



# FRONTERRA VILLAGE

— *Metropolitan District No. 2* —

COMMERCE CITY, COLORADO

## ANNUAL FINANCIAL STATEMENTS

December 31, 2023

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors

Fronterra Village Metropolitan District No. 2

Adams County, CO

### Opinions

We have audited the accompanying financial statements of the governmental activities, and each major fund of Fronterra Village Metropolitan District No. 2 (the "District") as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of District, as of December 31, 2023, 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.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Other Matters**

#### Required Supplementary Information

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

#### Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The supplementary information, as listed in the table of contents, is presented for purposes of legal compliance and additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### Other Information

Management is responsible for the other information, as identified in the table of contents. The other information does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or provide any assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



Castle Pines, Colorado  
September 17, 2024

**FRONTERRA VILLAGE METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF NET POSITION**  
**December 31, 2023**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and investments	\$ -
Cash and investments – restricted	224,113
Accounts receivable – specific ownership taxes	3,095
Property taxes receivable	547,000
Prepaid expenses	2,637
<b>Total Assets</b>	<b>776,845</b>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	-
Accrued interest payable	13,107
Current portion of general obligation refunding bonds	285,000
Bond Premium	529,094
General obligation refunding bonds	4,965,000
<b>Total Liabilities</b>	<b>5,792,201</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property tax revenue	547,000
<b>NET POSITION (DEFICIT)</b>	
Restricted:	
Emergency reserves	-
Debt service	227,208
Capital projects	-
Non-spendable	2,637
Unassigned:	(5,792,201)
<b>Net Position (Deficit)</b>	<b>\$ (5,562,356)</b>

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, 2023**

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<b>Government Activities:</b>					
General government activities	\$ -	\$ -	\$ -	\$ -	\$ -
Interest and related costs on long-term debt	(67,877)	-	-	-	(67,877)
Contractual obligation activities	(96,410)	-	1,208	-	(95,202)
	<u>\$ (164,287)</u>	<u>\$ -</u>	<u>\$ 1,208</u>	<u>\$ -</u>	<u>(163,079)</u>
<b>General Revenues</b>					
Property taxes					546,994
Specific ownership taxes					37,527
Net investment income					23,289
<b>Total general revenue</b>					<b>607,810</b>
Change in net position					444,731
<b>Net Position (Deficit) – Beginning of Year</b>					<b>(6,007,087)</b>
<b>Net Position (Deficit) – End of Year</b>					<b>\$ (5,562,356)</b>

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, 2023**

	General Fund	Debt Service Fund	Contractual Obligations Fund	Total Government Funds
<b>ASSETS</b>				
Cash and investments	\$ -	\$ -	\$ -	\$ -
Cash and investments - Restricted	-	224,113	-	224,113
Accounts receivable – spec ownership taxes	-	3,095	-	3,095
Property taxes receivable	-	547,000	-	547,000
Prepaid expenses	-	2,637	-	2,637
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ 776,845</b>	<b>\$ -</b>	<b>\$ 776,845</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -
Property tax rebates	-	-	-	-
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property tax revenue	-	547,000	-	547,000
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>547,000</b>	<b>-</b>	<b>547,000</b>
<b>FUND BALANCES</b>				
Restricted:				
Emergencies (TABOR)		-	-	-
Debt service		227,208	-	227,208
Capital projects		-	-	-
Non-spendable	-	2,637	-	2,637
Unrestricted	-			-
<b>TOTAL FUND BALANCES</b>	<b>-</b>	<b>229,845</b>	<b>-</b>	<b>229,845</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ -</b>	<b>\$ 776,845</b>	<b>\$ -</b>	

**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	(5,250,000)
Bond premium	(529,094)
Accrued interest payable	(13,107)
<b>Net position of governmental activities</b>	<b>\$ (5,562,356)</b>

