FRONTERRA VILLAGE
METROPOLITAN DISTRICT NO. 2
Adams County, Colorado

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2018

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YEAR ENDED DECEMBER 31, 2018

Haynie & Company
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Independent Auditor's Report

To the Board of Directors
Fronterra Village Metropolitan District No. 2

We have audited the accompanying financial statements of the governmental activities and the major funds of Fronterra Village Metropolitan District No. 2 as of and for the year ended December 31, 2018 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 No. 2, as of December 31, 2018 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 No. 2's financial statements as a whole. The supplementary information section is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Haynie & Co

Littleton, Colorado
August 19, 2019

BASIC FINANCIAL STATEMENTS

FRONTERRA VILLAGE METROPOLITAN DISTRICT NO. 2
STATEMENT OF NET POSITION
DECEMBER 31, 2018

	Governmental Activities
ASSETS	
Cash and Investments	$ 7,435
Cash and Investments - Restricted	600,751
Accounts Receivable	1,000
Receivable - County Treasurer	5,512
Interest Receivable	1,305
Prepaid Expenses	2,858
Property Taxes Receivable	751,309
Total Assets	1,370,170
LIABILITIES	
Accounts Payable	14,825
Accrued Interest Payable	27,971
Noncurrent Liabilities:	
Due Within One Year	165,000
Due in More Than One Year	8,433,736
Total Liabilities	8,641,532
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	751,309
Total Deferred Inflows of Resources	751,309
NET POSITION	
Restricted for:	
Emergency Reserves	1,700
Debt Service Reserve	592,000
Unrestricted	(8,616,371)
Total Net Position	$ (8,022,671)

See accompanying Notes to Basic Financial Statements.

FRONTERRA VILLAGE METROPOLITAN DISTRICT NO. 2
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

		Program Revenues			Net Revenues (Expenses) and Change in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
FUNCTIONS/PROGRAMS					
Primary Government:					
Governmental Activities:					
General Government	$ 45,435	$ -	$ -	$ -	$ (45,435)
Interest and Related Costs on Long-Term Debt	523,521	-	-	-	(523,521)
Total Governmental Activities	$ 568,956	$ -	$ -	$ -	(568,956)
	GENERAL REVENUES				
	Property Taxes				750,924
	Specific Ownership Taxes				65,231
	Net Investment Income				15,975
	Other Revenue				1,000
	Total General Revenues				833,130
	CHANGE IN NET POSITION				264,174
	Net Position - Beginning of Year				(8,286,845)
	NET POSITION - END OF YEAR				$ (8,022,671)

See accompanying Notes to Basic Financial Statements.

FRONTERRA VILLAGE METROPOLITAN DISTRICT NO. 2
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash and Investments	$ 7,435	$ -	$ 7,435
Cash and Investments - Restricted	1,700	599,051	600,751
Accounts Receivable	1,000	-	1,000
Accounts Receivable - County Treasurer	367	5,145	5,512
Interest Receivable	-	1,305	1,305
Property Taxes Receivable	49,989	701,320	751,309
Prepaid Expenses	2,858	-	2,858
Total Assets	$ 63,349	$ 1,306,821	$ 1,370,170
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	$ 14,825	$ -	$ 14,825
Total Liabilities	14,825	-	14,825
DEFERRED INFLOWS OF RESOURCES			
Property Tax Revenue	49,989	701,320	751,309
Total Deferred Inflows of Resources	49,989	701,320	751,309
FUND BALANCES			
Nonspendable:			
Prepaid Expenditures	2,858	-	2,858
Restricted for:			
Emergency Reserves	1,700	-	1,700
Debt Service Reserves	-	592,000	592,000
Assigned to:			
Subsequent Year's Expenditures	-	-	-
Unassigned:			
General Government	(6,023)	-	(6,023)
Debt Service	-	13,501	13,501
Total Fund Balances	(1,465)	605,501	604,036
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 63,349	$ 1,306,821	
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 reported in the funds			
Bonds Payable			(7,625,000)
Bond Discount			92,450
Developer Advance Payable			(286,092)
Accrued Interest on Developer Advances			(571,401)
Accrued Interest on Subordinate Bonds			(208,693)
Accrued Bond Interest Payable			(27,971)
Net Position of Governmental Activities			$ (8,022,671)

See accompanying Notes to Basic Financial Statements.

