



FRONTERRA VILLAGE

— *Metropolitan District No. 2* —

ADAMS COUNTY, COLORADO

ANNUAL FINANCIAL STATEMENTS

December 31, 2019

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INDEPENDENT AUDITOR'S REPORT

July 27, 2020

To the Board of Directors
Fronterra Village Metropolitan District No 2

Report on the Financial Statements

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, 2019 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 and 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities and the major funds of Fronterra Village Metropolitan District No 2, as of December 31, 2019 and the respective changes in financial position and the budgetary comparison for the General Fund, Reserve Fund and Debt 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 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, 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.

B F Boyer CPA PC

**Certified Public Accountants
Lakewood, CO**

FRONTERRA VILLAGE METROPOLITAN DISTRICT NO. 2
STATEMENT OF NET POSITION
December 31, 2019

	Governmental Activities
ASSETS	
Cash and investments	\$ -
Cash and investments – restricted	2,507
Accounts receivable – specific ownership taxes	4,680
Property taxes receivable	656,900
Prepaid expenses	-
Total Assets	\$ 664,087
LIABILITIES	
Accounts payable	\$ 3,311
Accrued interest payable	13,107
Current portion of general obligation refunding bonds	250,000
General obligation refunding bonds	6,869,632
Total Liabilities	7,136,050
DEFERRED INFLOWS OF RESOURCES	
Property tax revenue	656,900
NET POSITION	
Restricted:	
Emergency reserves	1,700
Debt service	1,865
Non-spendable	-
Unassigned:	(7,132,428)
Total Net Position	(\$ 7,128,863)

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

FRONTERRA VILLAGE METROPOLITAN DISTRICT NO. 2
STATEMENT OF ACTIVITIES
For the 12-Month Period Ended December 31, 2019

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Government Activities:					
General government activities	(\$ 750)	\$ -	\$ -	\$ -	(\$ 750)
Interest and related costs on long-term debt	(795,787)	-	-	-	(795,787)
	<u>(\$ 796,537)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(796,537)</u>
General Revenues					
					\$ 751,308
					61,023
					20,521
					<u>832,852</u>
					36,315
					<u>(7,165,178)</u>
					<u>(\$ 7,128,863)</u>

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

FRONTERRA VILLAGE METROPOLITAN DISTRICT NO. 2
BALANCE SHEET – GOVERNMENTAL FUNDS
December 31, 2019

	General	Debt Service	Total Government Funds
ASSETS			
Cash and investments	\$ -	\$ -	\$ -
Cash and investments - Restricted	-	2,507	2,507
Accounts receivable – spec ownership taxes	311	4,369	4,680
Property taxes receivable	50,000	606,900	656,900
Prepaid expenses	-	-	-
TOTAL ASSETS	\$ 50,311	\$ 613,776	\$ 664,087
LIABILITIES			
Accounts payable	-	3,311	3,311
DEFERRED INFLOWS OF RESOURCES			
Property tax revenue	50,000	606,900	656,900
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	50,000	610,211	660,211
FUND BALANCES			
Restricted:			
Emergencies (TABOR)	-	1,700	1,700
Debt service	-	1,865	1,865
Non-spendable:			
Unassigned	311	-	311
Total Fund Balances	311	3,565	3,876
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 50,311	\$ 613,776	

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

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds	
General obligation refunding bonds	(6,295,000)
Bond premium	(824,632)
Accrued interest payable	(13,107)
Net position of governmental activities	<u>(\$7,128,863)</u>

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

FRONTERRA VILLAGE METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
12-Month Period Ended December 31, 2019

	General	Debt Service	Total Government Funds
REVENUES			
Property taxes	\$ 49,989	\$ 701,319	\$ 751,308
Specific ownership taxes	4,060	56,963	61,023
Net investment income	-	20,521	20,521
Total revenues	54,049	778,803	832,852
EXPENDITURES			
Direct and indirect collection costs	750	67,142	67,892
Debt service			
Bond interest	-	583,101	583,101
Bond principal repayments – Series 2007	-	-	-
Bond principal repayments – Series 2015	-	-	-
Bond issuance costs	-	276,651	276,651
Total Expenditures	750	926,894	927,644
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	53,299	(148,091)	(94,792)
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	(51,523)	51,523	-
Proceeds from Series 2019 bond issuance	-	7,119,632	7,119,632
Repayment of Series 2007 bonds	-	(6,800,000)	(6,800,000)
Repayment of Series 2015 bonds	-	(825,000)	(825,000)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	1,776	(601,936)	(600,160)
FUND BALANCES – BEGINNING OF YEAR	(1,465)	605,501	604,036
FUND BALANCES – END OF YEAR	<u>\$ 311</u>	<u>\$ 3,565</u>	<u>\$ 3,876</u>

