

PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2021

**PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2
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Independent Auditors' Report

Board of Directors
Palisade Park North Metropolitan District No. 2
City and County of Broomfield, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund, of the Palisade Park North Metropolitan District No. 2 (the "District") as of and for the year ended December 31, 2021, 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 accompanying 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 No. 2 as of December 31, 2021, 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.

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 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 opinion.

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 GAAS 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 GAAS, 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

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements as a whole. The individual fund budgetary schedules and property tax information listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund budgetary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The budgetary schedules have 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary schedules are fairly stated in all material respects in relation to the financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises of the introductory and statistical sections but does not include the basic financial statements and our auditor's report there on. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of 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.

Simmons & Whelan P.C.

Englewood, CO
July 15, 2022

BASIC FINANCIAL STATEMENTS

PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2
STATEMENT OF NET POSITION
DECEMBER 31, 2021

	Governmental Activities
ASSETS	
Cash and Investments - Restricted	\$ 2,126,697
Accounts Receivable - County Treasurer	750
Prepaid Expenses	2,981
Property Taxes Receivable	4,710
Due From Other Districts	918,699
Capital Assets, Not Being Depreciated:	
Construction in Progress	7,822,481
Total Assets	10,876,318
LIABILITIES	
Accounts Payable	184,823
Due to County	21,589
Due to Other Districts	23,735
Escrow Payable	31,739
Accrued Bond Interest Payable	16,359
Noncurrent Liabilities:	
Due Within One Year	10,000
Due in More Than One Year	8,405,930
Total Liabilities	8,694,175
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	4,710
Total Deferred Inflows of Resources	4,710
NET POSITION	
Restricted For:	
Emergency Reserves	1,100
Debt Service	448,690
Capital Projects	1,463,465
Unrestricted	264,178
Total Net Position	\$ 2,177,433

See accompanying Notes to Basic Financial Statements.

PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

		Program Revenues			Net Revenues (Expenses) and Change in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
FUNCTIONS/PROGRAMS					
Primary Government:					
Governmental Activities:					
General Government	\$ 65,963	\$ -	\$ 33,013	\$ -	\$ (32,950)
Public Improvements	77,151	-	-	3,082,076	3,004,925
Interest and Related Costs on Long-Term Debt	629,567	-	254,501	35,000	(340,066)
Total Governmental Activities	\$ 772,681	\$ -	\$ 287,514	\$ 3,117,076	2,631,909
GENERAL REVENUES					
Property Taxes					3,262
Specific Ownership Taxes					2,587
Net Investment Income					737
Total General Revenues					6,586
CHANGE IN NET POSITION					2,638,495
Net Position - Beginning of Year					(461,062)
NET POSITION - END OF YEAR					\$ 2,177,433

See accompanying Notes to Basic Financial Statements.

**PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2
BALANCE SHEET – GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021**

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and Investments - Restricted	\$ -	\$ 781,430	\$ 1,345,267	\$ 2,126,697
Due from Other Funds	-	204	12,185	12,389
Accounts Receivable - County Treasurer	125	625	-	750
Prepaid Expenses	2,981	-	-	2,981
Due from Other Districts	-	-	918,699	918,699
Property Taxes Receivable	785	3,925	-	4,710
	<u>\$ 3,891</u>	<u>\$ 786,184</u>	<u>\$ 2,276,151</u>	<u>\$ 3,066,226</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 11,898	\$ -	\$ 172,925	\$ 184,823
Due to the County	-	21,589	-	21,589
Due to Other Funds	12,389	-	-	12,389
Due to Other Districts	-	-	23,735	23,735
Escrow Payable	-	-	31,739	31,739
Total Liabilities	<u>24,287</u>	<u>21,589</u>	<u>228,399</u>	<u>274,275</u>
DEFERRED INFLOWS OF RESOURCES				
Property Tax Revenue	785	3,925	-	4,710
Total Deferred Inflows of Resources	<u>785</u>	<u>3,925</u>	<u>-</u>	<u>4,710</u>
FUND BALANCES				
Nonspendable:				
Prepaid Expenses	2,981	-	-	2,981
Restricted For:				
Emergencies (TABOR)	1,100	-	-	1,100
Debt Service	-	760,670	-	760,670
Capital Projects	-	-	2,047,752	2,047,752
Unassigned:				
General Government	(25,262)	-	-	(25,262)
Total Fund Balances	<u>(21,181)</u>	<u>760,670</u>	<u>2,047,752</u>	<u>2,787,241</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,891</u>	<u>\$ 786,184</u>	<u>\$ 2,276,151</u>	
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				7,822,481
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				(3,837,943)
Developer Advance Interest Payable				(38,107)
Accrued Interest Payable - Bonds				(266,239)
Net Position of Governmental Activities				<u>\$ 2,177,433</u>

See accompanying Notes to Basic Financial Statements.

**PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES (DEFICITS) – GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021**

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
Property Taxes	\$ 544	\$ 2,718	\$ -	\$ 3,262
Specific Ownership Tax	431	2,156	-	2,587
BURA Revenue	33,013	165,076	-	198,089
Use Tax	-	77,280	-	77,280
SEF Tax	-	12,145	-	12,145
Facilities Fees	-	35,000	-	35,000
Net Investment Income	12	300	425	737
Intergovernmental Revenues	-	-	3,082,076	3,082,076
Total Revenues	<u>34,000</u>	<u>294,675</u>	<u>3,082,501</u>	<u>3,411,176</u>
EXPENDITURES				
Current:				
Accounting	35,259	-	1,126	36,385
Auditing	5,000	-	-	5,000
County Treasurer's Fees	8	42	-	50
Dues and Membership	314	-	-	314
Insurance	2,981	-	-	2,981
Legal Services	17,659	-	-	17,659
Banking Fees	357	28	63	448
Electrical	90	-	-	90
Engineering	-	-	3,078	3,078
Prior Year Use Tax Adjustment	-	46,663	-	46,663
Debt Service:				
Bond Interest 2018A	-	196,313	-	196,313
Bond Interest 2018B	-	11,431	-	11,431
Intergovernmental Expenditures	-	-	77,151	77,151
Capital Outlay	-	-	5,896,886	5,896,886
Total Expenditures	<u>61,668</u>	<u>254,477</u>	<u>5,978,304</u>	<u>6,294,449</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	(27,668)	40,198	(2,895,803)	(2,883,273)
OTHER FINANCING SOURCES (USES)				
Developer Advance	-	-	5,583,177	5,583,177
Repay Developer Advance	-	-	(1,873,460)	(1,873,460)
Repay Developer Advance Interest	-	-	(289,917)	(289,917)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>3,419,800</u>	<u>3,419,800</u>
NET CHANGE IN FUND BALANCES				
	(27,668)	40,198	523,997	536,527
Fund Balances - Beginning of Year	<u>6,487</u>	<u>720,472</u>	<u>1,523,755</u>	<u>2,250,714</u>
FUND BALANCES (DEFICITS) - END OF YEAR	<u>\$ (21,181)</u>	<u>\$ 760,670</u>	<u>\$ 2,047,752</u>	<u>\$ 2,787,241</u>

See accompanying Notes to Basic Financial Statements.

**PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES (DEFICITS) OF THE GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

Net Change in Fund Balances - Governmental Funds	\$ 536,527
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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	5,896,886
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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	(5,583,177)
Developer Advance Payment	1,873,460

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	(66,011)
Accrued Interest on Developer Advance - Change in Liability	(19,190)

Change in Net Position of Governmental Activities	<u>\$ 2,638,495</u>
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**PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (DEFICIT) –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2021**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 542	\$ 542	\$ 544	\$ 2
Specific Ownership Taxes	1,678	1,678	431	(1,247)
BURA Revenue	32,532	32,532	33,013	481
Net Investment Income	-	-	12	12
Total Revenues	<u>34,752</u>	<u>34,752</u>	<u>34,000</u>	<u>(752)</u>
EXPENDITURES				
Current:				
Accounting	25,000	30,000	35,259	(5,259)
Auditing	6,000	6,000	5,000	1,000
County Treasurer's Fees	8	8	8	-
Dues and Membership	350	350	314	36
Insurance	3,200	3,200	2,981	219
Legal Services	15,000	18,000	17,659	341
Banking Fees	100	100	357	(257)
Irrigation	2,000	2,000	-	2,000
Electrical	2,000	2,000	90	1,910
Miscellaneous Maintenance	1,000	1,000	-	1,000
Office Supplies	600	600	-	600
Contingency	3,342	3,342	-	3,342
Total Expenditures	<u>58,600</u>	<u>66,600</u>	<u>61,668</u>	<u>4,932</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(23,848)	(31,848)	(27,668)	4,180
OTHER FINANCING SOURCES (USES)				
Developer Advance	30,000	30,000	-	(30,000)
Total Other Financing Sources (Uses)	<u>30,000</u>	<u>30,000</u>	<u>-</u>	<u>(30,000)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	6,152	(1,848)	(27,668)	(25,820)
Fund Balance - Beginning of Year	<u>10,492</u>	<u>6,487</u>	<u>6,487</u>	<u>-</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ 16,644</u>	<u>\$ 4,639</u>	<u>\$ (21,181)</u>	<u>\$ (25,820)</u>

