,697	\$ 880,683	\$ 986
Specific ownership tax	70,380	81,000	85,000	4,000
Investment income	1,100	2,900	5,367	2,467
Total revenues	<u>951,177</u>	<u>963,597</u>	<u>971,050</u>	<u>7,453</u>
EXPENDITURES				
County Treasurer's fees	13,200	13,200	13,220	(20)
Bond interest - Series 2007	474,100	247,950	237,050	10,900
Bond principal - Series 2007	295,000	-	-	-
Registered coupon payment - Series 2007	80,000	-	-	-
Loan interest - Series 2017	-	68,992	68,990	2
Loan principal - Series 2017	-	93,005	93,005	-
Paying agent fees	300	300	-	300
Miscellaneous	-	-	34	(34)
Loan issue costs	-	156,814	158,531	(1,717)
Contingency	1,400	7,436	-	7,436
Total expenditures	<u>864,000</u>	<u>587,697</u>	<u>570,830</u>	<u>16,867</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	87,177	375,900	400,220	24,320
OTHER FINANCING SOURCES (USES)				
Loan proceeds - non-taxable	-	10,000,000	10,000,000	-
Loan proceeds - taxable	-	2,012,710	2,012,494	(216)
Payment to refunding escrow	-	(12,442,303)	(12,442,088)	215
Total other financing sources (uses)	<u>-</u>	<u>(429,593)</u>	<u>(429,594)</u>	<u>(1)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	87,177	(53,693)	(29,374)	24,319
FUND BALANCES - BEGINNING OF YEAR	<u>181,798</u>	<u>184,630</u>	<u>184,630</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 268,975</u>	<u>\$ 130,937</u>	<u>\$ 155,256</u>	<u>\$ 24,319</u>

FRONTERRA VILLAGE METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2017

	General Obligation Tax-Free Refunding Loan Series 2017 Dated September 29, 2017 Interest Rate at 3.06% Due June 1 and December 1 Principal Due December 1		Refunding Loan Series 2017B Dated September 29, 2017 Interest Rate at 4.700% through 5/4/2018 Interest Rate at 3.06% thereafter Due June 1 and December 1 Principal Due December 1		Total
	Principal	Interest	Principal	Interest	
2018	\$ 392,171	\$ 303,154	\$ 77,016	\$ 64,424	\$ 836,765
2019	404,171	291,154	82,215	59,226	836,766
2020	416,539	278,786	84,731	56,710	836,766
2021	429,285	266,040	87,323	54,117	836,765
2022	442,421	252,904	89,996	51,445	836,766
2023	455,959	239,366	92,750	48,691	836,766
2024	469,911	225,413	95,588	45,853	836,765
2025	484,290	211,034	98,513	42,928	836,765
2026	499,110	196,215	101,527	39,914	836,766
2027	514,383	180,942	104,634	36,807	836,766
2028	530,123	165,202	107,836	33,605	836,766
2029	546,344	148,980	111,136	30,305	836,765
2030	563,062	132,262	114,537	26,904	836,765
2031	580,292	115,032	118,042	23,400	836,766
2032	598,049	97,275	121,654	19,787	836,765
2033	616,349	78,975	125,376	16,065	836,765
2034	635,210	60,115	129,212	12,228	836,765
2035	654,647	40,677	133,166	8,274	836,764
2036	674,679	20,645	137,242	4,200	836,766
	<u>\$ 9,906,995</u>	<u>\$ 3,304,171</u>	<u>\$ 2,012,494</u>	<u>\$ 674,883</u>	<u>\$ 15,898,543</u>

**FRONTERRA VILLAGE METROPOLITAN DISTRICT
SUMMARY OF ASSESSED VALUATION,
MILL LEVY AND PROPERTY TAXES COLLECTED
December 31, 2017**

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mill Levy</u>	<u>Total Property Taxes</u>		<u>Percent Collected to Levied</u>
			<u>Levied</u>	<u>Collected</u>	
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%
2017	\$ 17,506,410	53.000	\$ 927,840	\$ 928,880	100.1%
Estimated for year ending December 31, 2018	\$ 21,703,120	40.000	\$ 868,125		

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.