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

FRONTERRA VILLAGE METROPOLITAN DISTRICT NO. 2
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**
12-Month Period Ended December 31, 2019

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

Net change in fund balances – Total government funds	(\$ 600,160)
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The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Repayment of general obligation bonds – series 2007	6,800,000
Repayment of general obligation bonds – series 2015	825,000
Repayment of accrued interest on series 2015 bonds	208,693
Proceeds from Series 2019 bond issuance	(7,119,632)
Reduction in 2007 Bond discount	(92,450)

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 bonds – Decrease in liability	14,864
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Changes in net position of governmental activities	\$ 36,315
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These financial statements should be read only in connection with
the accompanying notes to the financial statements.

FRONTERRA VILLAGE METROPOLITAN DISTRICT NO. 2
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL
12-Month Period Ended December 31, 2019

	Original Budget	Amended Budget	Actual Amounts	Positive / (Negative) Variance with Amend Budget
REVENUES				
1. Property taxes	\$ 49,989	\$ 49,989	\$ 49,989	\$ -
2. Specific ownership taxes	4,000	4,060	4,060	-
3. Net investment income	80	-	-	-
Total revenues	<u>54,069</u>	<u>54,049</u>	<u>54,049</u>	<u>-</u>
EXPENDITURES				
4. General and administration	45,000	750	750	-
Total expenditures	<u>45,000</u>	<u>750</u>	<u>750</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>9,069</u>	<u>53,299</u>	<u>53,299</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
5. Transfers in (out)	-	(51,523)	(51,523)	-
Total other financing sources (uses)	<u>-</u>	<u>(51,523)</u>	<u>(51,523)</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER FINANCIAL SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>9,069</u>	<u>1,776</u>	<u>1,776</u>	<u>-</u>
FUND BALANCE – BEGINNING OF YEAR	818	(1,465)	(1,465)	-
FUND BALANCE – END OF YEAR	<u>\$ 9,887</u>	<u>\$ 311</u>	<u>\$ 311</u>	<u>\$ -</u>

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

FRONTERRA VILLAGE METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
12-Month Period Ended December 31, 2019

NOTE 1 – DEFINITION OF REPORTING ENTITY

Fronterra Village Metropolitan District No. 2 (District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized on December 05, 2002, and is governed pursuant to provisions of the Colorado Special District Act (Title 32). The District operates under service plan approved by Commerce City (City) on August 19, 2002, as amended on September 17, 2007. The District's service area is located in Adams County, Colorado entirely within the boundaries of the City. The District was established to provide financing for the design, acquisition, construction and installation of streets, traffic and safety controls, park and recreation facilities, water facilities, sanitary and storm drainage improvements and mosquito control services within the District.

The District is currently repaying debt issued to finance the construction of streets and safety controls, park and recreation facilities, water facilities, sanitary sewer and storm drainage infrastructure within the District.

The land within the District is fully developed and the District's service area is comprised of 352 single family homes and 195 multi-family units. All parks and open spaces within the District's boundaries (approximately 9 acres) are owned by the District and maintained by the Fronterra Village Filing No. 3 Homeowners Association, Inc.

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 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 organizations governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

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

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the District are 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.

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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 is due.

The District reports the following major governmental funds:

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

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

When both restricted and unassigned resources are available for use, it is the District's policy to use restricted resources first, then unassigned resources as they are needed.

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 funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated. On October 29, 2018, the Board adopted the District's 2019 budget and, on April 20, 2020, the Board adopted a resolution amending the District's 2019 budget. The amendment increased direct and indirect collection costs funded from the District's debt fund and increased the allowed inter-fund transfers from the general fund to the debt fund.