See accompanying Notes to Basic Financial Statements.

PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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 (Broomfield) approved by Broomfield on August 22, 2017 (Service Plan) authorizes 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 property taxes and facility fees. 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, 2021

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.

The District amended its annual budget for the year ended December 31, 2021.

PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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 2021.

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.

PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

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

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

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

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

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

The General Fund reported a deficit in the fund financial statements as of December 31, 2021. It is anticipated that the deficit will be eliminated with the receipt of funds advanced by the Developer in 2022.

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2021 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments - Restricted	\$ 2,126,697
Total Cash and Investments	\$ 2,126,697

Cash and investments as of December 31, 2021 consist of the following:

Deposits with Financial Institutions	\$ 319,432
Investments	1,807,265
Total Cash and Investments	\$ 2,126,697

PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2021, the District's cash deposits had a bank balance and a carrying balance of \$319,432.

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, 2021

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

As of December 31, 2021, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted-Average Under 60 Days	<u>\$ 1,807,265</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, 2021 follows:

	Balance - December 31, 2020	Increases	Decreases	Balance - December 31, 2021
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 1,925,595	\$ 5,896,886	\$ -	\$ 7,822,481
Total Capital Assets, Not Being Depreciated	<u>\$ 1,925,595</u>	<u>\$ 5,896,886</u>	<u>\$ -</u>	<u>\$ 7,822,481</u>

PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 LONG-TERM OBLIGATIONS

The following is an analysis of changes in long-term debt for the period ending December 31, 2021:

	Balance - December 31, 2020	Additions	Deletions	Balance - December 31, 2021	Due Within One Year
Governmental Activities:					
Bonds Payable					
Series 2018A G.O. Bonds	\$ 3,490,000	\$ -	\$ -	\$ 3,490,000	\$ 10,000
Series 2018B Subordinate G.O. Bonds	800,000	-	-	800,000	-
Accrued and Unpaid					
Interest Series 2018B Subordinate G.O. Bonds	183,869	66,011	-	249,880	-
Total Bonds Payable	<u>4,473,869</u>	<u>66,011</u>	<u>-</u>	<u>4,539,880</u>	<u>10,000</u>
Developer Advance:					
Developer Advances O&M	128,226	-	-	128,226	-
Developer Advances - Capital	-	5,583,177	1,873,460	3,709,717	-
Accrued Interest -					
Developer Advances O&M	18,917	10,246	-	29,163	-
Developer Advances Capital	-	298,861	289,917	8,944	-
Total Developer Advances	<u>147,143</u>	<u>5,892,284</u>	<u>2,163,377</u>	<u>3,876,050</u>	<u>-</u>
Total Long-Term Obligations	<u>\$ 4,621,012</u>	<u>\$ 5,958,295</u>	<u>\$ 2,163,377</u>	<u>\$ 8,415,930</u>	<u>\$ 10,000</u>

The detail of the District's long-term obligations as of December 31, 2021, 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.

PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

\$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 (Continued)

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 2018A 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.

