

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

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2023**

**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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the 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 the District as of December 31, 2023, 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 the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Responsibilities of Management for the Financial Statements**

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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.

## **Required Supplementary Information**

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 opinions on the basic financial statements are not affected by this missing information.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplementary information listed in the accompanying 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 financial statements. The supplementary 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 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 supplementary information is 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 listed in the table of contents does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or 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 & Wheeler P.C.*

Englewood, CO  
August 23, 2024

## **BASIC FINANCIAL STATEMENTS**

**PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2023**

	Governmental Activities
<b>ASSETS</b>	
Cash and Investments	\$ 5,442
Cash and Investments - Restricted	741,336
Prepaid Insurance	4,515
Receivable from County Treasurer	9,167
Due from PPN3	1,601,884
Receivable from BURA	62,331
Property Tax Receivable	5,181
Capital Assets:	
Capital Assets Not Being Depreciated	8,758,815
Total Assets	11,188,671
<b>LIABILITIES</b>	
Accounts Payable	3,763
Due to PPN3	6,477
Due to PMD2	171,220
Accrued Interest	16,148
Noncurrent Liabilities:	
Due Within One Year	45,000
Due in More Than One Year	8,908,140
Total Liabilities	9,150,748
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property Tax Revenue	5,181
<b>NET POSITION</b>	
Restricted for:	
Emergency Reserve	2,000
Debt Service	709,425
Capital Projects	1,503,115
Unrestricted	(181,798)
Total Net Position	\$ 2,032,742

See accompanying Notes to Basic Financial Statements.

(1)

DRAFT. NO ASSURANCE IS PROVIDED ON THESE FINANCIAL STATEMENTS.

**PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2023**

FUNCTIONS/PROGRAMS	Program Revenues			Net Revenues (Expenses) and Changes in Net Position
Primary Government:	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:	Expenses			
General Government	\$ 92,278	\$ 58,566	\$ -	\$ (33,712)
Public Works	174,982	-	-	(174,982)
Interest on Long-Term Debt and Related Costs	585,603	288,284	-	(297,319)
Total Governmental Activities	\$ 852,863	\$ 346,850	\$ -	(506,013)
<b>GENERAL REVENUES</b>				
Property Taxes				4,660
Specific Ownership Taxes				17,388
Interest Income				40,205
Other Revenue				31,739
Total General Revenues and Transfers				93,992
<b>CHANGES IN NET POSITION</b>				
Net Position - Beginning of Year				(412,021)
<b>NET POSITION - END OF YEAR</b>				2,444,763
				\$ 2,032,742

See accompanying Notes to Basic Financial Statements.

(2)  
DRAFT. NO ASSURANCE IS PROVIDED ON THESE FINANCIAL STATEMENTS.

**PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2023**

	General	Debt Service	Capital Projects	Total Governmental Funds
<b>ASSETS</b>				
Cash and Investments	\$ 5,442	\$ -	\$ -	\$ 5,442
Cash and Investments - Restricted	2,000	666,885	72,451	741,336
Receivable from County Treasurer	1,574	7,593	-	9,167
Due from PPN3	-	-	1,601,884	1,601,884
Receivable from BURA	11,236	51,095	-	62,331
Prepaid Insurance	4,515	-	-	4,515
Property Tax Receivable	863	4,318	-	5,181
	<u>\$ 25,630</u>	<u>\$ 729,891</u>	<u>\$ 1,674,335</u>	<u>\$ 2,429,856</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 3,763	\$ -	\$ -	\$ 3,763
Due to PPN3	6,477	-	-	6,477
Due to PMD2	-	-	171,220	171,220
Total Liabilities	<u>10,240</u>	<u>-</u>	<u>171,220</u>	<u>181,460</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Property Tax	863	4,318	-	5,181
<b>FUND BALANCES</b>				
Nonspendable:				
Prepaid Expense	4,515	-	-	4,515
Restricted for:				
Emergency Reserves	2,000	-	-	2,000
Debt Service	-	725,573	-	725,573
Capital Projects	-	-	1,503,115	1,503,115
Unassigned	8,012	-	-	8,012
Total Fund Balances	<u>14,527</u>	<u>725,573</u>	<u>1,503,115</u>	<u>2,243,215</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 25,630</u>	<u>\$ 729,891</u>	<u>\$ 1,674,335</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.	8,758,815
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Accrued Bond Interest 2018A	(16,148)
Accrued Bond Interest 2018B	(118,200)
Bond Payable-Series 2018A	(3,445,000)
Bond Payable-Series 2018B	(800,000)
Developer Advance Payable	<u>(4,589,940)</u>
Net Position of Governmental Activities	<u>\$ 2,032,742</u>

See accompanying Notes to Basic Financial Statements.

