

**PRAIRIESTAR METROPOLITAN
DISTRICT NO. 2**

Financial Statements

December 31, 2023

PRAIRIESTAR METROPOLITAN DISTRICT NO. 2

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Dazzio & Associates, PC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
PrairieStar Metropolitan District No. 2
Larimer County, Colorado

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund, of the District, as of December 31, 2023, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of 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 opinions on the financial statements that collectively comprise the District's basic financial statements. The Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The Other Information, as 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.

Duggio & Associates, P.C.

September 24, 2024

BASIC FINANCIAL STATEMENTS

PRAIRIESTAR METROPOLITAN DISTRICT NO. 2

STATEMENT OF NET POSITION

December 31, 2023

	Governmental Activities
Assets	
Cash and Investments - Unrestricted	\$ 20,802
Cash and Investments - Restricted	439,543
Receivable from County Treasurer	4,146
Accounts Receivable	300
Property Taxes Receivable	1,182,424
Capital Assets, Net	1,314,827
Total Assets	2,962,042
Liabilities	
Accounts Payable	51,933
Accrued Interest Payable	210,988
Noncurrent Liabilities:	
Due Within One Year	190,000
Due In More Than One Year	23,069,378
Total Liabilities	23,522,299
Deferred Inflows of Resources	
Unavailable Revenue - Property Taxes	1,182,424
Net Position	
Investment In Capital Assets	1,314,827
Restricted	
Emergencies	6,700
Unrestricted	(23,064,208)
Total Net Position	\$ (21,742,681)

The notes to the financial statements are an integral part of this statement.

PRAIRIESTAR METROPOLITAN DISTRICT NO. 2

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2023

Function/Program Activities	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental Activities			Capital Grants and Contributions	Governmental Activities
Administration	\$ 282,287	\$ 2,600	\$ 9,040	\$ (270,647)
Interest and Related Costs on Long-term Debt	541,647	-	-	(541,647)
Total Governmental Activities	\$ 823,934	\$ 2,600	\$ 9,040	(812,294)
General Revenues:				
				880,166
				63,424
				36,161
				979,751
				167,457
				(21,910,138)
				\$ (21,742,681)

The notes to the financial statements are an integral part of this statement.

PRAIRIESTAR METROPOLITAN DISTRICT NO. 2

**BALANCE SHEET
GOVERNMENTAL FUNDS**

December 31, 2023

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>
Assets			
Cash and Investments - Unrestricted	\$ 20,802	\$ -	\$ 20,802
Cash and Investments - Restricted	-	439,543	439,543
Receivable from County Treasurer	921	3,225	4,146
Accounts Receivable	300	-	300
Property Taxes Receivable	284,271	898,153	1,182,424
Total Assets	<u>\$ 306,294</u>	<u>\$ 1,340,921</u>	<u>\$ 1,647,215</u>
Liabilities			
Accounts Payable	\$ 51,933	\$ -	\$ 51,933
Deferred Inflows of Resources			
Property Taxes	284,271	898,153	1,182,424
Fund Balances (Deficits)			
Emergencies	6,700	-	6,700
Debt Service	-	442,768	442,768
Unassigned	(36,610)	-	(36,610)
Total Fund Balances (Deficits)	<u>(29,910)</u>	<u>442,768</u>	<u>412,858</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ 306,294</u>	<u>\$ 1,340,921</u>	<u>\$ 1,647,215</u>

The notes to the financial statements are an integral part of this statement.

PRAIRIESTAR METROPOLITAN DISTRICT NO. 2

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

December 31, 2023

Total Fund Balances - Governmental Funds \$ 412,858

Total net position reported for governmental activities in the statement of
of net position is different because:

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds. Those
assets consist of:

Capital Assets, Net 1,314,827

Long-term liabilities applicable to the District's
governmental activities are not due and
payable in the current period and accordingly
are not reported as fund liabilities. All
liabilities, both current and long-term, are
reported in the statement of net position.

Balances at year-end are:

Bonds Payable	\$ (21,570,000)	
Bond Premium	(1,689,378)	
Accrued Interest on Bonds	(210,988)	<u>(23,470,366)</u>

Net Position - Governmental Activities \$ (21,742,681)

The notes to the financial statements are an integral part of this statement.

PRAIRIESTAR METROPOLITAN DISTRICT NO. 2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2023