FRONTERRA VILLAGE METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2018

	General	Debt Service	Total Governmental Funds
REVENUES			
Property Taxes	$ 49,997	$ 700,927	$ 750,924
Specific Ownership Taxes	4,343	60,888	65,231
Investment Income	259	15,716	15,975
Miscellaneous Income	1,000	-	1,000
Total Revenues	55,599	777,531	833,130
EXPENDITURES			
Current:			
Accounting	20,280	-	20,280
Auditing	3,700	-	3,700
County Treasurer's Fee	750	10,521	11,271
Dues and Licenses	306	-	306
Insurance and Bonds	2,731	-	2,731
Legal Services	15,980	-	15,980
Miscellaneous	187	-	187
Election Expense	1,501	-	1,501
Debt Service:			
Paying Agent Fees	-	4,000	4,000
Sub Bond Interest	-	62,009	62,009
Bond Interest - Series 2007	-	342,850	342,850
Bond Principal- Series 2007	-	160,000	160,000
Total Expenditures	45,435	579,380	624,815
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	10,164	198,151	208,315
OTHER FINANCING SOURCES (USES)			
Repay Developer Advance Interest	(16,000)	-	(16,000)
Total Other Financing Sources (Uses)	(16,000)	-	(16,000)
NET CHANGE IN FUND BALANCES	(5,836)	198,151	192,315
Fund Balances - Beginning of Year	4,371	407,350	411,721
FUND BALANCES - END OF YEAR	$ (1,465)	$ 605,501	$ 604,036

See accompanying Notes to Basic Financial Statements.

FRONTERRA VILLAGE METROPOLITAN DISTRICT NO. 2
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

Net Change in Fund Balances - Governmental Funds	$ 192,315
Amounts reported for governmental activities in the statement of activities are different because:	
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:	
Bond Principal Payment	160,000
Amortization of Bond Discount	(7,489)
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:	
Accrued Interest on Long-Term Obligations - Change in Liability	(76,604)
Accrued Interest on Developer Advance - Change in Liability	(4,048)
Change in Net Position of Governmental Activities	$ 264,174

See accompanying Notes to Basic Financial Statements.

FRONTERRA VILLAGE METROPOLITAN DISTRICT NO. 2
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018

	Budget		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Property Taxes	$ 49,997	$ 49,997	$ 49,997	$ -
Specific Ownership Tax	5,500	4,350	4,343	(7)
Investment Income	40	250	259	9
Miscellaneous Income	-	8,000	1,000	(7,000)
Total Revenues	55,537	62,597	55,599	(6,998)
EXPENDITURES				
Current:				
Accounting	18,000	21,000	20,280	720
Auditing	3,500	3,700	3,700	-
County Treasurer's Fee	750	750	750	-
Directors' Fees	400	-	-	-
Dues and Licenses	350	350	306	44
Insurance and Bonds	3,500	3,500	2,731	769
Legal Services	7,000	17,000	15,980	1,020
Miscellaneous	500	500	187	313
Payroll Taxes	31	-	-	-
Election Expense	1,000	2,000	1,501	499
Landscaping	2,500	-	-	-
Contingency	2,469	1,200	-	1,200
Total Expenditures	40,000	50,000	45,435	4,565
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	15,537	12,597	10,164	(2,433)
OTHER FINANCING SOURCES (USES)				
Repay Developer Advance Interest	(16,000)	(16,000)	(16,000)	-
Total Other Financing Sources (Uses)	(16,000)	(16,000)	(16,000)	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(463)	(3,403)	(5,836)	(2,433)
Fund Balance - Beginning of Year	3,438	4,371	4,371	-
FUND BALANCE - END OF YEAR	$ 2,975	$ 968	$ (1,465)	$ (2,433)

See accompanying Notes to Basic Financial Statements.