Events of Default. The Senior Indenture provides that the occurrence of any one or more of the following events or the existence of any one or more of the following conditions are to constitute an Event of Default under the Senior Indenture (whatever the reason for such event or condition and whether it is to be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree, rule, regulation, or order of any court or any administrative or governmental body), and there is to be no default or Event of Default thereunder except as provided in the Senior Indenture:

- (a) Before the Unlimited Tax Receipt Date, the District fails or refuses to impose the Senior Required Mill Levy or to apply the Senior Pledged Revenue as required by the Senior Indenture;
- (b) On and after the Unlimited Tax Receipt Date, the District fails to pay the principal of, premium if any, or interest on the Series 2018A Senior Bonds when due;
- (c) The District defaults in the performance or observance of any of the covenants, agreements, or conditions on the part of the District in the Senior Indenture or the Bond Resolution, other than as described in paragraphs (a) or (b) above, and fails to remedy the same after notice thereof pursuant to the Senior Indenture; or
- (d) The District files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the Series 2018A Senior Bonds.

PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

\$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 (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.

Events of Default. The Subordinate Indenture provides that the occurrence of any one or more of the following events or the existence of any one or more of the following conditions are to constitute an Event of Default under the Subordinate Indenture (whatever the reason for such event or condition and whether it is to be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree, rule, regulation, or order of any court or any administrative or governmental body), and there is to be no default or Event of Default thereunder except as provided in the Subordinate Indenture:

- (a) The District fails or refuses to impose the Subordinate Required Mill Levy or to apply the Subordinate Pledged Revenue as required by the Subordinate Indenture;
- (b) The District defaults in the performance or observance of any of the covenants, agreements, or conditions on the part of the District in the Subordinate Indenture or the Bond Resolution, other than as described in the paragraph (a) above, and fails to remedy the same after notice thereof pursuant to the Subordinate Indenture; or
- (c) The District files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the Series 2018B Subordinate Bonds.

The District has no unused lines of credit as of December 31, 2021.

PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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>
2022	\$ 10,000	\$ 196,313	\$ 206,313
2023	35,000	195,750	230,750
2024	45,000	193,781	238,781
2025	45,000	191,250	236,250
2026	55,000	188,719	243,719
2027-2031	350,000	892,407	1,242,407
2032-2036	530,000	775,125	1,305,125
2037-2041	770,000	600,188	1,370,188
2042-2046	1,090,000	349,876	1,439,876
2047	560,000	31,500	591,500
Total	<u>\$ 3,490,000</u>	<u>\$ 3,614,909</u>	<u>\$ 7,104,909</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.

	Amount Authorized on May 3, 2016	Authorization Used by Series 2018A Bonds	Authorization Used by Series 2018B Bonds	Authorized But Unissued as of December 31, 2021
Street	\$ 73,000,000	\$ 1,331,707	\$ 248,000	\$ 71,420,293
Parks and Recreation	73,000,000	1,210,378	552,000	71,237,622
Water	73,000,000	236,893	-	72,763,107
Sanitation/Storm Sewer	73,000,000	645,013	-	72,354,987
Public Transportation	73,000,000	-	-	73,000,000
Mosquito Control	73,000,000	-	-	73,000,000
Traffic Safety	73,000,000	66,009	-	72,933,991
Fire Protection	73,000,000	-	-	73,000,000
Television Relay and Translation	73,000,000	-	-	73,000,000
Security Services	73,000,000	-	-	73,000,000
Refunding	73,000,000	-	-	73,000,000
Operations and Maintenance	73,000,000	-	-	73,000,000
Intergovernmental Agreements	73,000,000	-	-	73,000,000
Total	<u>\$ 949,000,000</u>	<u>\$ 3,490,000</u>	<u>\$ 800,000</u>	<u>\$ 944,710,000</u>

Debt Authorization

As of December 31, 2021, 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 2021. 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.

PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 6 NET POSITION

The District has net position consisting of two components – 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, 2021, as follows:

Restricted Net Position:	
Emergencies	\$ 1,100
Debt Service	448,690
Capital Projects	<u>1,463,465</u>
Total Restricted Net Position	<u>\$ 1,913,255</u>

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, and that certain Second Amendment dated October 28, 2021, (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 2022 up to an aggregate amount of \$175,000. 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, 2023. The District's obligation to repay advances expires on December 31, 2052. The total outstanding balance as of December 31, 2021 is \$128,226 principal and \$29,163 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. The total outstanding balance as of December 31, 2021 is \$3,709,717 principal and \$8,944 interest.

PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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 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 of \$18,380,000.

Cooperation Agreement

On October 23, 2007, District No. 1 and the Broomfield Urban Renewal Authority (BURA) entered into a Cooperation Agreement (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.

PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 8 AGREEMENTS (CONTINUED)

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.

Supplemental Agreement to the Subdivision Improvement Agreements for Palisade Park

On April 28, 2020, the District, the City and County of Broomfield (Broomfield), Kevamra, LLC, Palisade Park North Metropolitan District Nos. 1 and 3, Palisade Metropolitan District Nos. 1 and 2, and Palisade Park West Metropolitan District (collectively, the District, Palisade Park North Metropolitan District Nos. 1 and 3, Palisade Metropolitan District Nos. 1 and 2, and Palisade Park West Metropolitan District are referred to as the Palisade Districts and individually, each a Palisade District) entered into the Supplemental Agreement to the City and County of Broomfield Subdivision Improvement Agreements for Palisade Park (Supplemental Agreement). The purpose of the Supplemental Agreement is to provide an alternative to the requirement that Kevamra, LLC provide an irrevocable letter of credit or other performance guaranty (Surety) designating Broomfield as the beneficiary in an amount equal to the total costs of the public improvements governed by the respective Subdivision Improvement Agreements between Broomfield and Kevamra, LLC. In lieu of the Surety, the Supplemental Agreement provides that the respective Palisade District and Kevamra, LLC will provide Broomfield with a Project Application (as defined in the Supplemental Agreement) which includes the anticipated costs associated with the construction of the contemplated public improvements (Project Costs). The respective Palisade District must provide evidence of funds sufficient to pay the entirety of the Project Costs identified in the Project Application. The Supplemental Agreement further provides the process for the release of such funds for the payment of the Project Costs.

Park Cost Sharing Intergovernmental Agreement

The Palisade Districts entered into the Park Cost Sharing Intergovernmental Agreement (Park Cost Sharing IGA) effective May 7, 2020. The Park Cost Sharing IGA: (i) identifies and approves the allocation of the costs incurred relative to certain regional park, open space, and recreation improvements of a regional nature (referred to therein as the Park Improvements); (ii) evidences the agreement of the Palisade Metropolitan District No. 2 to finance and cause the construction of the Park Improvements; and (iii) evidences the agreement of the remaining Palisade Districts, including the District, to reimburse Palisade Metropolitan District No. 2 for such costs in accordance with an agreed-upon cost-sharing allocation. At the end of 2021 the amount due from the District to Palisade Metropolitan District No. 2 was \$23,735.

PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 8 AGREEMENTS (CONTINUED)

Cost Sharing and Reimbursement Agreement

On December 20, 2021, the District, Palisade Park North Metropolitan District Nos. 1 and 3, and Palisade Park West Metropolitan District (collectively, referred to herein as the Districts) entered into a Cost Sharing and Reimbursement Agreement (Cost Sharing Agreement) effective in 2020. The Cost Sharing Agreement: (i) identifies and approves the Development Area Improvements (as defined in the Cost Sharing Agreement, and generally meaning those certain public improvements of a regional nature that benefit all of the Districts as constructed or to be constructed by one or more of the Districts); (ii) approves the allocation of the costs of the Development Area Improvements between the Districts based on the benefit to each District as determined therein; (iii) acknowledges and sets forth the terms by which the Development Area Improvements have been or will be constructed, financed and/or acquired; and (iv) evidences the agreement of the Districts to reconcile, finance and, where appropriate, provide reimbursement for the costs associated with Development Area Shared Improvements in accordance with the terms of the Cost Sharing Agreement. At the end of 2021 the amount due from Palisade Park North Metropolitan District No. 3 was \$918,699.

NOTE 9 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

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

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

NOTE 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.

PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 10 TAX, SPENDING, AND DEBT LIMITATIONS (CONTINUED)

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.