	General	Debt Service	Total
Revenues			
Property Taxes	\$ 195,372	\$ 684,794	\$ 880,166
Specific Ownership Tax	14,093	49,331	63,424
District Fees	1,575	-	1,575
ACC Review Income	1,000	-	1,000
Fees, Fines	25	-	25
Developer Contribution	9,040	-	9,040
Net investment income	2,236	33,925	36,161
Total Revenues	<u>223,341</u>	<u>768,050</u>	<u>991,391</u>
Expenditures			
Administrative			
Management/Accounting	56,228	-	56,228
Election	1,722	-	1,722
Audit	4,700	-	4,700
Insurance	4,189	-	4,189
Legal	56,348	-	56,348
Miscellaneous	6,555	1,491	8,046
Treasurer's Fee	3,915	13,702	17,617
Office Supplies/Expense	27	-	27
Social Activities	540	-	540
Landscape			
Common Area Landscaping	41,311	-	41,311
Sprinkler Sys Maint & Repairs	1,875	-	1,875
Water, Landscape	10,192	-	10,192
Maintenance			
Utilities	1,997	-	1,997
Covenant Control	6,286	-	6,286
Snow Removal	16,205	-	16,205
Mosquito/Pest Control	525	-	525
Debt Service			
Bond Principal	-	180,000	180,000
Bond Interest	-	533,250	533,250
Paying Agent Fees	-	7,000	7,000
Total Expenditures	<u>212,615</u>	<u>735,443</u>	<u>948,058</u>
Net Change in Fund Balances	10,726	32,607	43,333
Fund Balances - Beginning	<u>(40,636)</u>	<u>410,161</u>	<u>369,525</u>
Fund Balances - Ending	<u>\$ (29,910)</u>	<u>\$ 442,768</u>	<u>\$ 412,858</u>

The notes to the financial statements are an integral part of this statement.

PRAIRIESTAR METROPOLITAN DISTRICT NO. 2

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2023

Net Change in Fund Balances - Total Governmental Funds	\$	43,333
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.		
Depreciation on capital assets		(69,672)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The net effect of these differences in the treatment of long-term debt is as follows:		
Bond Principal Payment		180,000
Bond Premium		122,374
Change in Bond Interest Payable		<u>(108,578)</u>
Change in Net Position - Governmental Activities	\$	<u>167,457</u>

The notes to the financial statements are an integral part of this statement.

PRAIRIESTAR METROPOLITAN DISTRICT NO. 2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended December 31, 2023

(With Comparative Totals for the Year Ended December 31, 2022)

	Original and Final Budget	Actual Amounts	Variance with Final Budget	2022 Actual
Revenues				
Property Taxes	\$ 195,649	\$ 195,372	\$ (277)	\$ 164,916
Specific Ownership Tax	12,822	14,093	1,271	11,800
Transfer Service Fee	8,000	-	(8,000)	-
District Fees	7,500	1,575	(5,925)	18,406
ACC Review Income	-	1,000	1,000	-
Fees, Fines	-	25	25	-
Developer Contribution	-	9,040	9,040	30,000
Net investment income	-	2,236	2,236	4,314
Miscellaneous Income	1,500	-	(1,500)	-
Total Revenues	<u>225,471</u>	<u>223,341</u>	<u>(2,130)</u>	<u>229,436</u>
Expenditures				
Administrative				
Management/Accounting	44,150	56,228	(12,078)	49,206
Election	3,000	1,722	1,278	2,009
Audit	4,700	4,700	-	4,700
Insurance	8,200	4,189	4,011	7,608
Legal	20,000	56,348	(36,348)	35,965
Miscellaneous	-	6,555	(6,555)	11,761
Treasurer's Fee	2,950	3,915	(965)	3,299
Office Supplies/Expense	-	27	(27)	-
Social Activities	3,000	540	2,460	4,378
Landscape				
Common Area Landscaping	63,000	41,311	21,689	73,097
Sprinkler Sys Maint & Repairs	-	1,875	(1,875)	-
Water, Landscape	-	10,192	(10,192)	-
Maintenance				
Utilities	16,000	1,997	14,003	19,806
Covenant Control	47,740	6,286	41,454	53,478
Community Repairs	5,000	-	5,000	-
Snow Removal	7,000	16,205	(9,205)	4,765
Mosquito/Pest Control	-	525	(525)	-
Reserves				
Contingency	6,143	-	6,143	-
Emergency Reserve	6,742	-	6,742	-
Total Expenditures	<u>237,625</u>	<u>212,615</u>	<u>25,010</u>	<u>270,072</u>
Net Change in Fund Balance	(12,154)	10,726	22,880	(40,636)
Fund Balance - Beginning	12,154	(40,636)	(52,790)	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ (29,910)</u>	<u>\$ (29,910)</u>	<u>\$ (40,636)</u>

The notes to the financial statements are an integral part of this statement.

PRAIRIESTAR METROPOLITAN DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

Note 1 – Definition of Reporting Entity

The PrairieStar Metropolitan District No. 2 (the “District”), was originally organized by recorded Order and Decree of the District Court for the County of Larimer on December 8, 2010, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes).

The District operates under a Service Plan approved by the Town of Berthoud (the “Town”) on July 27, 2010. The District’s service boundaries are located entirely within the Town.

Pursuant to the Service Plan, the District has the power to provide for the design, acquisition, construction, installation, relocating, redeveloping and financing of certain water, sanitation, storm water, street, traffic and safety protection, transportation, mosquito control, park and recreation, television relay and translator, and fire protection improvements and services.

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

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

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. For the most part, the effect of interfund activity has been removed from these statements.

PRAIRIESTAR METROPOLITAN DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS December 31, 2023

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current *financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are 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 revenue to be available if they are collected within 60 days of the end of the current fiscal period. The major source of revenue susceptible to accrual are developer advances. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The District reports the following major governmental funds:

General Fund – This fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund – This fund is used to account for the acquisition and construction of the District's major capital facilities.