NOTE 1 DEFINITION OF REPORTING ENTITY

Fronterra Village Metropolitan District No. 2 (the 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 December 5, 2002, 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 District was organized to provide financing for the design, acquisition, and construction of streets, traffic and safety controls, landscaping, water, sanitary sewer, storm drainage, park and recreation, mosquito control, television relay, and translation.

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.

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 property taxes and intergovernmental revenues.

The statement of net position reports all financial and capital resources of the District. The difference between the assets, deferred outflow of resources, liabilities, and deferred inflow of resources of the District is reported as net position.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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

Separate financial statements are provided for the governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. The District has determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation due.

The District reports the following major governmental funds:

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

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

The District amended its annual budget for the year ended December 31, 2018.

Pooled Cash and Investments

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited 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 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 deferred inflow of resources in the year they are levied and measurable. The 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 financial uses.

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 and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue,* is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Equity

Net Position

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

Nonspendable Fund Balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.

Restricted Fund Balance – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

Committed Fund Balance – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the board of directors. The constraint may be removed or changed only through formal action of the board of directors.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

Assigned Fund Balance – The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the board of directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

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

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

Deficits

The General Fund reported a deficit in the fund financial statements as of December 31, 2018. The deficit will be eliminated with the receipt of property tax funds in 2019.

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2018, are classified in the accompanying financial statements as follows:

Statement of Net Position:		
Cash and Investments	$	7,435
Cash and Investments - Restricted		600,751
Total Cash and Investments	$	608,186

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

Deposits with Financial Institutions	$	1,549
Investments		606,637
Total Cash and Investments	$	608,186

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.

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Deposits with Financial Institutions (Continued)

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2018, the District's cash deposits had a bank balance of $2,044 and a carrying balance of $1,549.

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

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

Investment	Maturity	Amount
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted Average Under 60 Days	$ 606,637

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 at net asset value as determined by amortized cost. 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 the District’s long-term obligations for the year ended December 31, 2018:

	Balance - December 31, 2017	Additions	Retirements	Balance - December 31, 2018	Due Within One Year
General Obligation Refunding and Improvement Bonds, Series 2007	$ 6,960,000	$ -	$ 160,000	$ 6,800,000	$ 165,000
Subordinate Bonds, Series 2015	825,000	-	-	825,000	-
Accrued Interest - Subordinate Bonds	131,489	77,204	-	208,693	-
Developer Advance Payable	286,092	-	-	286,092	-
Accrued Interest on Developer Advances	567,353	20,048	16,000	571,401	-
Subtotal	8,769,934	97,252	176,000	8,691,186	165,000
Bonds Discount, Series 2007	(99,939)	-	(7,489)	(92,450)	(7,331)
Total	$ 8,669,995	$ 97,252	$ 168,511	$ 8,598,736	$ 157,669

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

General Obligation Bonds

On September 27, 2007, the District advance refunded and defeased (debt legally satisfied) $4,550,000 of General Obligation Bonds (Limited Tax Convertible to Unlimited Tax) (the Series 2003 Bonds) dated February 1, 2003, with an interest rate of 8.0% by the issuance of $7,560,000 in General Obligation (Limited Tax Convertible to Unlimited Tax) Refunding and Improvement Bonds Series 2007 (the Series 2007 Bonds) and $300,000 in Supplemental "B" Interest Registered Coupons.

The Series 2007 Bonds bear interest from 4.2% to 5.0% per annum, due June 1 and December 1. Principal is due on December 1. The coupons were issued to yield from 4.61% to 4.76% 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, 2037. Payment of the principal and interest on the bonds when due is insured by Radian Asset Assurance, Inc. (Radian). On April 1, 2015, Assured Guaranty Corporation (Assured) acquired Radian. As of December 31, 2018, Standard & Poor's had a rating of AA Stable for Assured. For additional information on the rating change, the reader should contact Standard & Poor's or Assured.