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, 2023**

	General Fund	Debt Service Fund	Contractual Obligations Fund	Total Government Funds
<b>REVENUES</b>				
Property taxes	\$ -	\$ 477,298	\$ 69,696	\$ 546,994
Specific ownership taxes	-	33,140	4,387	37,527
Net investment income	-	17,723	5,566	23,289
Other income	-	-	1,208	1,208
<b>Total Revenues</b>	<b>-</b>	<b>528,161</b>	<b>80,857</b>	<b>609,018</b>
<b>EXPENDITURES</b>				
Direct and indirect collection costs	-	41,548	1,046	42,594
Debt service				-
Bond interest – 2019 Series Bonds	-	221,000	-	221,000
Bond principal – 2019 Series Bonds	-	275,000	-	275,000
Major capital projects	-	-	95,364	95,364
<b>Total Expenditures</b>	<b>-</b>	<b>537,548</b>	<b>96,410</b>	<b>633,958</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>-</b>	<b>(9,387)</b>	<b>(15,553)</b>	<b>(24,940)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Fund Transfers In / (Out)	-	-	-	-
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>-</b>	<b>(9,387)</b>	<b>(15,553)</b>	<b>(24,940)</b>
<b>FIND BALANCES – BEGINNING</b>	<b>-</b>	<b>239,232</b>	<b>15,553</b>	<b>254,785</b>
<b>FUND BALANCES – END OF YEAR</b>	<b>\$ -</b>	<b>\$ 229,845</b>	<b>\$ -</b>	<b>\$ 229,845</b>

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, 2023**

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

Net change in fund balances – Total government funds	\$	(24,940)
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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.

Principal repayment on Series 2019 bonds		275,000
Amortization of bond premium		194,671

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 payable		-
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<b>Changes in net position of governmental activities</b>	<b>\$</b>	<b>444,731</b>
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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, 2023**

	Original Budget	Actual Amounts	Positive / (Negative) Variance with Original Budget
<b>REVENUES</b>			
Property taxes	\$ -	\$ -	\$ -
Specific ownership taxes	-	-	-
Net investment income	-	-	-
<b>Total Revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXPENDITURES</b>			
General and administration	-	-	-
Other district expenses	-	-	-
Election expenses	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (out)	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXCESS OF REVENUES AND OTHER FINANCIAL SOURCES OVER</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE – BEGINNING OF YEAR</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE – END OF YEAR</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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, 2023

**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 organizations 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.

The Contractual Obligations Fund accounts for the resources accumulated and payments made for contractual obligations completed within the District.

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 6, 2022, the Board adopted the District's 2023 budget.

## **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**

Beginning in 1937, the State of Colorado began assessing a tax annually on motor vehicles (aka Specific Ownership Tax). The Specific Ownership Tax is graduated based on a vehicle's age and original value. Specific Ownership Tax revenue collected by the State is apportioned among the 64 counties based on the number of state highway miles within each county. Each county allocates its respective share of specific ownership tax revenue proportionally among the various property-taxing governmental entities on the basis of total property taxes assessed by each entity in relation to total property taxes assessed by all entities within the County. In 2023, the District's share of Specific ownership taxes was equal to approximately 6.9% 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, 2023 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 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, 2023 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments – unrestricted	\$ -
Cash and investments – restricted	<u>224,113</u>
<b>Total cash and investments</b>	<b><u>\$ 224,113</u></b>

Cash and investments as of December 31, 2023 consist of the following:

Deposits with financial institutions	\$ 33,662
Investments	<u>190,451</u>
<b>Total cash and investments</b>	<b><u>\$ 224,113</u></b>

## 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, 2023, the District's cash deposits had a bank balance of \$36,662 and carrying balance of \$33,662.