PRAIRIESTAR METROPOLITAN DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

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 level and lapses at year end. The District 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 has amended its annual budget for the year ended December 31, 2023.

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.

Cash and investments are presented on the balance sheet in the basic financial statements at fair value.

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflow of resources in the year they are levied and measurable. The property tax revenues are recorded as revenue in the year they are available or collected.

PRAIRIESTAR METROPOLITAN DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

Capital Assets

Capital assets are reported 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 estimated fair value at the date of donation.

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.

Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

Parks and Recreation facilities	20 years
Storm Drainage	25 years
Sanitary Sewer- Pump Station	15 years
Off-Street Sidewalks/Trail Improvements	30 years

Deferred Inflows of Resources

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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, deferred property tax revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bonds payable are reported net of the applicable bond premiums and discounts. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight method and charged to interest expense.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, even if withheld from the actual new

PRAIRIESTAR METROPOLITAN DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

proceeds received, are reported as debt services expenditures, in both the government-wide statements and fund financial statements.

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.

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

Net investment in capital assets – this component of net position consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any debt that is attributable to the acquisition, construction or improvement of those assets. If there are significant unspent debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in this component.

Restricted – this component of net position consists of assets that are restricted for use as imposed by external parties such as creditors, grantors or contributors, or as imposed by laws or regulations of other governments, or as imposed through constitutional provisions or enabling legislation.

Unrestricted – the component of net position that does not meet the definitions above.

Fund Balance

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: 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 legally or contractually required to be maintained intact.

PRAIRIESTAR METROPOLITAN DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

Restricted fund balance – The portion of fund balances that is constrained to be 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 policy to use the most restrictive classification first.

The General Fund reported a deficit in the fund financial statements as of December 31, 2023. This deficit will be eliminated with the receipt of property taxes in 2024.

Note 3 – Cash Deposits and Investments

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

Cash and Investments - Unrestricted	\$	20,802
Cash and Investments - Restricted		<u>439,543</u>
	\$	<u><u>460,345</u></u>

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

Cash Deposits	\$	4,906
Investments		<u>455,439</u>
Total	\$	<u><u>460,345</u></u>

PRAIRIESTAR METROPOLITAN DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

Cash Deposits

Custodial credit risk

Custodial risk for deposits is the risk that, in the event of a failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The Colorado Public Deposit Protection Act (PDPA) governs the investment of public funds. PDPA requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels (\$250,000) 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 equal to 102% of the aggregate uninsured deposits. The institution's internal records identify the collateral by depositor and as such, these deposits are considered to be uninsured but collateralized. The State Regulatory Commissions 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 and carrying balance of \$4,906.

Investments

The District has adopted an investment policy by which it follows state statutes regarding investments.

The District generally limits its concentration of investments to obligations of the United States, certain U.S. government agency securities and Local Government Investment Pools, which are believed to have minimal credit risk; minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

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

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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 US 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:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Government Liquid Asset Trust (COLOTRUST PLUS+)	Weighted Average under 60 Days	<u>\$ 455,439</u>

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust currently offers three portfolios – COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE.

COLOTRUST PRIME and COLOTRUST PLUS+, which operate similarly to a money market fund and each share is equal in value to \$1.00, offer daily liquidity. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

COLOTRUST EDGE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$10.00 transactional share price. COLOTRUST EDGE may invest in securities authorized by CRS 24-75-601, including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations

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of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

A designated custodial bank serves as custodian for the Trust’s portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust’s investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian’s internal records segregate investments owned by the Trust. COLOTRUST PRIME and COLOTRUST PLUS+ are rated AAAM by Standard & Poor’s. COLOTRUST EDGE is rated AA Af/S1 by FitchRatings. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily or weekly, and there is no redemption notice period.

Note 4 – Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2023 follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets Being Depreciated				
Parks and Recreation	1,047,639	-	-	1,047,639
Storm Drainage	359,773	-	-	359,773
Sanitary Sewer- Pump Station	40,221	-	-	40,221
Off-Street Sidewalks/Trail Improvements	6,538	-	-	6,538
Total Capital Assets Being Depreciated	1,454,171	-	-	1,454,171
Less Accumulated Depreciation for				
Parks and Recreation	(52,382)	(52,382)	-	(104,764)
Storm Drainage	(14,391)	(14,391)	-	(28,782)
Sanitary Sewer- Pump Station	(2,681)	(2,681)	-	(5,362)
Off-Street Sidewalks/Trail Improvements	(218)	(218)	-	(436)
Less Accumulated Depreciation	(69,672)	(69,672)	-	(139,344)
Total Capital Assets Being Depreciated, Net	1,384,499	(69,672)	-	1,314,827
Total Capital Assets, Net	\$ 1,384,499	\$ (69,672)	\$ -	\$ 1,314,827

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Note 5 – Long-Term Obligations