Pursuant to an indenture of trust, a reserve fund in the amount of $592,000 was established with bond proceeds as additional security for the bonds. Monies in the Reserve Fund shall be used only to prevent a default in the payment of principal of, premium if any, or interest on the Series 2007 Bonds when due, and the Reserve Fund is pledged to the payment of Series 2007 Bonds for such purpose. The Reserve Fund will be fully funded until such time as the debt to assessed ratio is 50% or less, after which the Reserve Fund is to be terminated and all amounts credited thereto will be transferred to the Bond Fund. At December 31, 2018, the amount in the Reserve Fund was $592,000. At December 31, 2018, the debt to assessed ratio of the District was 67%.

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

General Obligation Bonds (Continued)

The Series 2007 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 Series 2007 Bonds as the same become due and payable and, if necessary, to fund the Reserve Fund to the required reserve amount, but not in excess of 53.475 mills, adjusted for changes in the ratio of actual value to assessed value of property within the District. The District's required mill levy was 59.120 in 2018. For 2019, the Required Mill Levy will be 59.120. Once the debt to assessed ratio is 50% or less, the required mill levy will be an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient to pay the principal of, premium if any, and interest on the bonds as the same become due and payable, without limitation of rate.

Series 2015 Subordinate Bond

On December 17, 2015, the District issued Subordinate Limited Tax Bonds, Series 2015 Bonds (the "Series 2015 Bonds"), in the principal amount of $825,000 with a maturity date of December 15, 2045. The Series 2015 Bonds bear compound interest at the rate of 8.00% per annum, payable annually beginning December 15, 2016, to the extent there are funds available in the Subordinate Bond Fund. The Series 2015 Bonds are subject to mandatory redemption prior to maturity, as a whole or in integral multiples of $1,000, on December 15 in each year, commencing December 15, 2016, solely from and to the extent of any monies on deposit in the Subordinate Bond Fund. No payments will be made on the Series 2015 Bonds until the District has fully funded the Required Reserve on the Series 2007 Bonds in the amount of $592,000.

The current debt schedule is attached for the Series 2007 Bonds. No annual debt service schedule for the Series 2015 Bonds is provided because amounts are payable from subordinate pledged revenues, which may or may not be sufficient to make debt service payments when due.

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

Year Ending December 31,	Principal	Interest	Total
2019	$ 165,000	$ 335,650	$ 500,650
2020	185,000	328,225	513,225
2021	190,000	319,669	509,669
2022	210,000	310,881	520,881
2023	220,000	300,906	520,906
2024-2028	1,370,000	1,326,592	2,696,592
2029-2033	1,890,000	938,000	2,828,000
2034-2037	2,570,000	372,750	2,942,750
Total	$ 6,800,000	$ 4,232,673	$ 11,032,673

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Authorized Debt

On November 5, 2002, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed $6,649,979 at an interest rate not to exceed 18% per annum, in addition to $6,500,000 for debt refunding. At December 31, 2018, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Authorized November 5, 2002 Election	Authorization Used			Remaining at December 31, 2018
		Series 2003	Series 2007	Series 2015	
Sanitary Sewer	$ 2,166,695	$ 1,140,000	$ 474,057	$ 548,771	$ 3,867
Water Supply	1,610,356	1,000,000	529,771	80,585	-
Street Improvements	1,606,384	1,535,000	71,384	-	-
Parks and Recreation	1,166,544	835,000	135,900	195,644	-
Operations	100,000	40,000	-	-	60,000
Debt Refunding	6,500,000	-	1,798,888	-	4,701,112
Total	$ 13,149,979	$ 4,550,000	$ 3,010,000	$ 825,000	$ 4,764,979

Per the District's Service Plan, the District is limited to issuing no more than $6,500,000 of debt unless approval is obtained from the City of Commerce City (City). The District considers any debt refunding not subject to this limitation. The City approved the First Amendment to the Service Plan on September 17, 2007, whereby the City approved the District's utilization of remaining electoral debt authorization for capital and operations in an amount not to exceed $2,039,979.

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. At December 31, 2018, the District had restricted net position of $1,700 for Emergency Reserves and $592,000 for the required reserve on the 2007 bonds.

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 2018, 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.