## 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, 2023, the District's investments were comprised of the following:

Investment	Maturity	Fair Value
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	\$ 190,451

## 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, 2023:

	Balance at Dec. 31, 2022	Additions	Retirements	Balance at Dec. 31, 2023	Due within one year
General Obligation Refunding Bonds – Series 2019	\$ 5,525,000	\$ -	(\$ 275,000)	\$ 5,250,000	\$ 285,000
Accrued Interest – Series 2019	13,107	-	-	13,107	-
<b>Subtotal</b>	<b>5,538,107</b>	<b>-</b>	<b>( 275,000)</b>	<b>5,263,107</b>	<b>285,000</b>
Bond Premium, Series 2019	723,765	-	( 194,671)	529,094	-
<b>Total</b>	<b>\$ 6,261,872</b>	<b>\$ -</b>	<b>(\$ 469,671)</b>	<b>\$ 5,792,201</b>	<b>\$ 285,000</b>

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 1<sup>st</sup>. 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 1nultiples 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 District’s amended Service Plan establishes a Maximum Mill levy the District is permitted to impose on taxable property within the District for the payment of debt. The Maximum Debt Mill Levy is 52.475 mills based on a 7.96% ratio of taxable valuation to assessed valuation of real property. The ratio of taxable valuation to assessed valuation of real property for 2023 is 6.95%, which caused the District’s Maximum Mill Levy for debt service for 2023 to be 60.101.

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>
2024	\$ 285,000	\$ 210,000	\$ 495,000
2025	300,000	198,600	498,600
2026	310,000	186,600	496,600
2027	325,000	174,200	499,200
2028	335,000	161,200	496,200
2029-2033	1,890,000	593,600	2,483,600
2034-2037	1,805,000	184,200	1,989,200
	<u>\$ 5,250,000</u>	<u>\$ 1,708,400</u>	<u>\$ 6,958,400</u>

#### **Events of Default – Series 2019 Bonds**

The following events are considered events of default under the bond indenture of trust: (1) The District fails or refuses to impose the Required Mill Levy or to apply the Pledged Revenue as required by the Indenture of Trust, (2) the District defaults in the performance or observance of any of the covenants, agreements, or conditions on the part of the District in the Indenture or the Bond Resolution and fails to remedy the same after notice thereof is provided to the District by the Trustee, Bond Insurer or Bond Owners or (3) the District files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the Bonds. Failure to pay the principal of or interest on the Bonds when due shall not, of itself, constitute an Event of Default if the District has levied the Required Mill Levy, complied with all covenants and conditions of the Indenture of Trust and remitted all Pledged Revenues to the Trustee. Available remedies for an Event of Default are (1) placing the district in receivership, (2) Trustee initiating a lawsuit against the District and (3) compelling the District to cure the default via mandamus or any other suit, action, or proceeding at law or in equity. Acceleration of the repayment of the Bonds is not an available remedy for an Event of Default.

#### **Debt Authorization**

As of December 31, 2023, the District is prohibited from issuing any additional debt (other than refinancing existing debt that would generate a net cost saving to the homeowners) without first obtaining authorization from the District’s voters in compliance with TABOR.

Pursuant to the District's amended Service Plan, the District is limited to issuing \$6,589,979 in bond indebtedness – of which \$5,375,000 has been used as a result of the District issuing bond debt in 2003 and 2015. 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 Contractual Obligations. 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, 2023, District payments made, advances received and interest accrued under the Reimbursement Agreement is as follows:

	<u>Advances</u>	<u>Interest</u>	<u>Total</u>
<b>Developers Advances – Operations</b>			
Beginning Balance (Jan. 01, 2023)	\$ 286,092	\$ 651,505	\$ 937,597
Additional advances / accrued interest	-	20,026	20,026
Repayments	-	-	-
<b>Ending Balance (Dec. 31, 2023)</b>	<b><u>\$ 286,092</u></b>	<b><u>\$ 671,531</u></b>	<b><u>\$ 957,623</u></b>

## NOTE 6 – NET POSITION

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

### Restricted Net Position

The District’s restricted net position within the debt service fund and contractual obligations fund of \$227,208 and \$0, respectively. Primarily 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, 2023 in the debt service fund and contractual obligations fund of \$2,637 and \$0, respectively. These balances were created due to the District prepaying certain 2024 expenses in 2023.