(3)

DRAFT. NO ASSURANCE IS PROVIDED ON THESE 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, 2023**

	General	Debt Service	Capital Projects	Total Governmental Funds
<b>REVENUES</b>				
Property Taxes	\$ 844	\$ 3,816	\$ -	\$ 4,660
Specific Ownership Taxes	2,935	14,453	-	17,388
Use Tax	-	23,360	-	23,360
Interest Income	2,656	34,161	3,388	40,205
Other Revenue	-	-	31,739	31,739
BURA	58,566	264,924	-	323,490
Total Revenues	<u>65,001</u>	<u>340,714</u>	<u>35,127</u>	<u>440,842</u>
<b>EXPENDITURES</b>				
Current:				
Accounting	25,726	-	-	25,726
Auditing	5,200	-	-	5,200
Banking Fees	118	15	-	133
County Treasurer's Fee	15	65	-	80
Dues And Membership	325	-	-	325
Election	1,985	-	-	1,985
Engineering	210	-	231	441
Insurance	3,021	-	-	3,021
Legal	22,185	326	-	22,511
Miscellaneous	96	-	-	96
Water	678	-	-	678
Intergovernmental Expenditures - PPN3	6,477	-	25,670	32,147
Debt Service:				
Bond Interest - 2018A	-	195,750	-	195,750
Bond Interest - 2018B	-	42,242	-	42,242
Bond Principal - 2018A	-	35,000	-	35,000
Paying Agent Fees	-	6,000	-	6,000
Capital Projects:				
Intergovernmental Expenditures - PPW	-	-	174,982	174,982
Total Expenditures	<u>66,036</u>	<u>279,398</u>	<u>200,883</u>	<u>546,317</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(1,035)	61,316	(165,756)	(105,475)
<b>OTHER FINANCING SOURCES (USES)</b>				
Developer Advance	<u>27,000</u>	<u>-</u>	<u>-</u>	<u>27,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	25,965	61,316	(165,756)	(78,475)
Fund Balances - Beginning of Year	<u>(11,438)</u>	<u>664,257</u>	<u>1,668,871</u>	<u>2,321,690</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 14,527</u>	<u>\$ 725,573</u>	<u>\$ 1,503,115</u>	<u>\$ 2,243,215</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, 2023**

Net Change in Fund Balances - Total Governmental Funds	\$ (78,475)
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Amounts reported for governmental activities in the statement of activities are different because:

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net position.

Bond Principal	35,000
Developer Advance	(27,000)

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 Payable - Change in Liability	(27,578)
Accrued Interest Payable Developer Advance - Change in Liability	<u>(313,968)</u>

Changes in Net Position of Governmental Activities	<u>\$ (412,021)</u>
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See accompanying Notes to Basic Financial Statements.

**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, 2023**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 844	\$ 844	\$ -
Specific Ownership Taxes	2,975	2,935	(40)
Interest Income	-	2,656	2,656
BURA	57,772	58,566	794
Total Revenues	61,591	65,001	3,410
<b>EXPENDITURES</b>			
Accounting	42,000	25,726	16,274
Auditing	6,000	5,200	800
Banking Fees	400	118	282
Contingency	752	-	752
County Treasurer's Fee	18	15	3
Engineering	-	210	(210)
Dues And Membership	330	325	5
Election	3,000	1,985	1,015
Insurance	3,000	3,021	(21)
Legal	19,500	22,185	(2,685)
Miscellaneous	-	96	(96)
Water	-	678	(678)
Office Supplies	200	-	200
Intergovernmental Expenditures - PPN3	14,800	6,477	8,323
Total Expenditures	90,000	66,036	23,964
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(28,409)	(1,035)	27,374
<b>OTHER FINANCING SOURCES (USES)</b>			
Developer Advance	28,409	27,000	(1,409)
<b>NET CHANGE IN FUND BALANCE</b>	-	25,965	25,965
Fund Balance - Beginning of Year	-	(11,438)	(11,438)
<b>FUND BALANCE - END OF YEAR</b>	\$ -	\$ 14,527	\$ 14,527

See accompanying Notes to Basic Financial Statements.

**PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**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 (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) 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. 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, 2023**

**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, 2023.

**PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**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 capital assets, as applicable.

**PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**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 2023.

**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.

**PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

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

**Equity (Continued)**

Fund Balance

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

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

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

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

*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.

**PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 3 CASH AND INVESTMENTS**

Cash and investments as of December 31, 2023 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 5,442
Cash and Investments - Restricted	741,336
Total Cash and Investments	<u>\$ 746,778</u>

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

Deposits with Financial Institutions	\$ 19,563
Investments	727,215
Total Cash and Investments	<u>\$ 746,778</u>

**Deposits with Financial Institutions**

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

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

At December 31, 2023, the District's cash deposits had a bank balance and a carrying balance of \$19,563.

**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.

**PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

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

**Investments (Continued)**

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

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

As of December 31, 2023, the District had the following investments:

Investment	Maturity	Amount
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted-Average Under 60 Days	\$ 727,215

**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 currently offers two portfolios – CSAFE CASH FUND and CSAFE CORE.

CSAFE CASH FUND operations 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, any security allowed under Section 24-75-601.1, C.R.S.

CSAFE CORE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$2.00 transactional share price. CSAFE CORE may invest in securities authorized by Section 24-75-601.1, C.R.S., including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, and highest rated commercial paper.

**PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

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

**CSAFE (Continued)**

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 CASH FUND is rated AAmmf and CSAFE CORE is rated AAAf/S1 by Fitch Ratings. CSAFE records its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. 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, 2023, follows:

	Balance at December 31, 2022	Increases	Decreases	Balance at December 31, 2023
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 8,758,815	\$ -	\$ -	\$ 8,758,815
Total Capital Assets, Not Being Depreciated	<u>\$ 8,758,815</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,758,815</u>

**NOTE 5 LONG-TERM OBLIGATIONS**

The following is an analysis of changes in long-term debt for the period ended December 31, 2023:

	Balance at December 31, 2022	Additions	Reductions	Balance at December 31, 2023	Due Within One Year
<b>Bonds Payable:</b>					
General Obligation Bonds Series 2018A	\$ 3,480,000	\$ -	\$ 35,000	\$ 3,445,000	\$ 45,000
Subordinate Limited Tax Supported Revenue Bonds Series 2018B	800,000	-	-	800,000	-
Accrued Interest Series 2018B	90,457	69,985	42,242	118,200	-
Subtotal Bonds Payable	<u>4,370,457</u>	<u>69,985</u>	<u>77,242</u>	<u>4,363,200</u>	<u>45,000</u>
<b>Other Debts:</b>					
Developer Advance - Operating	193,226	27,000	-	220,226	-
Developer Advance - Capital	3,709,717	-	-	3,709,717	-
Accrued Interest on:					
Developer Advance - Operating	40,308	17,191	-	57,499	-
Developer Advance - Capital	305,721	296,777	-	602,498	-
Subtotal Other Debts	<u>4,248,972</u>	<u>340,968</u>	<u>-</u>	<u>4,589,940</u>	<u>-</u>
Total Long-Term Obligations	<u>\$ 8,619,429</u>	<u>\$ 410,953</u>	<u>\$ 77,242</u>	<u>\$ 8,953,140</u>	<u>\$ 45,000</u>

**PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

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

The detail of the District's long-term obligations as of December 31, 2023, 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 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.

**PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**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)**

***Events of Default.*** The Series 2018A 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 Series 2018A 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 Series 2018A 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 Series 2018A 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 Series 2018A 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 Series 2018A 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.

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.

**PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**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)**

***Events of Default.*** The Series 2018B 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 Series 2018B 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 Series 2018B 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 Series 2018B 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 Series 2018B 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 Series 2018B 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, 2023.