The following is an analysis of changes in the District’s long-term obligations for the year ended December 31, 2023:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental Activities:</u>					
Limited Tax General Obligation					
Bonds, Series 2021A	\$ 8,105,000	\$ -	\$ 180,000	\$ 7,925,000	\$ 190,000
Bond Premium - Series 2021A	1,811,752	-	122,374	1,689,378	-
Subordinate Limited Tax General					
Obligation Bonds, Series 2021B(3)					
Principal	13,645,000	-	-	13,645,000	-
Accrued Interest	68,640	237,328	128,000	177,968	-
	<u>\$ 23,630,392</u>	<u>\$ 237,328</u>	<u>\$ 430,374</u>	<u>\$ 23,437,346</u>	<u>\$ 190,000</u>

General Obligation Bonds

Limited Tax General Obligation Refunding and Improvement Bonds, Series 2021A

Series 2021A Bond Details

The District issued \$8,195,000 in Limited Tax General Obligation Refunding and Improvement Bonds, Series 2021A, dated December 10, 2021, (the “Series 2021A Bonds”) with interest at 5.00%, payable semi-annually on June 1 and December 1, beginning on June 1, 2022.

Proceeds from the sale of the Series 2021A Bonds were used to (a) refund all of the outstanding Series 2016 Bonds, (b) finance or reimburse a portion of the costs of acquiring, constructing, and/or installing certain Public Improvements to serve the development within the District, (c) purchase the Reserve Policy and fund a portion of the Reserve Fund, (d) purchase a municipal bond insurance policy for the Bonds, and (e) fund the costs of issuing the Bonds and the Series 2021B₍₃₎ Subordinate Bonds.

The District refunded the Series 2016 Bonds to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$898,454. The Series 2016 Bonds were fully redeemed on December 10, 2021.

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The Series 2021A Bonds consist of \$2,090,000 of serial bonds maturing in various amounts from December 1, 2022 through December 31, 2031 and \$6,105,000 of term bonds maturing in various amounts from December 1, 2032 through December 31, 2046.

The Series 2021A Bonds maturing on or after December 1, 2036, are subject to redemption prior to maturity, at the option of the District, in whole or in part, and if in part in any order of maturity, on December 1, 2031, and on any date thereafter, at a redemption price equal to the principal amount thereof without premium. The Term Bonds maturing on December 1, 2036, December 1, 2041, and December 1, 2046, are subject to mandatory sinking fund redemption at a price equal to the principal amount thereof, plus accrued interest to the redemption date.

Repayment of both principal and interest on the Bonds are insured by Build America Mutual Assurance Company.

Series 2021A Bonds Pledged Revenue

The Bonds are secured by and payable solely from Senior Pledged Revenue, which includes Senior Property Tax Revenue derived from the Senior Required Mill Levy, net of the cost of collection, Specific Ownership Taxes attributable to the Senior Required Mill Levy, and any other legally available moneys which the District determines to transfer to the Trustee for application as Senior Pledged Revenue.

Series 2021A Bonds Required Mill Levy

Pursuant to the Senior Indenture, the District has covenanted to levy each year upon all taxable property of the District the Senior Required Mill Levy, meaning, an ad valorem mill levy imposed upon all taxable property of the District each year in an amount necessary to generate Senior Property Tax Revenues sufficient to pay the principal of, premium if any, and interest on the Bonds as the same become due and payable (less any amount thereof for which amounts are then on deposit in the Senior Bond Fund and, solely to the extent provided in the Indenture, the Reserve Fund) and replenishing the Reserve Fund to the Reserve Requirement or repaying the Bond Insurer for draws on the Reserve Policy, as applicable, but not in excess of 50 mills, provided, however, that in the event that the method of calculating assessed valuation is changed after January 1, 2010, the maximum mill levy of 50 mills provided herein will be increased or decreased to reflect such changes.

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Series 2021A Bonds Reserve Fund

The Series 2021A Bonds are also secured by amounts on deposit in the Reserve Fund which will initially be funded through the issuance of the Reserve Policy and proceeds of the Series 2021A Bonds in an aggregate amount equal to \$590,250 (the "Reserve Requirement"). The Reserve Policy and proceeds of the Bonds will each be in the amount of 50% of the Reserve Requirement.

Events of Default

Events of Default as defined in the Series 2021A Bond Indenture are 1) the failure of the District to impose the Senior Required Mill levy, or to apply the Senior Pledged Revenue as required by the Senior Indenture, 2) the default by the District in the performance or observance of any other of the covenants, agreements, or conditions of the Senior Indenture or the Bond Resolution, and failure to remedy the same after notice thereof pursuant to the Senior Indenture, and 3) the filing of a petition under the federal bankruptcy laws or other applicable laws seeking to adjust the obligations represented by the Bonds. Failure to pay the principal of or interest on the Series 2021A Bonds when due shall not, of itself, constitute an Event of Default under the Indenture. Remedies available in the Event of Default include 1) receivership, 2) suit for judgment, and 3) mandamus or other suits. Acceleration of the Series 2021A Bonds is not an available remedy for an Event of Default.