## **Unassigned Net Position**

The District's unassigned net position as of December 31, 2023 totaled \$(5,792,201). 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**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES - BUDGET AND ACTUAL**  
**12-Month Period Ended**  
**December 31, 2023**

	Original Budget	Actual Amounts	Positive / (Negative) Variance with Original Budget
<b>REVENUES</b>			
Property taxes	\$ 477,300	\$ 477,298	\$ (2)
Specific ownership taxes	35,800	33,140	(2,660)
Net investment income	2,500	17,723	15,223
<b>Total Revenues</b>	<u>515,600</u>	<u>528,161</u>	<u>12,561</u>
<b>EXPENDITURES</b>			
Direct and indirect collection costs	48,500	41,548	6,952
Debt service			
Bond interest – 2015 Series Bonds	221,000	221,000	-
Bond principal – 2015 Series Bonds	275,000	275,000	-
Bond issuance costs	-	-	-
<b>Total Expenditures</b>	<u>544,500</u>	<u>537,548</u>	<u>6,952</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(28,900)</u>	<u>(9,387)</u>	<u>19,513</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (out)	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS OF REVENUES AND OTHER FINANCIAL SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u>(28,900)</u>	<u>(9,387)</u>	<u>19,513</u>
<b>FUND BALANCE – BEGINNING</b>	<u>246,800</u>	<u>239,232</u>	<u>(7,568)</u>
<b>FUND BALANCE – END OF YEAR</b>	<u><u>\$ 217,900</u></u>	<u><u>\$ 229,845</u></u>	<u><u>\$ 11,945</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**  
**DEBT SERVICE FUND**  
**COLLECTION COST DETAILS - BUDGET AND ACTUAL**  
**12-Month Period Ended**  
**December 31, 2023**

	Original Budget	Actual Amounts	Positive / (Negative) Variance with Original Budget
<b>DIRECT AND INDIRECT COLLECTION COSTS</b>			
District management and accounting fees	\$ 18,000	\$ 18,000	\$ -
Administrative costs	4,000	882	3,118
Audit fees	7,500	7,150	350
Collection fees – County Treasurer	8,200	7,163	1,037
Newsletter publication costs	-	1,323	(1,323)
Director meetings stipends	1,500	-	1,500
Board training and conferences	2,500	1,337	1,163
Board election expenses	-	61	(61)
Insurance	2,800	2,632	168
Legal fees	1,000	-	1,000
Bond paying agent fees	3,000	3,000	-
<b>Total Direct and Indirect Collection Costs</b>	<b>\$ 48,500</b>	<b>\$ 41,548</b>	<b>\$ 6,952</b>

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

**FRONTERRA VILLAGE METROPOLITAN DISTRICT NO. 2**  
**CONTRACTUAL OBLIGATIONS FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES - BUDGET AND ACTUAL**  
**12-Month Period Ended**  
**December 31, 2023**

	Original Budget	Actual Amounts	Positive / (Negative) Variance with Original Budget
<b>REVENUES</b>			
Property taxes	\$ 69,700	\$ 69,696	\$ (4)
Specific ownership taxes	5,300	4,387	(913)
Net investment income	-	5,566	5,566
Other income	-	1,208	1,208
<b>Total Revenues</b>	<b><u>75,000</u></b>	<b><u>80,857</u></b>	<b><u>5,857</u></b>
<b>EXPENDITURES</b>			
General and administrative fees	-	1,046	(1,046)
Capital projects			
Major capital projects	150,000	95,364	54,636
<b>Total Expenditures</b>	<b><u>150,000</u></b>	<b><u>96,410</u></b>	<b><u>53,590</u></b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b><u>(75,000)</u></b>	<b><u>(15,553)</u></b>	<b><u>59,447</u></b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In (Out)	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>EXCESS OF REVENUES AND OTHER FINANCIAL SOURCES OVER</b>	<b><u>(75,000)</u></b>	<b><u>(15,553)</u></b>	<b><u>59,447</u></b>
<b>FUND BALANCE – BEGINNING OF YEAR</b>	<b><u>75,000</u></b>	<b><u>15,553</u></b>	<b><u>(59,447)</u></b>
<b>FUND BALANCE – END OF YEAR</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>