Developer Advances

Advances for operations and capital projects may be subject to the Advance and Reimbursement Agreement dated December 11, 2002, by and between the District and Gateway American Properties, LLC, as amended on September 11, 2006 (Agreement). The agreement allows the District to pay advances plus accrued interest from the date of receipt at the rate of 7% per annum when and if funds are available, subject to annual appropriation, at the sole determination of the District's Board of Directors. In 2006, the Agreement was amended to assign the reimbursement amount of $195,878 to MDR, LLC with the remaining developer advances due to Gateway American Properties, LLC. The reassigned reimbursement is subject to the original terms of the Agreement.

As of December 31, 2018, the Developer advance outstanding was $857,493, which includes $571,401 of accrued interest.

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

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

NOTE 8 TAX, SPENDING, AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue, and debt limitations which apply to the State of Colorado and all local governments. As of December 31, 2018, the District had provided but did not fund an Emergency Reserve, which may be a violation of the Constitutional Amendment.

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

On November 5, 2002, the District voters passed an election question to increase property taxes $50,000 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, retain and spend all revenue, other than ad valorem taxes, without regard to any limitations under TABOR.

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

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

SUPPLEMENTARY INFORMATION

FRONTERRA VILLAGE METROPOLITAN DISTRICT NO. 2
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	$ 700,927	$ 700,927	$ -
Specific Ownership Tax	77,100	60,888	(16,212)
Investment Income	5,000	15,716	10,716
Total Revenues	783,027	777,531	(5,496)
EXPENDITURES			
County Treasurer's Fee	10,510	10,521	(11)
Paying Agent Fees	4,000	4,000	-
Sub Bond Interest	62,500	62,009	491
Bond Interest - Series 2007	342,850	342,850	-
Bond Principal- Series 2007	160,000	160,000	-
Contingency	2,140	-	2,140
Total Expenditures	582,000	579,380	2,620
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	201,027	198,151	(2,876)
Fund Balance - Beginning of Year	404,535	407,350	2,815
FUND BALANCE - END OF YEAR	$ 605,562	$ 605,501	$ (61)

FRONTERRA VILLAGE METROPOLITAN DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2018

Year Ending December 31,	$7,560,000 General Obligation Refunding and Improvement Bonds Series 2007 Dated September 27, 2007 Interest Rate at 4.2% to 5.0% Due June 1 and December 1 Principal Due December 1		Total General Obligation Bonds
	Principal	Interest	
2019	$ 165,000	$ 335,650	$ 500,650
2020	185,000	328,225	513,225
2021	190,000	319,669	509,669
2022	210,000	310,881	520,881
2023	220,000	300,906	520,906
2024	240,000	290,180	530,180
2025	250,000	278,480	528,480
2026	275,000	266,294	541,294
2027	290,000	252,888	542,888
2028	315,000	238,750	553,750
2029	330,000	223,000	553,000
2030	355,000	206,500	561,500
2031	375,000	188,750	563,750
2032	405,000	170,000	575,000
2033	425,000	149,750	574,750
2034	455,000	128,500	583,500
2035	475,000	105,750	580,750
2036	510,000	82,000	592,000
2037	1,130,000	56,500	1,186,500
Total	$ 6,800,000	$ 4,232,673	$ 11,032,673

NOTE: No debt service requirements to maturity schedule has been provided for the Series 2015 Subordinate Bonds. No payments will be made on these bonds until the District has fully funded the required reserve on the Series 2007 Senior Bonds in the amount of $592,000.

FRONTERRA VILLAGE METROPOLITAN DISTRICT NO. 2
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2018

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mill Levy	Total Property Taxes Levied	Total Property Taxes Collected	Percent Collected to Levied
2014	$ 6,941,160	59.475	$ 412,825	$ 408,581	98.97 %
2015	7,543,900	59.475	448,673	448,673	100.00
2016	9,890,730	59.475	588,251	588,251	100.00
2017	9,908,270	58.521	579,842	579,842	100.00
2018	11,856,010	63.337	750,924	750,924	100.00
Estimated for the Year Ending December 31, 2019	$ 11,862,650	63.334	$ 751,309		

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.