Pooled Cash and Investments

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Investment Valuation

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; Level 3 inputs are significant unobservable inputs.

The District invests certain funds in an external investment pool (CSAFE) that records its investments at fair value. Investments in CSAFE are categorized as Level 2 Investments.

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 property taxes collected monthly to the District.

Property taxes are recorded initially as deferred inflows or resources in the year they are levied and measurable. The deferred property tax revenues are recorded as revenue in the year they are available or collected.

Specific Ownership Taxes

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on vehicle licensing within the County as a whole. The specific ownership taxes are allocated by the County Treasurer to all taxing entities within the County. In 2019, the District's share of Specific ownership taxes was equal to approximately 8.1% of the property taxes collected.

Specific ownership tax is allocated proportionally between each fund based on the ratio of property tax revenue collected for each fund compared to total property revenue collected by the District.

Collection Costs

Collection costs incurred by the District related to the collection of property taxes includes all costs incurred by the District that enable and support the District's ability to collect property taxes revenue. Generally, such costs include (a) operating and reporting compliance costs that protect the District's right to collect property taxes (e.g. financial statement audit fees, fees paid to professionals to prepare mandatory periodic financial and operational reports to the City and State, etc), (b) professional fees related to applying and monitoring accounting controls over the collection of District revenues, (c) costs related to managing the District's annual property tax assessment process

and (d) insurance protecting the District from liability exposure that potentially could arise from performing these activities.

The District provides no services to District residents and property owners. The District's sole function is to manage the repayment of the District's debts. Consequently, all costs incurred by the District are considered direct or indirect collection costs supporting the repayment of the District's debts.

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of financial position will sometimes report 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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualify for reporting in this category.

A deferred inflow of resources is an acquisition of net position by a government that is applicable to a future reporting period and a deferred outflow of resources is a consumption of net position by a government that is applicable to a future reporting period. Both deferred inflows and outflows are reported in the statement of net position but are not recognized in the financial statement as revenues and expenses until the period(s) to which they relate. Deferred inflows of resources in the governmental fund financial statements of the District for the 12-month period ended December 31, 2019 are comprised of property taxes due from Adams County that will not be collected within 60 days of the end of the current calendar year. Deferred inflows of resources in the government-wide financial statements represents property taxes for which an enforceable legal claim to assets exists, but for which the levy pertains to the subsequent year.

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.

In the government-wide financial statements, fund equity is classified as net position. Net position may be classified into three components: net investment in capital assets, restricted and unrestricted. These classifications are defined as follows:

- Net investment in capital assets - this component of net position consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any debt that is attributable to the acquisition, construction or improvement of those assets. If there are significant unspent debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in this component.
- Restricted - this component of net position consists of assets that are restricted for use as imposed by external parties such as creditors, grantors or contributors, or as imposed by laws or regulations of other governments, or as imposed through constitutional provisions or enabling legislation.
- Unrestricted - the component of net position that does not meet the definitions above.

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: non-spendable, 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:

- **Non-spendable fund balance** – The portion of a fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts) or legally or contractually required to be maintained intact.
- **Restricted fund balance** – The portion of a 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 a 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 a 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 a 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 policy to use the most restrictive classification first.

NOTE 3 – CASH AND INVESTMENTS

Cash and investments as of December 31, 2019 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments – unrestricted	\$ -
Cash and investments – restricted	2,507
Total cash and investments	<u>\$ 2,507</u>

Cash and investments as of December 31, 2019 consist of the following:

Deposits with financial institutions	\$ 1,584
Investments	923
Total cash and investments	<u>\$ 2,507</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, 2019, the District's cash deposits had a bank balance of \$23,184 and a carrying balance of \$1,584.

Investments

The District has adopted a formal investment policy in accordance with state statutes regarding investments.

The District generally limits its concentration of investments to those listed 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 disclosure requirements or subject to investment custodial risk 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.

Revenue bonds of local government securities, corporate and bank securities, and guaranteed investment contracts not purchased with bond proceeds, are limited to maturities of three years or less.