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>
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
2029-2033	415,000	851,064	1,266,064
2034-2038	620,000	713,250	1,333,250
2039-2043	885,000	510,188	1,395,188
2044-2047	1,260,000	206,438	1,466,438
Total	<u>\$ 3,445,000</u>	<u>\$ 3,222,846</u>	<u>\$ 6,667,846</u>

**PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**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)**

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, 2023
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, 2023, the District had \$725,710,000 of voted but unissued debt for providing public improvements remaining. The District anticipates issuing additional debt during 2024. 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, 2023**

**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, 2023, as follows:

	Governmental Activities
Restricted Net Position:	
Emergencies	\$ 2,000
Debt Service Reserve	709,425
Capital Projects Reserve	1,503,116
Total Restricted Net Position	\$ 2,214,541

**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, that certain Second Amendment dated October 28, 2021, that certain Third Amendment dated December 1, 2022, and that certain Fourth Amendment dated November 30, 2023 (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 2023 up to an aggregate amount of \$230,000. 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, 2024. The District’s obligation to repay advances expires on December 31, 2053. The total outstanding balance as of December 31, 2023 is \$220,226 in principal and \$57,499 in interest.

**PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 7 RELATED PARTY (CONTINUED)**

**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, as amended by the First Amendment to Facilities Funding and Acquisition Agreement, dated June 29, 2023, with an effective date of September 13, 2016 (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 construction of public improvements. The District agreed to repay these advances, as well as organizational expenses incurred by Kevamra, together with accrued interest at the rate of 8% per annum. The FFAA further provides that Kevamra may construct public improvements for subsequent acquisition and/or reimbursement by the District, subject to the conditions set forth in the FFAA, along with interest at 8% per annum. The District agreed to reimburse Kevamra, and/or to make direct payment to vendors on behalf of Kevamra, for the Verified Costs (as defined in the FFAA). 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, 2023 is \$3,709,717 in principal and \$602,498 in interest.

**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.

**PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 8 AGREEMENTS (CONTINUED)**

**Reimbursement Agreement (Continued)**

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 (as defined in the Reimbursement Agreement).

**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.

**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**  
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**NOTE 8 AGREEMENTS (CONTINUED)**

**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.

**Amended and Restated Park Cost Sharing Intergovernmental Agreement**

On September 14, 2023, the Palisade Districts entered into an Amended and Restated Park Cost Sharing Intergovernmental Agreement, effective May 7, 2020, which amended and restated the Park Cost Sharing IGA in its entirety (Restated Park Cost Sharing IGA). The Restated 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 as defined therein as the Spano Park Improvements and those subsequent regional park, open space and recreational improvements of a regional nature defined therein as the Urban Park Improvements; (ii) evidences the agreement of Palisade Metropolitan District No. 2 to finance and cause the construction of the Spano Park Improvements and Urban 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. Pursuant to the Restated Park Cost Sharing IGA, to the extent Palisade Metropolitan District No. 2 does not have sufficient funds and has not received sufficient funds from the other Palisade Districts for construction of the Urban Park Improvements, Palisade Metropolitan District No. 2 shall request funds from District No. 3 in accordance with the Restated Park Cost Sharing IGA. District No. 3 agrees to advance such funds to Palisade Metropolitan District No. 2 to the extent it has funds available, and any such advance will be reconciled between the Palisade Districts in accordance with the Restated Park Cost Sharing IGA. As of December 31, 2023, the amount due to Palisade Metropolitan District No. 2 pursuant to the Restated Park Cost Sharing IGA was \$171,220.

**PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**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 2023, the amount due from Palisade Park North Metropolitan District No. 3 was \$1,601,884.

**Intergovernmental Agreement for Operations Cost Sharing**

On March 31, 2022, the Districts entered into the Intergovernmental Agreement for Operations Cost Sharing (Operations Cost Sharing Agreement). The Operations Cost Sharing Agreement: (i) identifies the District Maintained Improvements (as defined in the Operations Cost Sharing Agreement, and generally meaning those certain public improvements owned and operated, currently or in the future, by one of the Districts and providing benefit to all of the Districts); (ii) identifies the Operations Services (as defined in the Operations Cost Sharing Agreement, and generally meaning the services needed to ensure adequate and appropriate maintenance of the District Maintained Improvements); (iii) evidences the agreement of District No. 3 to provide the Operations Services relative to the District Maintained Improvements in accordance with the Operations Cost Sharing Agreement; (iv) identifies and approves the method of allocation of the costs for the Operations Services between the Districts; and (v) evidences the agreement of the District, District No. 1, and Palisade Park West Metropolitan District to reimburse District No. 3 for the costs of the Operations Services in accordance with the agreed upon allocation.