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

FRONTERRA VILLAGE METROPOLITAN DISTRICT NO. 2  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
 December 31, 2023

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

<b>Year Ended December 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Interest Rate</b>	<b>Total</b>
<b>2024</b>	\$ 285,000	\$ 210,000	4.000%	\$ 495,000
<b>2025</b>	300,000	198,600	4.000%	498,600
<b>2026</b>	310,000	186,600	4.000%	496,600
<b>2027</b>	325,000	174,200	4.000%	499,200
<b>2028</b>	335,000	161,200	4.000%	496,200
<b>2029</b>	350,000	147,800	4.000%	497,800
<b>2030</b>	365,000	133,800	4.000%	498,800
<b>2031</b>	375,000	119,200	4.000%	494,200
<b>2032</b>	390,000	104,200	4.000%	494,200
<b>2033</b>	410,000	88,600	4.000%	498,600
<b>2034</b>	425,000	72,200	4.000%	497,200
<b>2035</b>	440,000	55,200	4.000%	495,200
<b>2036</b>	460,000	37,600	4.000%	497,600
<b>2037</b>	480,000	19,200	4.000%	499,200
	<b>\$5,250,000</b>	<b>\$ 1,708,400</b>		<b>\$ 6,958,400</b>

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



FRONTERRA VILLAGE METROPOLITAN DISTRICT NO. 2  
**SUMMARY OF ASSESSED VALUATION,  
MILL LEVY AND PROPERTY TAXES COLLECTED**  
December 31, 2023

Year Ended December 31,	Prior Year Assessed Valuation for Current Year tax Levy	Mills Levied		Total Property Taxes		Percent Collected to Levied
		Operations /Contractual	Debt	Levied	Collected (Note A)	
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	656,927	100.00%
2021	14,337,010	-	38.153	547,000	545,162	99.66%
2022	14,727,890	4.732	32.408	547,000	548,618	100.2%
2023	14,346,630	4.858	33.269	547,000	546,994	100.0%
2024	16,474,530	-	33.203	547,000	[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, 2023

	2022 Mill Levy *	2023 Mill Levy **	Change
ADAMS COUNTY	26.967	26.835	(0.132)
COMMERCE CITY	3.110	2.550	(0.560)
COMMERCE CITY NORTH INFRASTRUCTURE	14.000	8.000	(6.000)
FRONTERRA VILLAGE METRO DIST #2	38.127	33.203	(4.924)
RANGEVIEW LIBRARY DISTRICT	3.615	3.653	0.038
RTD	0.000	0.000	0.000
School District 27-Brighton	56.290	56.290	0.000
SOUTH ADAMS COUNTY FIRE PROTECTION DISTRICT	14.750	14.750	0.000
SOUTH ADAMS WATER & SAN	2.424	1.966	(0.458)
URBAN DRAINAGE & FLOOD CONTROL	0.900	0.900	0.000
URBAN DRAINAGE SOUTH PLATTE	0.100	0.100	0.000
<b>Total Mill Levy (Tax Area 564)</b>	<b>160.283</b>	<b>148.247</b>	<b>(12.036)</b>

\* -- For property tax collections in 2023

\*\* -- For property tax collections in 2024

FRONTERRA VILLAGE METROPOLITAN DISTRICT NO. 2

**HISTORICAL DEBT RATIOS**

December 31, 2023

	2019	2020	2021	2022	2023
Debt outstanding	\$ 6,295,000	\$ 6,045,000	\$ 5,790,000	\$ 5,525,000	\$ 5,250,000
Combined assessed property values within the District	\$ 14,281,030	\$ 14,337,010	\$ 14,727,890	\$ 14,346,630	\$ 16,474,530
Ratio of debt to assessed property values	44.1%	42.2%	39.3%	38.5%	31.9%