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 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 purchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

As of December 31, 2019, the District's investments were comprised of the following:

Investment	Maturity	Fair Value
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	\$ 404,727

CSAFE

The District holds investments 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 CSAFE. CSAFE operates similarly to a money market fund and each share is equal in value to \$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. CSAFE measures its investments at amortized cost, which value is not materially different (less than 0.005% difference) than the fair value measurement of such investments. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption period notice. 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. No limitations exist on the District's ability to withdraw funds invested in CSAFE. CSAFE is rated AAAM by Standard & Poor's.

NOTE 4 – LONG-TERM DEBT

The following is a summary of the changes in the District's long-term debt for the 12-month period ended December 31, 2019:

	Balance at Dec. 31, 2018 (Restated – See Note 6)	Additions	Retirements	Balance at Dec. 31, 2019	Due within one year
General Obligation Refunding Bonds – Series 2019	\$ -	\$ 6,295,000	\$ -	\$ 6,295,000	\$ 250,000
GO Refunding and Improvement Bonds, Series 2007	6,800,000	-	(6,800,000)	-	-
Subordinate Bonds – Series 2015	825,000	-	(825,000)	-	-
Accrued Interest – Series 2015	208,693	78,391	(287,084)	-	-
Subtotal	\$ 7,833,693	\$ 6,373,391	(\$7,912,084)	\$ 6,295,000	\$ 250,000
Bond Discount, Series 2007	(92,450)	-	92,450	-	-
Bond Premium, Series 2019	-	824,632	-	824,632	-
Total	\$ 7,742,243	\$ 7,198,023	(\$7,819,634)	\$ 7,119,632	\$ 250,000

Details regarding the District's long-term obligations are as follows:

Series 2019 General Obligation Refunding Bonds

On December 12, 2019, the District issued \$6,295,000 in General Obligation Refunding Bonds (2019 Bonds) for the purpose of refunding its 2007 General Obligation Refunding and Improvement Bonds totaling \$6,800,000, 2015 Subordinate Bonds totaling \$825,000 and accrued unpaid interest on both bonds. The 2019 Bonds bear interest at a fixed rate of 4.00% per annum, due June 1 and December 1 and principal payments are due annually on December 1st. The 2019 Bonds mature on December 1, 2034.

The Bonds maturing on and before December 1, 2029 are not subject to optional redemption. The Bonds maturing on and after December 1, 2030 are subject to redemption prior to maturity, at the option of the District, as a whole or in integral 1multiples of \$5,000, in any order of maturity and in whole or partial maturities, on December 1, 2029

and on any date thereafter, upon payment of the principal amount so redeemed plus accrued interest thereon to the date of redemption, with no redemption premium.

The Bonds are secured by the Pledged Revenue, which is defined in the Indenture as the moneys derived by the District from the following sources, net of any costs of collection: (i) the Required Mill Levy, (ii) the portion of the Specific Ownership Tax which is collected as a result of the imposition of the Required Mill Levy; and (iii) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Pledged Revenue (collectively, the “Pledged Revenue”).

The Required Mill Levy is defined as an ad valorem mill levy imposed by the District that is sufficient to fund the annual principal and interest payments on the Bonds as they come due. However, the Required Mill Levy cannot exceed the Maximum Mill Levy. The Maximum Mill Levy is defined as 59.120 mills, adjusted for any changes made by the State of Colorado to the ratio of taxable valuation to assessed valuation of residential real property since the date the 2019 Bonds were originally issued. As of December 31, 2019, the ratio was 7.15%.

The following is a summary of the annual long-term debt principal and interest requirements for the Series 2019 Bonds:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 250,000	\$ 244,106	\$ 494,106
2021	255,000	241,800	496,800
2022	265,000	231,600	496,600
2023	275,000	221,000	496,000
2024	285,000	210,000	495,000
2025 to 2029	1,620,000	868,400	2,488,400
2030 to 2034	1,965,000	518,000	2,483,000
2035 to 2037	1,380,000	112,000	1,492,000
	<u>\$ 6,295,000</u>	<u>\$ 2,646,906</u>	<u>\$ 8,941,906</u>

Debt Authorization

On November 5, 2002, the District’s electors authorized the issuance of indebtedness in an amount not to exceed \$6,549,979 for infrastructure improvements and \$100,000 for operations and maintenance debt at an interest rate not to exceed 18%, and \$6,500,000 for refunding the District’s debt or other obligations.

