

**PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2019**

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Board of Directors  
Palisade Park North Metropolitan District 2  
City and County of Broomfield, Colorado

### Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities and each major fund of the Palisade Park North Metropolitan District 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 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Palisade Park North Metropolitan District 2 as of December 31, 2019, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other-Matters***

*Required Supplementary Information*

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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Palisade Park North Metropolitan District 2's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

*Simmons & Wheeler P.C.*

Englewood, CO  
September 28, 2020

## **BASIC FINANCIAL STATEMENTS**

**PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2019**

	Governmental Activities
<b>ASSETS</b>	
Cash and Investments - Restricted	\$ 2,473,238
Accounts Receivable - County Treasurer	1
Accounts Receivable - Other	154,345
Prepaid Expenses	2,910
Property Taxes Receivable	794
Capital Assets, Not Being Depreciated:	
Construction in Progress	1,611,663
Total Assets	4,242,951
<b>LIABILITIES</b>	
Accounts Payable	427,691
Due to Other Districts	389
Due to County	6
Accrued Interest Payable	16,359
Noncurrent Liabilities:	
Due in More Than One Year	4,504,168
Total Liabilities	4,948,613
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property Tax Revenue	794
Total Deferred Inflows of Resources	794
<b>NET POSITION</b>	
Restricted For:	
Emergency Reserves	3,674
Unrestricted	(710,130)
Total Net Position	\$ (706,456)

See accompanying Notes to Basic Financial Statements.



**PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2019**

	General	Debt Service	Capital Projects	Total Governmental Funds
<b>ASSETS</b>				
Cash and Investments - Restricted	\$ 3,674	\$ 414,160	\$ 2,055,404	\$ 2,473,238
Due from Other Funds	8,552	-	-	8,552
Accounts Receivable - County Treasurer	-	1	-	1
Accounts Receivable - Other	-	-	154,345	154,345
Prepaid Expenses	2,910	-	-	2,910
Property Taxes Receivable	132	662	-	794
	<u>15,268</u>	<u>\$ 414,823</u>	<u>\$ 2,209,749</u>	<u>\$ 2,639,840</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 1,539	\$ -	\$ 426,152	\$ 427,691
Due to Other Funds	-	-	8,552	8,552
Due to Other Districts	-	-	389	389
Due to County	6	-	-	6
Total Liabilities	<u>1,545</u>	<u>-</u>	<u>435,093</u>	<u>436,638</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property Tax Revenue	132	662	-	794
Total Deferred Inflows of Resources	<u>132</u>	<u>662</u>	<u>-</u>	<u>794</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Prepaid Expenses	2,910	-	-	2,910
Restricted For:				
Emergencies (TABOR)	3,674	-	-	3,674
Debt Service	-	414,161	-	414,161
Capital Projects	-	-	1,774,656	1,774,656
Unassigned	7,007	-	-	7,007
Total Fund Balances	<u>13,591</u>	<u>414,161</u>	<u>1,774,656</u>	<u>2,202,408</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>15,268</u>	<u>\$ 414,823</u>	<u>\$ 2,209,749</u>	
Amounts reported for governmental activities in the statement of net position are different because:				
Long-term liabilities, including Developer advances payable and bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.				
Bonds Payable				(4,290,000)
Developer Advance Payable				(90,648)
Accrued Interest Payable - Bonds				(128,404)
Accrued Interest Payable - Developer Advance				(11,475)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				1,611,663
Net Position of Governmental Activities				<u>\$ (706,456)</u>

See accompanying Notes to Basic Financial Statements.

**PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES – GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2019**

	General	Debt Service	Capital Projects	Total Governmental Funds
<b>REVENUES</b>				
Property Taxes	\$ -	\$ 2	\$ -	\$ 2
Specific Ownership Taxes	-	6	-	6
BURA Revenue	60	50	-	110
Net Investment Income	1	10,849	43,254	54,104
Total Revenues	<u>61</u>	<u>10,907</u>	<u>43,254</u>	<u>54,222</u>
<b>EXPENDITURES</b>				
Current:				
Accounting	14,756	-	-	14,756
Insurance And Bonds	1,365	-	-	1,365
Legal	13,691	-	-	13,691
Miscellaneous	133	-	-	133
Bond Interest	-	196,312	-	196,312
Paying Agent Fees	6,000	-	-	6,000
Capital Outlay	-	-	1,153,333	1,153,333
Total Expenditures	<u>35,945</u>	<u>196,312</u>	<u>1,153,333</u>	<u>1,385,590</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(35,884)	(185,405)	(1,110,079)	(1,331,368)
<b>OTHER FINANCING SOURCES (USES)</b>				
Developer Advance	8,000	-	-	8,000
Total Other Financing Sources (Uses)	<u>8,000</u>	<u>-</u>	<u>-</u>	<u>8,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	(27,884)	(185,405)	(1,110,079)	(1,323,368)
Fund Balances - Beginning of Year	<u>41,475</u>	<u>599,566</u>	<u>2,884,735</u>	<u>3,525,776</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 13,591</u>	<u>\$ 414,161</u>	<u>\$ 1,774,656</u>	<u>\$ 2,202,408</u>

See accompanying Notes to Basic Financial Statements.

**PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2  
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2019**

Net Change in Fund Balances - Governmental Funds \$ (1,323,368)

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

Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense, the allocation of the cost of any depreciable asset over the estimated useful life of the asset. Capital outlay, the conveyance of capital assets to other governments and depreciation expense in the current period are as follows:

Capital Assets Acquired 1,153,333

The issuance of long-term debt (e.g., issuance of bonds, the receipt of Developer advances) provides current financial resources to governmental funds, while the repayment of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Developer Advance (8,000)

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 - Change in Liability (74,759)

Accrued Interest on Developer Advance - Change in Liability (6,904)

Change in Net Position of Governmental Activities \$ (259,698)

**PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2019**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Specific Ownership Taxes	\$ 500	\$ -	\$ (500)
BURA Revenue	110	60	(50)
Net Investment Income	-	1	1
Total Revenues	610	61	(549)
<b>EXPENDITURES</b>			
Current:			
Accounting	13,000	14,756	(1,756)
Audit	6,000	-	6,000
Contingency	2,000	-	2,000
County Treasurer's Fees	7	-	7
Insurance And Bonds	2,500	1,365	1,135
Legal	18,000	13,691	4,309
Miscellaneous	600	133	467
Repairs and Maintenance	2,000	-	2,000
Paying Agent Fees	-	6,000	(6,000)
Total Expenditures	44,107	35,945	8,162
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(43,497)	(35,884)	8,711
<b>OTHER FINANCING SOURCES (USES)</b>			
Developer Advance	30,000	8,000	(22,000)
Total Other Financing Sources (Uses)	30,000	8,000	(22,000)
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	(13,497)	(27,884)	(30,711)
Fund Balance - Beginning of Year	16,618	41,475	24,857
<b>FUND BALANCE - END OF YEAR</b>	\$ 3,121	\$ 13,591	\$ (5,854)

See accompanying Notes to Basic Financial Statements.

**PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 1 DEFINITION OF REPORTING ENTITY**

Palisade Park North Metropolitan District No. 2 (the District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized on September 13, 2016, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's Service Plan approved by the City and County of Broomfield on March 22, 2016, and amended pursuant to a First Amended and Restated Service Plan approved by Broomfield on August 22, 2017 (Service Plan) authorized the District to finance and construct certain public infrastructure that benefit the citizens of the District. The District's service area is located in Broomfield. The District's primary revenues are developer advances and interest income. The District is governed by an elected Board of Directors.

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

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

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Government-Wide and Fund Financial Statements**

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

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

**PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 the related cash flows. Property taxes are recognized as revenues in the year for which they are collected.

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 subject to accrual are property taxes and interest. 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 paid.