Series 2021A Bonds Debt Service

The outstanding principal and interest of the Series 2021A Bonds are due as follows:

	Principal	Interest	Total
2024	\$ 190,000	\$ 396,250	\$ 586,250
2025	200,000	386,750	586,750
2026	210,000	376,750	586,750
2027	220,000	366,250	586,250
2028	230,000	355,250	585,250
2029-2033	1,350,000	1,590,250	2,940,250
2034-2038	1,720,000	1,218,000	2,938,000
2039-2043	2,200,000	742,000	2,942,000
2044-2046	1,605,000	163,000	1,768,000
	<u>\$ 7,925,000</u>	<u>\$ 5,594,500</u>	<u>\$ 13,519,500</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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Subordinate Limited Tax General Obligation Bonds, Series 2021B₍₃₎

Series 2021B₍₃₎ Bond Details

The District issued \$13,645,000 in Subordinate Limited Tax General Obligation Bonds, Series 2021B₍₃₎, dated December 10, 2021, (the “Series 2021B₍₃₎ Bonds”, together with the Series 2021A Bonds, the “2021 Bonds”) with interest at 1.73%. Interest is payable to the extent of Subordinate Pledged Revenue available therefor annually on each December 15, commencing on December 15, 2022.

To the extent interest on any Bond is not paid when due, such interest shall compound annually on each Interest Payment Date, at the rate then borne by the 2021B₍₃₎ Bond.

Proceeds from the sale of the Series 2021B₍₃₎ Bonds were used to pay amounts due from District No. 1 to PrairieStar, Inc. (the “Developer”) pursuant to the Facilities Funding and Acquisition Agreement (the “FFAA”) entered into on December 14, 2010 and effective as of December 8, 2010, between District No. 1 and the Developer, as amended by a First Amendment thereto entered into on August 3, 2016.

District No. 1 and the Developer entered into a First Amendment to the FFAA on August 3, 2016, in order to acknowledge that the District will issue bonds on behalf of the Districts. The Amendment to the FFAA evidences an intent to reimburse the Developer, but shall not constitute a debt or indebtedness, nor a multiple fiscal year financial obligation.

On December 10, 2021, District No. 1 and the Developer entered into a Termination of Facilities Funding and Acquisition Agreement (the “FFAA Termination Agreement”). The terms of the FFAA Termination Agreement state the proceeds of the 2021 Bonds are to be used to repay in full all amounts due from District No. 1 to the Developer under the FFAA and to pay for accrued capital improvements, which the District has agreed to finance in the Facilities, Funding, Construction and Operations Agreement (the “FFCOA”) (see Note 6). Pursuant to the Acknowledgement of Stipulated Amount of Payment Due and Waiver and Release, dated December 10, 2021, the Developer has stipulated and agreed to accept payment for the remaining costs due to the Developer for Verified Costs incurred under the FFAA amounting to \$16,458,021 for Verified Costs and \$4,825,461 in interest, for a total amount of \$21,283,482. The District has available to exchange \$13,645,000 from the Series 2021B Bonds and \$4,152,522 in cash from the Series 2021A Bonds Project Fund (“2021A Bonds Project Fund”), for a total of \$17,797,522. The Developer has agreed to accept this amount, as payment in full for amounts due from the District and District No. 1 under the FFAA. On December 10, 2021, District No. 1 exchanged \$13,645,000 in Series 2021B Bonds and paid \$780,000 in cash to the Developer as partial payment for the Verified Costs and interest, respectively. The remaining

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cash available from the Series 2021A Bonds Project Fund of \$3,372,522 was paid to the Developer on January 5, 2022.

On December 10, 2021, the FFAA was terminated and outstanding amount of \$3,485,960 was removed from District No. 1's liabilities.

The Series 2021B₍₃₎ Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity, and in whole or partial maturities (and if in part in such order of maturities as the District shall determine and by lot within maturities), on December 1, 2026, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed, as follows:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
December 1, 2026, to November 30, 2027	3.00%
December 1, 2027, to November 30, 2028	2.00
December 1, 2028 to November 30, 2029	1.00
December 1, 2029, and thereafter	0.00

In the event that any amount of principal of or interest on the Series 2021B₍₃₎ Bonds remains unpaid after the application of all Subordinate Pledged Revenue available therefor on December 15, 2061, the Series 2021B₍₃₎ Bonds shall be deemed discharged. Upon such discharge, the registered owners of the Series 2021B₍₃₎ Bonds will have no recourse to the District or any property of the District for the payment of any amount of principal of or interest on the Bonds remaining unpaid.

Series 2021B₍₃₎ Bonds Pledged Revenue

The Series 2021B₍₃₎ Bonds are secured by and payable solely from Subordinate Pledged Revenue, which includes subordinate property taxes derived from the Subordinate Required Mill Levy, net of the cost of collection, subordinate Specific Ownership Taxes attributable to the Subordinate Required Mill Levy, and any other legally available moneys which the District determines to transfer to the Trustee for application as Subordinate Pledged Revenue.