The District’s authorized but unissued indebtedness in the following amounts allocated for the following purposes is as follows:

	Authorized Debt Nov. 2002 Election	Authorization Used	
		Series 2003 Bonds	Series 2007 Bonds
Street improvements	\$ 1,606,384	\$ 1,535,000	\$ 71,384
Park and recreational facilities	1,166,544	835,000	135,900
Sanitary sewer	2,166,695	1,140,000	474,057
Operations	100,000	40,000	-
Water supply	1,610,356	1,000,000	529,771
Subtotal	6,649,979	4,550,000	1,211,112
Refunding of debt	6,500,000	-	1,798,888
Total	<u>\$ 13,149,979</u>	<u>\$ 4,550,000</u>	<u>\$ 3,010,000</u>

	Authorization Used		Authorization Remaining at Dec. 31, 2019
	Series 2015 Bonds	Series 2019 Bonds	
Street improvements	\$ -	\$ -	\$ -
Park and recreational facilities	195,644	-	-
Sanitary sewer	548,771	-	3,867
Operations	-	-	60,000
Water supply	80,585	-	-
Subtotal	825,000	-	63,867
Refunding of debt	-	-	4,701,112
Total	\$ 825,000	\$ -	\$ 6,395,000

Per C.R.S 32-1-1101(2), the remaining, unused debt issuance authorization obtained from the District's electors will expire as follows:

- \$63,687 will expire in November 2022 - 20 years after the original debt authorization election.
- Debt refunding authorization will expire when the District's current general obligation debt is paid down to a balance of \$400,000 or less

Pursuant to the District's amended Service Plan, the District is limited to issuing \$6,589,979 in bond indebtedness. The District's Service Plan does not establish a maximum mill levy the District is permitted to impose on taxable property within the District for the payment of debt.

NOTE 5 – CONTINGENT OBLIGATIONS

On December 11, 2002, the District and Gateway American Properties, LLC (the Developer) entered into an Advance and Reimbursement Agreement (the Reimbursement Agreement) pursuant to which the District acknowledged the advancement of funds from the Developer to the District to fund the District's operations and capital projects. The District agreed to reimburse the Developer for such amounts, subject to annual appropriation by the District in its sole discretion. The Reimbursement Agreement is not a multiple-fiscal year obligation for the purposes of Article X, Section 20 of the Colorado Constitution. The contingent obligation bears simple interest at 7% per annum. The Reimbursement Agreement shall continue until fully performed or terminated by mutual agreement of the District and the Developer.

The District has neither registered nor filed a notice of claim of exemption regarding the Reimbursement Agreement with the Colorado Securities Commissioner. Thus, this Reimbursement Agreement is not transferrable by the Developer to third parties.

On September 11, 2006, the Reimbursement Agreement was amended by the District and Developer to assign the reimbursement amount of \$195,878 to MDR, LLC (a related party to the Developer) with the remaining advances due to the Developer. The reimbursement assigned to MDR, LLC is subject to the original terms of the Reimbursement Agreement.

For the 12-month period ended December 31, 2019, District payments made, advances received and interest accrued under the Reimbursement Agreement is as follows:

	<u>Advances</u>	<u>Interest</u>	<u>Total</u>
Developers Advances – Operations			
Beginning Balance (Jan. 01, 2019)	\$ 286,092	\$ 571,401	\$ 857,493
Additional advances / accrued interest	-	20,026	20,026
Repayments	-	-	-
Ending Balance (Dec. 31, 2019)	\$ 286,092	\$ 591,427	\$ 877,519

NOTE 6 – NET POSITION

Correction of Errors

In prior years, the District incorrectly recognized as liabilities certain contingent obligation agreements with Gateway American Properties, LLC and MDR, LLC. These contingent obligation agreements contain clauses indicating these agreements are subject to annual appropriation by the District and are not multiple-fiscal year obligations for the purposes of Article X, Section 20 of the Colorado Constitution. The District's beginning net position (deficit) has been restated to reflect the removal of these contingent obligation agreements from the liability section of the District's Statement of Net Position. The effect of this treatment is as follows:

Net position (deficit) - December 31, 2018, as originally stated	(\$ 8,022,671)
Reverse liability recognition of the contingent Developer Advances payable obligation and related accrued interest	857,493
Net position (deficit) - December 31, 2018, as restated	<u>(\$ 7,165,178)</u>

The District has a net position consisting of three components – restricted, non-spendable and unassigned.