The District reports the following major governmental funds:

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

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

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

**Budgets**

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

**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 and investments.

**PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

**Capital Assets**

Capital assets, which include infrastructure (e.g., storm drainage, streets, and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Capital assets which are anticipated to be conveyed to other governmental entities, as well as capital assets being constructed which the District may operate and maintain, are recorded as construction in progress. Construction in progress is not being depreciated and is not included in the calculation of Net Investment in Capital Assets component of the District's net position.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation on property that will remain assets of the District is reported on the statement of activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated. No depreciation expense was recognized during 2019.

**PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Deferred Inflow/Outflow 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.

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

**Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

**Equity**

**Net Position**

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

**Fund Balance**

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

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

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

**PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Equity (Continued)**

Fund Balance (Continued)

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

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

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

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

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

**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 - Restricted	\$ 2,473,238
Total Cash and Investments	\$ 2,473,238

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

Deposits with Financial Institutions	\$ 272,816
Investments - CSAFE	2,200,422
Total Cash and Investments	\$ 2,473,238

**PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

**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 \$275,591 and a carrying balance of \$272,816.

**Investments**

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

The District generally limits its concentration of investments to those noted with an asterisk (\*) below, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest, which include:

- . Obligations of the United States, certain U.S. government agency securities, and securities of the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Certain certificates of participation
- . Certain securities lending agreements
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- \* Local government investment pools

**PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

**Investments (Continued)**

As of December 31, 2019, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
	Weighted Average	
CSAFE	Under 60 Days	<u>\$ 2,200,422</u>

**CSAFE**

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

**NOTE 4 CAPITAL ASSETS**

An analysis of the changes in capital assets of the year ended December 31, 2019 follows:

	Balance - December 31, 2018	Increases	Decreases	Balance - December 31, 2019
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 458,330	\$ 1,153,333	\$ -	\$ 1,611,663
Total Capital Assets, Not Being Depreciated	<u>\$ 458,330</u>	<u>\$ 1,153,333</u>	<u>\$ -</u>	<u>\$ 1,611,663</u>

**PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 5 LONG-TERM OBLIGATIONS**

A description of the long-term obligations as of December 31, 2019, is as follows:

**\$3,490,000 General Obligation (Limited Tax Convertible to Unlimited Tax) Bonds, Series 2018A and \$800,000 Subordinate General Obligation Limited Tax Bonds, Series 2018B**

On April 11, 2018, the District issued \$3,490,000 of General Obligation (Limited Tax Convertible to Unlimited Tax) Bonds, Series 2018A (Series 2018A Bonds) and \$800,000 of Subordinate General Obligation Limited Tax Bonds, Series 2018B (Series 2018B Bonds and collectively with the Series 2018A Bonds, the Bonds) for the purpose of funding and reimbursing a portion of the costs of certain public infrastructure, paying the costs of issuance of the Bonds, and, with respect to the Series 2018A Bonds only, funding the Senior Reserve Fund and funding a portion of interest to accrue on the Series 2018A Bonds. The Series 2018A Bonds and the Series 2018B Bonds were issued pursuant to two separate indentures of trust (respectively the Series 2018A Indenture and the Series 2018B Indenture). The Series 2018A Bonds bear interest at the rate of 5.625%, payable semiannually on each June 1 and December 1, commencing on June 1, 2018. The Series 2018B Bonds bear interest at the rate of 7.875%, payable annually on December 15, commencing on December 15, 2018, to the extent that Subordinate Pledged Revenue is available. The Series 2018A Bonds mature on December 1, 2047 and the Series 2018B Bonds mature on December 15, 2047.

The Series 2018A Bonds are subject to a mandatory sinking fund redemption commencing on December 1, 2022, and are subject to optional redemption prior to maturity, commencing on December 1, 2023, upon payment of par, accrued interest, and a redemption premium that ranges between 0% and 3%. The Series 2018B Bonds are subject to a mandatory sinking fund redemption from Subordinate Pledged Revenue, if any, on deposit in the Subordinate Bond Fund, and are subject to optional redemption prior to maturity, commencing on December 15, 2023, upon payment of par, accrued interest, and a redemption premium that ranges between 0% and 3%.