Series 2021B₍₃₎ Subordinate Bonds Required Mill Levy

The Subordinate Required Mill Levy means an ad valorem mill levy equal to 35 mills less the Senior Obligation Mill Levy, or such lesser amount that will generate Subordinate Property Tax Revenues which, when combined with moneys then on deposit in the Subordinate Bond Fund, will pay the Series 2021B₍₃₎ Bonds in full in the year such levy is collected; provided however, that in the event that the method of calculating assessed valuation is changed after January 1,

PRAIRIESTAR METROPOLITAN DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS

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2010, the mill levy of 35 mills provided herein shall be increased or decreased to reflect such changes, such increases or decreases to be determined by the Board in good faith so that to the extent possible, the actual tax revenues generated by the mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes, but in no event shall the mill levy of 35 mills provided for herein be adjusted to exceed 50 mills.

Events of Default

Events of Default as defined in the Series 2021B₍₃₎ Bond Indenture are 1) the failure of the District to impose the Subordinate Required Mill levy, or to apply the Subordinate Pledged Revenue as required by the Subordinate Indenture, 2) the default by the District in the performance or observance of any other of the covenants, agreements, or conditions of the Indenture or the Bond Resolution, and failure to remedy the same after notice thereof pursuant to the Indenture, and 3) the filing of a petition under the federal bankruptcy laws or other applicable laws seeking to adjust the obligations represented by the Bonds. Failure to pay the principal of or interest on the Series 2021B₍₃₎ Bonds. It is acknowledged that due to the limited nature of the Subordinate Pledged Revenue, the failure to pay the principal of or interest on the Bonds when due shall not, of itself, constitute an event of default. Acceleration of the Series 2021B₍₃₎ Bonds is not an available remedy for an Event of Default.

The Series 2021B₍₃₎ Bonds do not have scheduled amortization but, rather, are subject to mandatory redemption to the extent of Subordinate Pledged Revenues available.

Authorized Debt

On November 2, 2010 and on May 6, 2014, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$915,600,000 at an interest rate not to exceed 18% per annum. At December 31, 2023, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Amount Authorized on November 2, 2010	Amount Authorized on May 6, 2014	Series 2016 Limited Tax General Obligation Bonds	Series 2021A Limited Tax General Obligation Bonds	Series 2021B₍₃₎ Limited Tax General Obligation Bonds	Remaining Authorization
Public Improvements	\$ 343,350,000	\$ 343,350,000	\$ 6,195,000	\$ 3,237,735	\$ 13,645,000	\$ 663,622,265
Operations and Maintenance	38,150,000	38,150,000	-	-	-	76,300,000
Debt Refundings	38,150,000	38,150,000	-	-	-	76,300,000
Intergovernmental Agreements	38,150,000	38,150,000	-	-	-	76,300,000
	<u>\$ 457,800,000</u>	<u>\$ 457,800,000</u>	<u>\$ 6,195,000</u>	<u>\$ 3,237,735</u>	<u>\$ 13,645,000</u>	<u>\$ 892,522,265</u>

Per the Service Plan, the total debt issuance limitation for the Districts is \$38,150,000.

PRAIRIESTAR METROPOLITAN DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS

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Developer Advances

Multiple-Year Operation Funding Agreement (MYOFA)

On December 10, 2021, the District entered into a MYOFA with the Developer. The District anticipates that it will not have sufficient revenues to make payment of its Operations Expenses for fiscal years 2022 through 2023. The District anticipates a shortfall in revenues available for Operations Expenses to be incurred for fiscal years 2022 through 2023 in an aggregate amount of \$39,039.99 (the "Shortfall Amount").

The Developer has waived the right to repayment by the District for the Developer Advance and further acknowledges the District shall have no obligations to make reimbursements under this Agreement.

Note 6 – District Agreements

Intergovernmental Agreement with the Town

On December 14, 2010, the District entered into an Intergovernmental Agreement ("Agreement") with the Town whereby the District agreed to various restrictions and notification requirements related to areas such as District dissolution, tax or fee impositions, bond issuances, boundary expansions and service expansions.

Letter Agreement Regarding Tract Conveyances and Funding of Repairs

By letter dated March 25, 2022, the District and the Developer entered into a Letter Agreement to memorialize the intention of the parties regarding the conveyance of land located within the District (that same land conveyed to the District by the Deed described below) ("Property"), from the Developer to the District ("Letter Agreement"). Pursuant to the Letter Agreement, the Developer agrees to convey the Property to the District, the District agrees to accept the Property, and the Developer agrees to fund the repair and replacement of certain improvements constructed by the Developer on the Property, as necessary. In consideration of the District's acceptance of the Property, the Developer agrees to remit funds for the repair and/or replacement of the improvements in the amount of Thirty Thousand Dollars (\$30,000), no later than April 30, 2022.

Concurrent with the execution of the Letter Agreement, as more fully described below, the District and PrairieStar Metropolitan District No. 3 ("District No. 3") entered into a Memorandum of Understanding regarding the operation and maintenance of certain stormwater improvements, the District partially assigned stormwater maintenance duties to

PRAIRIESTAR METROPOLITAN DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS December 31, 2023

District No. 3, and the Developer conveyed the Property and certain improvements on the Property to the District.