Restricted Net Position

The District's restricted net position as of December 31, 2019 in the general fund and debt service fund totaled \$1,700 and \$1,865, respectively. The restricted net position within the general fund is due to spending restrictions established by TABOR. See Note 8 for further details. The restricted net position within the debt service fund is comprised of funds that are restricted to servicing the Series 2019 general obligation bonds per the debt mill levy and related bond agreements.

Non-Spendable Net Position

The District's non-spendable net position as of December 31, 2019 in the general fund and debt service fund totaled \$0 and \$0, respectively.

Unassigned Net Position

The District's unassigned net position as of December 31, 2019 totaled \$(7,128,863). This deficit amount was a result of the District being responsible for the repayment of bonds issued for public improvements conveyed to Commerce City, South Adams County Water and Sanitation District and the Association.

NOTE 7 – RISK MANAGEMENT

The District is exposed to various risks of loss including (a) torts, thefts of, damage to, or destruction of assets, (b) errors or omissions and (c) 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 insure its member districts against various risks of loss. Settled claims have not exceeded this coverage in any of the past three years.

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

On November 05, 2002, District voters authorized the District to assess property taxes at no more than \$50,000 annually, without limitation to rate, to pay the District's operations, maintenance and other expenses. Additionally, the District voters approved a revenue change to allow the District to retain and spend all revenue, other than ad valorem taxes, in excess of TABOR spending, revenue raising or other limitations.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). TABOR prohibits the District from using its emergency reserves to compensate for economic conditions and revenue shortfalls.

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

SUPPLEMENTARY INFORMATION

FRONTERRA VILLAGE METROPOLITAN DISTRICT NO. 2
DEBT SERVICE FUND –
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
12-Month Period Ended December 31, 2019

	Original Budget	Amend Budget	Actual Amounts	Positive / (Negative) Variance with Budget
REVENUES				
Property taxes	\$701,320	\$701,320	\$ 701,319	(\$ 1)
Specific ownership taxes	42,000	56,900	56,963	63
Net investment income	9,000	20,500	20,521	21
Total revenues	752,320	778,720	778,803	83
EXPENDITURES				
Direct and indirect collection costs	17,172	68,000	67,142	858
Debt service				
Bond interest	530,828	583,100	583,101	(1)
Bond principal repayments – Series 2007	165,000	-	-	-
Bond principal repayments – Series 2015	40,000	-	-	-
Bond issuance costs	-	276,700	276,651	49
Total expenditures	753,000	927,800	926,894	906
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(680)	(149,080)	(148,091)	989
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	-	51,523	51,523	-
Proceeds from Series 2019 bond issuance	-	7,119,632	7,119,632	-
Repayment of Series 2007 bonds	-	(6,800,000)	(6,800,000)	-
Repayment of Series 2015 bonds	-	(825,000)	(825,000)	-
Total other financing sources (uses)	-	(453,845)	(453,845)	-
EXCESS OF REVENUES AND OTHER FINANCIAL SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(680)	(602,925)	(601,936)	989
FUND BALANCE – BEGINNING OF YEAR	599,308	605,501	605,501	-
FUND BALANCE – END OF YEAR	\$598,628	\$ 2,576	\$ 3,565	\$ 989

FRONTERRA VILLAGE METROPOLITAN DISTRICT NO. 2
DEBT FUND –
COLLECTION COST DETAILS – BUDGET AND ACTUAL
 12-Month Period Ended December 31, 2019

	Original Budget	Amended Budget	Actual Amounts	Positive / (Negative) Variance with Amend Budget
DIRECT AND INDIRECT COLLECTION COSTS				
1. District management fees	\$ -	\$ 19,900	\$ 19,887	\$ 13
2. Administrative costs	-	500	436	64
3. Audit fees	-	3,900	3,900	-
4. Collection fees – County Treasurer	10,520	10,600	10,525	75
5. Board of Directors’ fees	-	-	-	-
6. Board training and conferences	-	-	-	-
7. Insurance	-	2,900	2,858	42
8. Legal fees	-	25,600	25,536	64
9. Bond paying agent fees	4,000	4,000	4,000	-
10. Contingency	2,652	600	-	600
Total Direct and Indirect Collection Costs	\$ 17,172	\$ 68,000	\$ 67,142	\$ 858