The Series 2018A Bonds are secured by the (a) the Senior Required Mill Levy, including any District TIF (as defined in the Series 2018B Indenture) produced as a result of the imposition of the Senior Required Mill Levy; (b) the Capital Fees (as defined in the Series 2018A Indenture), if any, which includes the Facilities Fees (as defined in the Series 2018A Indenture); (c) Reimbursement Agreement Revenue (as defined in the Series 2018A Indenture); (d) the portion of the Specific Ownership Tax which is collected as a result of the imposition of the Senior Required Mill Levy; and (e) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Senior Pledged Revenue. The Series 2018A Bonds are also secured by the Senior Reserve Fund and the Senior Surplus Fund.

**PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)**

The Series 2018B Bonds are secured by and payable solely from and to the extent of the Subordinate Pledged Revenue (as defined in the Series 2018B Indenture), consisting of moneys derived by the District from the following sources, net of any costs of collection: (i) the Subordinate Required Mill Levy (as defined in the Series 2018B Indenture), including any Subordinate District TIF (as defined in the Series 2018B Indenture) produced as a result of the imposition of the Subordinate Required Mill Levy; (ii) the Subordinate Capital Fee Revenue (as defined in the Series 2018B Indenture), if any; (iii) the Reimbursement Agreement Revenue, after deduction of any amount thereof used, paid, pledged, or otherwise applied to the payment of any Senior Bonds, including the Series 2018A Bonds; (iv) the portion of the Specific Ownership Tax which is collected as a result of the imposition of the Subordinate Required Mill Levy; (v) the amount, if any, in the Surplus Fund after the termination of such fund pursuant to the Series 2018A Indenture; and (vi) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Subordinate Pledged Revenue.

The following is an analysis of changes in long-term debt for the period ending December 31, 2019:

	Balance - January 1, 2019	Additions	Deletions	Balance - December 31, 2019	Due Within One Year
<b>Governmental Activities:</b>					
Bonds Payable					
Series 2018A G.O. Bonds	\$ 3,490,000	\$ -	\$ -	\$ 3,490,000	\$ -
Series 2018B Subordinate G.O. Bonds	800,000	-	-	800,000	-
Accrued and Unpaid Interest Series 2018B Subordinate G.O. Bonds	45,465	66,580	-	112,045	-
<b>Total Bonds Payable</b>	<b>4,335,465</b>	<b>66,580</b>	<b>-</b>	<b>4,402,045</b>	<b>-</b>
Developer Advance:					
Developer Advances	82,648	8,000	-	90,648	
Accrued Interest - Developer Advances	4,571	6,904	-	11,475	
<b>Total Developer Advances</b>	<b>87,219</b>	<b>14,904</b>	<b>-</b>	<b>102,123</b>	<b>-</b>
<b>Total Long-Term Obligations</b>	<b>\$ 4,422,684</b>	<b>\$ 81,484</b>	<b>\$ -</b>	<b>\$ 4,504,168</b>	<b>\$ -</b>

**PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)**

The following is a summary of the annual long-term debt principal and interest requirements under the Series 2018A Bonds:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ 196,313	\$ 196,313
2021	-	196,313	196,313
2022	10,000	196,313	206,313
2023	35,000	195,750	230,750
2024	45,000	193,781	238,781
2025-2029	290,000	927,000	1,217,000
2030-2034	450,000	827,720	1,277,720
2035-2039	670,000	678,375	1,348,375
2040-2044	950,000	460,407	1,410,407
2045-2047	1,040,000	135,563	1,175,563
Total	<u>\$ 3,490,000</u>	<u>\$ 4,007,535</u>	<u>\$ 7,497,535</u>

Due to the uncertainty in the timing of the principal and interest payments on the Series 2018B Bonds no schedule of principal and interest payments is presented.

**Debt Authorization**

As of December 31, 2019, the District had \$725,710,000 of voted but unissued debt for providing public improvements remaining. The District has not budgeted to issue debt during 2020. The District's Service Plan limits its general obligation debt to \$5,000,000, of which \$710,000 remains available for use by the District.