**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.

**PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 9 RISK MANAGEMENT (CONTINUED)**

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.

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.

**NOTE 11 SUBSEQUENT EVENT**

On August 27, 2024, the District issued its \$4,955,000 General Obligation (Limited Tax Convertible to Unlimited Tax) Improvement and Refunding Bonds, Series 2024 (Series 2024 Bond) for the purpose of: (i) refunding the Series 2018A Bonds and Series 2018B Bonds (discussed under Note 5); (ii) reimbursing a portion of the costs of certain public infrastructure; (iii) purchasing a reserve policy to fund the reserve fund of the Series 2024 Bonds; (iv) purchasing a municipal bond insurance policy to secure debt service payments on the Series 2024 Bonds; and (v) paying the costs of issuing the Series 2024 Bonds. The Series 2024 Bonds are term bonds bear interest at a rate ranging from 4.000% to 5.250% with a final maturity of December 1, 2054.

## **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, 2023**

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property Taxes	\$ 3,818	\$ 3,818	\$ 3,816	\$ (2)
Specific Ownership Taxes	14,652	14,652	14,453	(199)
Interest Income	5,000	30,000	34,161	4,161
Use Tax	-	-	23,360	23,360
BURA	261,337	261,337	264,924	3,587
Total Revenues	<u>284,807</u>	<u>309,807</u>	<u>340,714</u>	<u>30,907</u>
<b>EXPENDITURES</b>				
Banking Fees	300	32	15	17
County Treasurer's Fee	90	90	65	25
Legal	-	-	326	(326)
Paying Agent Fees	6,000	6,000	6,000	-
Bond Interest - 2018A	195,750	195,750	195,750	-
Bond Interest - 2018B	46,807	46,807	42,242	4,565
Bond Principal - 2018A	35,000	35,000	35,000	-
Miscellaneous	-	31,739	-	31,739
Contingency	860	4,582	-	4,582
Total Expenditures	<u>284,807</u>	<u>320,000</u>	<u>279,398</u>	<u>40,602</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	(10,193)	61,316	71,509
Fund Balance - Beginning of Year	<u>644,563</u>	<u>588,158</u>	<u>664,257</u>	<u>76,099</u>
<b>FUND BALANCE - END OF YEAR</b>	<u><u>\$ 644,563</u></u>	<u><u>\$ 577,965</u></u>	<u><u>\$ 725,573</u></u>	<u><u>\$ 147,608</u></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, 2023**

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Other Revenue	\$ -	\$ -	\$ 31,739	\$ 31,739
Interest Income	-	3,400	3,388	(12)
Total Revenues	-	3,400	35,127	31,727
<b>EXPENDITURES</b>				
Engineering	10,000	500	231	269
Capital Outlay	920,187	64,245	-	64,245
Intergovernmental Expenditures - PPW	-	174,982	174,982	-
Intergovernmental Expenditures - PPN3	-	1,200,729	25,670	1,175,059
Contingency	-	9,544	-	9,544
Total Expenditures	930,187	1,450,000	200,883	1,249,117
<b>NET CHANGE IN FUND BALANCE</b>	(930,187)	(1,446,600)	(165,756)	1,280,844
Fund Balance - Beginning of Year	930,187	1,668,871	1,668,871	-
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ 222,271</u>	<u>\$ 1,503,115</u>	<u>\$ 1,280,844</u>

## **OTHER INFORMATION**

**PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2  
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY  
DECEMBER 31, 2023**

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

Bonds and Interest Maturing in the Year Ending December 31,	Principal	Interest	Total
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
<b>Total</b>	<b>\$ 3,445,000</b>	<b>\$ 3,222,846</b>	<b>\$ 6,667,846</b>

**PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 2  
 SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED  
 DECEMBER 31, 2023**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Tax Levy	Mills Levied	Total Property Taxes		Percent Collected to Levied
			Levied	Collected	
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
2022	70,520	66.796	4,710	4,687	99.51
2023	67,240	69.343	4,662	4,660	99.96
Estimated for the Year Ending December 31, 2024	\$ 73,194	70.785	\$ 5,181		

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.