Memorandum of Understanding for Stormwater Improvements

On March 25, 2022 the District and District No. 3 entered into a Memorandum of Understanding with regard to the operation and maintenance of certain improvements located on the Property (“Stormwater MOU”). Pursuant to the Stormwater MOU the District will pay for all operations and maintenance of the improvements that are common amenities for the District, with the exception of certain improvements located on the Property that will be operated and maintained by District No. 3, despite those improvements being located within the boundaries of the District.

The District and District No. 3 agree that District No. 3 shall provide for the financing, construction, design, operation, and maintenance of the underground Storm Sewer Pipe, Access Road to Pump Station, Detention Pond, Pump Station, and Alley as more fully described therein (“Stormwater Improvements”) and District No. 3 agrees to waive compensation and reimbursement of expenses for same from the District. The obligations of District No. 3 under the Stormwater MOU shall extend only to monies appropriated for the purposes of the Stormwater MOU by the Board of Directors of District No. 3. Pursuant to the Stormwater MOU, the District shall obtain property and liability insurance for the Stormwater Improvements.

The maintenance, repair and replacement of certain improvements, within the boundaries of the District are required to be performed by the District per that certain Declaration of Protective Covenants of PrairieStar which was recorded on November 18, 2014, at Reception Number 20140066221, in the Larimer County, Colorado Clerk and Recorder’s records (“Declaration”). The Stormwater MOU reflects the intent of the parties to enter into a partial assignment of the Declaration in order for District No. 3 to perform the Stormwater Duties.

Partial Assignment of Metropolitan Duties Under the Declaration

Per that certain Partial Assignment of Metropolitan District Duties Under the Declaration, entered into and recorded on March 25, 2022, at Reception Number 20220019263, in the Larimer County, Colorado Clerk and Recorder’s records (“Partial Assignment”), the District assigns and transfers the District’s Stormwater Duties (defined therein) to District No. 3. The Developer, as Master Developer under the Declaration, acknowledged and consented to the terms of the Partial Assignment.

PRAIRIESTAR METROPOLITAN DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS

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Conveyance of Property and Public Improvements

The Developer conveyed the Property to the District pursuant to that certain Special Warranty Deed entered into and recorded on March 25, 2022, at Reception Number 20220019263, in the Larimer County, Colorado Clerk and Recorder’s records (the “Deed”) and conveyed the right, title and interest in and to the facilities, personal property and the improvements located on the Property to the District pursuant to that certain Bill of Sale, dated April 12, 2022 (the “Bill of Sale”).

Note 7 – Net Position

The District has a net position consisting of three components – net investment in capital assets, restricted and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

The restricted component of net position consists of 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, amounting to \$6,700, as follows:

Restricted Net Position	
Emergency Reserves	<u>\$ 6,700</u>

Unrestricted net position represents assets that do not have any third-party limitations on their use.

The District has a deficit in unrestricted net position. This deficit amount is a result of the District being responsible for the repayment of bonds issued for public improvements, the majority of which were conveyed to other governmental entities, and the repayment of Developer advances and accrued interest on those advances.

PRAIRIESTAR METROPOLITAN DISTRICT NO. 2

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023**

Note 8 – Related Party

One member of the Board of Directors is an owner and officer of the Developer of the District and may have had conflicts of interest in dealing with the District. Management believes that all potential conflicts, if any, have been disclosed. As of April 1, 2024, the individual was no longer a member of the Board of Directors.

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 natural disasters.

The District is a member of the Colorado Special Districts Property and Liability Pool (the "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 general and public officials' liability coverage. In the event aggregate 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's Bill of Rights (TABOR) contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

PRAIRIESTAR METROPOLITAN DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS December 31, 2023

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 transfers its net operating revenue to District No. 1 pursuant to the Amended FFCOA. Therefore, the Emergency Reserves related to the District's revenues are captured in District No. 1.

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 and qualification as an Enterprise will require judicial interpretation.

On May 6, 2014, the District's electors approved the following ballot issues:

Shall PrairieStar Metropolitan District No. 2 taxes be increased \$38,150,000 annually or such lesser amount as necessary to pay the District's administration, operations, maintenance, and capital expenses, by the imposition of ad valorem property taxes levied in any year, without limitation as to rate or amount or any other condition to pay such expenses and shall the proceeds of such taxes and any investment income thereon be collected, retained and spent by the District in fiscal year 2014 and in each fiscal year thereafter as a voter-approved revenue change without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, the limits imposed on increases in property taxation by Section 29-1-301, C.R.S. in any year, or any other law which purports to limit the District's revenues or expenditures as it currently exists or as it may be amended in the future, all without limiting in any year the amount of other revenues that may be collected, retained and spent by the District?

Shall PrairieStar Metropolitan District No. 2 taxes be increased \$38,150,000 annually or such lesser amount as necessary to pay the District's administration, operations, maintenance, and capital expenses, by the imposition of a fee or fees imposed, without limitation as to rate or amount or any other condition to pay such expenses and shall the proceeds of such fees and any investment income thereon be collected, retained and spent by the District in fiscal year 2014 and in each fiscal year thereafter as a voter-approved revenue change without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, the limits imposed on increases in property taxation by Section 29-1-301, C.R.S. in any year, or any other law which purports to limit the District's revenues or expenditures as it currently exists or as it may be amended in the future, all without limiting in any year the amount of other revenues that may be collected, retained and spent by the District?