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

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

SUPPLEMENTARY INFORMATION

**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, 2021**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 2,712	\$ 2,712	\$ 2,718	\$ 6
Specific Ownership Tax	8,393	8,393	2,156	(6,237)
BURA Revenue	162,670	162,670	165,076	2,406
Use Tax	85,329	85,329	77,280	(8,049)
SEF Tax	15,000	15,000	12,145	(2,855)
Facilities Fees	30,000	30,000	35,000	5,000
Net Investment Income	1,833	1,833	300	(1,533)
Total Revenues	<u>305,937</u>	<u>305,937</u>	<u>294,675</u>	<u>(11,262)</u>
EXPENDITURES				
Current:				
County Treasurer's Fee	41	41	42	(1)
Banking Fees	700	700	28	672
Prior Year Use Tax Adjustment	-	46,700	46,663	37
Debt Service:				
Bond Interest - 2018A	196,313	196,313	196,313	-
Bond Interest - 2018B	84,514	84,514	11,431	73,083
Paying Agent Fees	6,000	6,000	-	6,000
Contingency	2,432	2,432	-	2,432
Total Expenditures	<u>290,000</u>	<u>336,700</u>	<u>254,477</u>	<u>82,223</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	15,937	(30,763)	40,198	70,961
OTHER FINANCING SOURCES (USES)				
Transfers to Other Fund	-	(210)	-	210
Total Other Financing Sources (Uses)	<u>-</u>	<u>(210)</u>	<u>-</u>	<u>210</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	15,937	(30,973)	40,198	71,171
Fund Balance - Beginning of Year	<u>725,900</u>	<u>720,472</u>	<u>720,472</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 741,837</u>	<u>\$ 689,499</u>	<u>\$ 760,670</u>	<u>\$ 71,171</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, 2021

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenues	\$ -	\$ 2,163,400	\$ 3,082,076	\$ 918,676
Net Investment Income	1,791	1,791	425	(1,366)
Total Revenues	<u>1,791</u>	<u>2,165,191</u>	<u>3,082,501</u>	<u>917,310</u>
EXPENDITURES				
Current:				
Accounting	-	-	1,126	(1,126)
Contingency	1,300	-	-	-
Banking Fees	1,700	1,700	63	1,637
Engineering	-	-	3,078	(3,078)
Intergovernmental Expenditures	-	77,155	77,151	4
Capital outlay	1,431,472	5,907,000	5,896,886	10,114
Total Expenditures	<u>1,434,472</u>	<u>5,985,855</u>	<u>5,978,304</u>	<u>7,551</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,432,681)	(3,820,664)	(2,895,803)	924,861
OTHER FINANCING SOURCES (USES)				
Developer Advance	-	5,585,000	5,583,177	(1,823)
Repay Developer Advance	-	(1,873,460)	(1,873,460)	-
Repay Developer Advance Interest	-	(289,940)	(289,917)	23
Total Other Financing Sources (Uses)	<u>-</u>	<u>3,421,600</u>	<u>3,419,800</u>	<u>(1,800)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(1,432,681)	(399,064)	523,997	923,061
Fund Balance - Beginning of Year	<u>1,432,681</u>	<u>1,523,755</u>	<u>1,523,755</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 1,124,691</u>	<u>\$ 2,047,752</u>	<u>\$ 923,061</u>

OTHER INFORMATION

PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2021

\$3,490,000 General Obligation Bonds
Dated April 11, 2018
Interest Rate 5.625%
Principal Due December 1
Interest Payable December 1

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 10,000	\$ 196,313	\$ 206,313
2023	35,000	195,750	230,750
2024	45,000	193,781	238,781
2025	45,000	191,250	236,250
2026	55,000	188,719	243,719
2027	55,000	185,625	240,625
2028	65,000	182,531	247,531
2029	70,000	178,875	248,875
2030	80,000	174,938	254,938
2031	80,000	170,438	250,438
2032	90,000	165,938	255,938
2033	95,000	160,875	255,875
2034	105,000	155,531	260,531
2035	115,000	149,625	264,625
2036	125,000	143,156	268,156
2037	130,000	136,125	266,125
2038	145,000	128,813	273,813
2039	155,000	120,656	275,656
2040	165,000	111,938	276,938
2041	175,000	102,656	277,656
2042	190,000	92,813	282,813
2043	200,000	82,125	282,125
2044	220,000	70,875	290,875
2045	230,000	58,500	288,500
2046	250,000	45,563	295,563
2047	560,000	31,500	591,500
Total	<u>\$ 3,490,000</u>	<u>\$ 3,614,909</u>	<u>\$ 7,104,909</u>

PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2021

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%
2020	11,893	66.780	793	792	99.87%
2021	48,723	66.796	3,254	3,262	100.25%
Estimated for the Year Ending December 31, 2022	\$ 70,520	66.796	\$ 4,710		

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.