FRONTERRA VILLAGE METROPOLITAN DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
 December 31, 2019

The District's repayment schedule for its general obligation debt is as follows:

Year Ended December 31,	Principal	Interest	Interest Rate	Total
2020	\$ 250,000	\$ 244,106	4.000%	\$ 494,106
2021	255,000	241,800	4.000%	496,800
2022	265,000	231,600	4.000%	496,600
2023	275,000	221,000	4.000%	496,000
2024	285,000	210,000	4.000%	495,000
2025	300,000	198,600	4.000%	498,600
2026	310,000	186,600	4.000%	496,600
2027	325,000	174,200	4.000%	499,200
2028	335,000	161,200	4.000%	496,200
2029	350,000	147,800	4.000%	497,800
2030	365,000	133,800	4.000%	498,800
2031	375,000	119,200	4.000%	494,200
2032	390,000	104,200	4.000%	494,200
2033	410,000	88,600	4.000%	498,600
2034	425,000	72,200	4.000%	497,200
2035	440,000	55,200	4.000%	495,200
2036	460,000	37,600	4.000%	497,600
2037	480,000	19,200	4.000%	499,200
	\$6,295,000	\$ 2,646,906		\$ 8,941,906

The original face value of the 2019 Refunding Bond is \$6,295,000. Interest is payable each year on June 1st and December 1st, and principal payments are due each year on December 1st.

FRONTERRA VILLAGE METROPOLITAN DISTRICT NO. 2
**SUMMARY OF ASSESSED VALUATION,
MILL LEVY AND PROPERTY TAXES COLLECTED**
December 31, 2019

Year Ended December 31,	Prior Year Assessed Valuation for Current Year tax Levy	Mills Levied		Total Property Taxes		Percent Collected to Levied
		Operations	Debt	Levied	Collected (Note A)	
2015	\$ 7,543,900	6.000	53.475	\$ 448,673	\$ 448,673	100.00%
2016	9,890,730	6.000	53.475	588,251	588,251	100.00%
2017	9,908,270	5.046	53.475	579,842	579,842	100.00%
2018	11,856,010	4.217	59.120	750,924	750,924	100.00%
2019	11,862,650	4.214	59.120	751,309	751,308	100.00%
2020	14,281,030	3.500	42.500	656,900	[TBD]	[TBD]

NOTE A: Property taxes collected in any one year may include collection of delinquent property taxes levied in prior years.

OTHER SUPPLEMENTARY INFORMATION

FRONTERRA VILLAGE METROPOLITAN DISTRICT NO. 2
CHANGE IN TOTAL OVERLAPPING MILL LEVY
 December 31, 2019

	2020 Mill Levy *	2019 Mill Levy **	Change
Fronterra Village Metropolitan District No. 2	46.000	63.334	(17.334)
Brighton School District No. 27J	48.810	49.092	(0.282)
Commerce City North Infrastructure General Improvement District	20.000	27.000	(7.000)
Adams County	26.917	26.864	0.053
South Adams Fire District No. 4	14.750	14.750	-
Rangeview Library District	3.677	3.666	0.011
City of Commerce City	3.104	3.280	(0.176)
South Adams County Water and Sanitation District	2.449	2.714	(0.265)
Urban Drainage and Flood Control	0.900	0.726	0.174
Urban Drainage and Flood Control – South Platte	0.097	0.094	0.003
Total Mill Levy (Tax Area 598)	166.704	191.520	(24.816)

* -- For property tax collections in 2020

** -- For property tax collections in 2019

FRONTERRA VILLAGE METROPOLITAN DISTRICT NO. 2

HISTORICAL DEBT RATIOS

December 31, 2019

	2015	2016	2017	2018	2019
Debt outstanding	\$ 8,065,000	\$ 7,993,397	\$ 7,916,489	\$ 7,833,693	\$ 6,295,000
Combined assessed property values within the District	\$ 9,890,730	\$ 9,908,270	\$ 11,856,010	\$ 11,862,650	\$ 14,281,030
Ratio of debt to assessed property values	81.5%	80.7%	66.8%	66.0%	44.1%