**NOTE 6 NET POSITION**

The District has net position consisting of one component – unrestricted and restricted.

Restricted net position includes assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2019, as follows:

Restricted Net Position:	
Emergencies	<u>\$ 3,674</u>
Total Restricted Net Position	<u>\$ 3,674</u>

The District has a deficit in unrestricted net position. This deficit amount is a result of developer advances related to district operations and capital improvements.

**PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 7 RELATED PARTY**

All of the Board of Directors are employees, owners, or are otherwise associated with UF Kevamra 725, LLC (Kevamra), and may have conflicts of interest in dealing with the District. Management believes that all potential conflicts, if any, have been disclosed by the Board.

**Operation Funding Agreement**

On November 3, 2016, the District entered into an Operation Funding Agreement with Kevamra, as amended by that certain First Amendment dated November 16, 2017 (collectively, the OFA) whereby Kevamra agreed to advance funds to the District for certain operation and maintenance expenses as needed for fiscal years 2016 through 2021 up to an aggregate amount of \$150,000. The District agreed to repay these advances, together with accrued interest at the rate of 8% per annum accruing from the date of deposit into the District's bank account or from the direct payment by Kevamra. The District's repayment of the advances under the OFA does not constitute a debt and is subject to annual appropriation by the District. Kevamra's obligation to advance funds expires on March 31, 2022. The District's obligation to repay advances expires on December 31, 2051. The total amount funded through December 31, 2019 is \$90,648 principal and \$11,475 interest.

**Facilities Funding and Acquisition Agreement**

On April 6, 2018 with an effective date of September 13, 2016 the District and Kevamra entered into a Facilities Funding and Acquisition Agreement (FFAA) whereby Kevamra agreed to make advances as needed for the fiscal years 2018 through 2021 in an amount not to exceed \$5,000,000 to the District for the purpose of funding the organizational expenses and construction and/or acquisition of public improvements. The District agreed to repay these advances together with accrued interest at the rate of 8% per annum. The FFAA does not constitute debt, but is an annual appropriations agreement intended to be repaid through a future bond issuance. The FFAA expires on December 31, 2048.

**NOTE 8 AGREEMENTS**

**Reimbursement Agreement**

On October 23, 2007, Seven25 Metropolitan District n/k/a Palisade Park North Metropolitan District No. 1 (District No. 1) and Broomfield entered into a Reimbursement Agreement (the Reimbursement Agreement), which set forth the terms and conditions relating to the construction and financing of certain Public Improvements (as defined in the Reimbursement Agreement) to serve the Property (as defined in the Reimbursement Agreement). On November 16, 2017, the Reimbursement Agreement was amended to include the District and Palisade Park North Metropolitan District No. 3 (District No. 3) as parties to the Reimbursement Agreement, to update the properties subject to the Reimbursement Agreement and to update the Public Improvements eligible for reimbursement by Broomfield pursuant to the Reimbursement Agreement. Pursuant to the Reimbursement Agreement, each District is responsible for designing, financing, constructing, owning and maintaining certain Public Improvements until conveyance or dedication of such Public Improvements to Broomfield. Broomfield is required to design and

**PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 8 AGREEMENTS (CONTINUED)**

**Reimbursement Agreement (Continued)**

construct to the edge of the Property and operate, at no cost to each District or any owners of property within such development, water and wastewater facilities in the capacity required to serve the Property at full build-out.

The Reimbursement Agreement also provides that each District is to indemnify Broomfield, to the extent allowed by law, for all claims or suits for damages to property and injuries to persons arising from any of the District's construction activities under the Reimbursement Agreement. In exchange, Broomfield has agreed to deposit into a Special Fund the Sales Tax Revenues, Use Tax Revenues, and Service Expansion Fees to pay for certain Eligible Expenses of the District associated with the construction of such Public Improvements up to the Maximum Gross Reimbursement Obligation. Certain of such proceeds received by the District are pledged to the payment of the Series 2018A Bonds and Series 2018B Bonds.