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NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

Shall PrairieStar Metropolitan District No. 2 be authorized to collect, receive, retain, and spend the full amount of all taxes, tax increment revenues, tap fees, park fees, facility fees, public improvement fees, service charges, inspection charges, administrative charges, grants or any other fee, rate, toll, penalty, or charge authorized by law, covenants or contract to be imposed, collected or received by the District during 2014 and each fiscal year thereafter, such amounts to constitute a voter-approved revenue change and be collected, retained and spent by the District without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, the limits imposed on increases in property taxation by Section 29-1-301, C.R.S. in any subsequent year, or any other law which purports to limit the District's revenues or expenditures as it currently exists or as it may be amended in the future, and without limiting in any year the amount of other revenues that may be collected, received, retained and spent by the District?

SUPPLEMENTARY INFORMATION

PRAIRIESTAR METROPOLITAN DISTRICT NO. 2

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

DEBT SERVICE FUND

For the Year Ended December 31, 2023

(With Comparative Totals for the Year Ended December 31, 2022)

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget	2022 Actual
Revenues					
Property Taxes	\$ 684,814	\$ 684,814	\$ 684,794	\$ (20)	\$ 577,235
Specific Ownership Tax	45,417	46,132	49,331	3,199	41,304
Transfer Service Fee	5,000	31,465	33,925	2,460	7,503
Total Revenues	735,231	762,411	768,050	5,639	626,042
Expenditures					
Debt Service					
Bond Principal - Series 2021A	180,000	180,000	180,000	-	90,000
Bond Interest - Series 2021A	405,250	405,250	405,250	-	399,506
Bond Interest - Series 2021B	105,000	128,000	128,000	-	170,750
Paying Agent Fees	7,000	7,000	7,000	-	-
Treasurer's Fees	13,770	13,770	13,702	68	11,549
Miscellaneous	-	1,448	1,491	(43)	-
Total Expenditures	711,020	735,468	735,443	25	671,805
Net Change in Fund Balance	24,211	26,943	32,607	5,664	(45,763)
Fund Balance - Beginning	459,784	434,372	410,161	(24,211)	455,924
Fund Balance - Ending	\$ 483,995	\$ 461,315	\$ 442,768	\$ (18,547)	\$ 410,161

See the Accompanying Independent Auditor's Report

OTHER INFORMATION

PRAIRIESTAR METROPOLITAN DISTRICT NO. 2

**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2023**

**\$8,195,000 Limited Tax General Obligation Refunding and
Improvement Bonds, Series 2021A
Dated December 10, 2021
Interest Rate: 5.00%
Interest Payable June 1, December 1
Principal Due December 1**

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 190,000	\$ 396,250	\$ 586,250
2025	200,000	386,750	586,750
2026	210,000	376,750	586,750
2027	220,000	366,250	586,250
2028	230,000	355,250	585,250
2029	245,000	343,750	588,750
2030	255,000	331,500	586,500
2031	270,000	318,750	588,750
2032	285,000	305,250	590,250
2033	295,000	291,000	586,000
2034	310,000	276,250	586,250
2035	325,000	260,750	585,750
2036	345,000	244,500	589,500
2037	360,000	227,250	587,250
2038	380,000	209,250	589,250
2039	400,000	190,250	590,250
2040	415,000	170,250	585,250
2041	440,000	149,500	589,500
2042	460,000	127,500	587,500
2043	485,000	104,500	589,500
2044	510,000	80,250	590,250
2045	535,000	54,750	589,750
2046	560,000	28,000	588,000
	<u>\$ 7,925,000</u>	<u>\$ 5,594,500</u>	<u>\$ 13,519,500</u>

PRAIRIESTAR METROPOLITAN DISTRICT NO. 2

**SCHEDULE OF ASSESSED VALUATION, MILL LEVY AND
PROPERTY TAXES COLLECTED**

Levy Year	Collection Year	Assessed Valuation	Mill Levy			Total Levy	Current Collection	Collection Rate
			General	Debt	Total			
2015	2016	\$ 780,226	10.000	35.000	45.000	\$ 35,110	\$ 35,110	100.00%
2016	2017	1,279,993	10.000	35.000	45.000	57,600	57,600	100.00%
2017	2018	2,965,759	11.055	38.694	49.749	147,544	147,544	100.00%
2018	2019	4,868,126	11.055	38.694	49.749	242,184	241,113	99.56%
2019	2020	9,834,341	11.132	38.964	50.096	492,661	491,289	99.72%
2020	2021	12,665,440	11.132	38.964	50.096	634,488	634,037	99.93%
2021	2022	14,817,787	11.132	38.964	50.096	742,312	741,151	99.84%
2022	2023	17,121,634	11.427	39.997	51.424	880,463	880,166	99.97%

Estimated for the
year ending
December 31,
2024

\$ 19,704,114 14.427 45.582 60.009 \$ 1,182,424

Note:

Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.

Source: Larimer County Assessor and Treasurer.