**Cooperation Agreement**

On October 23, 2007, District No. 1 and the Broomfield Urban Renewal Authority (BURA) entered into a Cooperation Agreement (as amended the Cooperation Agreement). On November 16, 2017, the parties entered into a First Amendment to the Cooperation Agreement to include the District and District No. 3 as parties to the Cooperation Agreement, to update the properties subject to the Cooperation Agreement and to update the public improvements subject to the Cooperation Agreement. Pursuant to the Cooperation Agreement, as amended, BURA agreed to deposit certain property tax increment revenues received as a result of the imposition of each Districts' debt service mill levy and each Districts' operations and maintenance mill levy (collectively, the District Property TIF) into special funds to be used, in part, by each respective District to pay for debt service on bonds issued to pay for public improvements, including the District's Series 2018A Bonds and Series 2018B Bonds.

**Facilities Fee Resolution**

On April 2, 2018, the District adopted Resolution No. 2018-04-02; Facilities Fee Resolution as recorded with the Broomfield Clerk and Recorder on April 2, 2018 (Fee Resolution). Pursuant to the Fee Resolution, the District is authorized to impose a "Facilities Fee" in the amount of \$1,000 per single-family residential unit within the District. The Facilities Fee is due and payable on or before the date of issuance of a building permit. A written request may be made to the District for a deferral of the payment to an alternative date. Any request will be considered on a case by case basis by the District. While the Series 2018A Bonds and Series 2018B Bonds are outstanding the District agrees to not alter, defer or reduce the amount of the Facilities Fee, other than the possible deferral of payment to an alternative date as previously described in this paragraph.

**PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 9 RISK MANAGEMENT**

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool (Pool), which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

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

**NOTE 10 TAX, SPENDING, AND DEBT LIMITATIONS**

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer 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.

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

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

On May 3, 2016, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

## **SUPPLEMENTARY INFORMATION**

**PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2019**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 2	\$ 2	\$ -
Specific Ownership Tax	900	6	(894)
BURA Revenue	91	50	(41)
Use Tax	40,000	-	(40,000)
SEF Tax	30,000	-	(30,000)
Facilities Fees	50,000	-	(50,000)
Net Investment Income	20,000	10,849	(9,151)
Total Revenues	<u>140,993</u>	<u>10,907</u>	<u>(130,086)</u>
<b>EXPENDITURES</b>			
Current:			
County Treasurer's Fees	7	-	7
Debt Service:			
Bond Interest	<u>197,000</u>	<u>196,312</u>	<u>688</u>
Total Expenditures	<u>197,007</u>	<u>196,312</u>	<u>695</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(56,014)	(185,405)	(130,781)
Fund Balance - Beginning of Year	<u>540,921</u>	<u>599,566</u>	<u>58,645</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 484,907</u>	<u>\$ 414,161</u>	<u>\$ (126,760)</u>

**PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2  
CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2019**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Net Investment Income	\$ 30,000	\$ 43,254	\$ 13,254
Total Revenues	<u>30,000</u>	<u>43,254</u>	<u>13,254</u>
<b>EXPENDITURES</b>			
Current:			
Capital Outlay	2,450,000	1,153,333	1,296,667
Total Expenditures	<u>2,450,000</u>	<u>1,153,333</u>	<u>1,296,667</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(2,420,000)	(1,110,079)	(1,283,413)
Fund Balance - Beginning of Year	<u>2,426,747</u>	<u>2,884,735</u>	<u>457,988</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 6,747</u>	<u>\$ 1,774,656</u>	<u>\$ (652,091)</u>

## **OTHER INFORMATION**

**PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2  
 SCHEDULE 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
			Levied	Collected	
2017	\$ 7,596	60.000	\$ 456	\$ 458	100.44%
2018	6,464	66.332	429	428	99.77
2019	36	66.332	2	2	100.00
Estimated for the Year					
Ending December 31, 2020	\$ 11,893	66.780	\$ 793		

NOTE: Property taxes shown as collected in any one year include collection of delinquent property taxes or abatements of property taxes assessed in prior years. This presentation does not attempt to identify specific years of assessment.