

PALISADE METROPOLITAN DISTRICT NO. 2

Financial Statements

Year Ended December 31, 2024

with

Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Palisade Metropolitan District No. 2
Broomfield County, CO

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Palisade Metropolitan District No. 2 (the "District") as of and for the year ended December 31, 2024, 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 Palisade Metropolitan District No. 2 as of December 31, 2024, and the respective changes in financial position and 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 statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

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

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

A handwritten signature in blue ink that reads "Flynn CPA, LLC". The signature is written in a cursive, flowing style and is positioned above a horizontal line.

Flynn CPA, LLC

Castle Pines, CO
September 15, 2025

Palisade Metropolitan District No. 2

BALANCE SHEET/STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2024

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS						
Cash and investments	\$ 518,277	\$ -	\$ -	\$ 518,277	\$ -	\$ 518,277
Cash and investments - restricted	17,800	2,037,058	9,702,875	11,757,733	-	11,757,733
Taxes due from County	811	14,477	-	15,288	-	15,288
Receivable - other districts	34,917	5,653	1,426,278	1,466,848	-	1,466,848
Prepaid expenses	8,370	-	-	8,370	-	8,370
Property taxes receivable	1,851	6,110	-	7,961	-	7,961
Capital assets, net of accumulated depreciation	-	-	-	-	27,011,508	27,011,508
Total Assets	<u>582,026</u>	<u>2,063,298</u>	<u>11,129,153</u>	<u>13,774,477</u>	<u>27,011,508</u>	<u>40,785,985</u>
DEFERRED OUTFLOWS OF RESOURCES						
Loss on refunding	-	-	-	-	477,191	477,191
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>477,191</u>	<u>477,191</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 582,026</u>	<u>\$ 2,063,298</u>	<u>\$ 11,129,153</u>	<u>\$ 13,774,477</u>	<u>27,488,699</u>	<u>41,263,176</u>
LIABILITIES						
Accounts payable	\$ 36,559	\$ 2,500	\$ 1,100,379	\$ 1,139,438	-	1,139,438
Retainage payable	-	-	292,011	292,011	-	292,011
Accrued interest on bonds	-	-	-	-	155,935	155,935
Long-term liabilities:						
Due within one year	-	-	-	-	1,000,000	1,000,000
Due in more than one year	-	-	-	-	59,867,530	59,867,530
Total Liabilities	<u>36,559</u>	<u>2,500</u>	<u>1,392,390</u>	<u>1,431,449</u>	<u>61,023,465</u>	<u>62,454,914</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred property taxes	1,851	6,110	-	7,961	-	7,961
Total Deferred Inflows of Resources	<u>1,851</u>	<u>6,110</u>	<u>-</u>	<u>7,961</u>	<u>-</u>	<u>7,961</u>
FUND BALANCES/NET POSITION						
Fund balances:						
Nonspendable:						
Prepays	8,370	-	-	8,370	(8,370)	-
Restricted:						
Emergencies	17,800	-	-	17,800	(17,800)	-
Debt service	-	2,054,688	-	2,054,688	(2,054,688)	-
Capital	-	-	9,736,763	9,736,763	(9,736,763)	-
Unassigned	517,446	-	-	517,446	(517,446)	-
Total Fund Balances	<u>543,616</u>	<u>2,054,688</u>	<u>9,736,763</u>	<u>12,335,067</u>	<u>(12,335,067)</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 582,026</u>	<u>\$ 2,063,298</u>	<u>\$ 11,129,153</u>	<u>\$ 13,774,477</u>		
Net Position:						
Restricted for:						
Emergencies					17,800	17,800
Capital projects					9,736,763	9,736,763
Unrestricted					<u>(33,008,950)</u>	<u>(33,008,950)</u>
Total Net Position (Deficit)					<u>\$ (21,199,699)</u>	<u>\$ (21,199,699)</u>

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

Palisade Metropolitan District No. 2

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2024

	<u>General</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES						
Accounting and audit	\$ 45,906	\$ -	\$ -	\$ 45,906	\$ -	\$ 45,906
Insurance	8,067	-	-	8,067	-	8,067
Legal	34,715	-	-	34,715	-	34,715
Property management	8,400	-	-	8,400	-	8,400
Miscellaneous	723	163	-	886	-	886
Repairs and maintenance	16,078	-	-	16,078	-	16,078
Snow removal	17,581	-	-	17,581	-	17,581
Water	57,196	-	-	57,196	-	57,196
Electricity	1,388	-	-	1,388	-	1,388
Common area maintenance	275,265	-	-	275,265	-	275,265
Capital outlay	-	-	6,337,553	6,337,553	(6,337,553)	-
Treasurer fees	31	102	-	133	-	133
Loan principal	-	700,000	-	700,000	(700,000)	-
Bond interest	-	54,987	-	54,987	2,619,209	2,674,196
Loan interest	-	515,608	-	515,608	(1,627)	513,981
Paying agent fees	-	5,500	-	5,500	-	5,500
Premium on bond refunding	-	-	-	-	706,740	706,740
Cost of issuance	-	-	1,284,078	1,284,078	-	1,284,078
	<u>465,350</u>	<u>1,276,360</u>	<u>7,621,631</u>	<u>9,363,341</u>	<u>(3,713,230)</u>	<u>5,650,111</u>
Total Expenditures						
GENERAL REVENUES						
Property taxes	2,072	6,840	-	8,912	-	8,912
Specific ownership taxes	7,153	23,608	-	30,761	-	30,761
Sales tax revenue	-	78,515	-	78,515	-	78,515
Payment in lieu of taxes	299,357	987,908	-	1,287,265	-	1,287,265
BURA District	161,132	531,751	-	692,883	-	692,883
BURA City	-	99,252	-	99,252	-	99,252
BURA St. Vrain	-	735,661	-	735,661	-	735,661
Transfer from other Districts	70,245	786,104	-	856,349	-	856,349
Interest income	68,489	61,382	45,315	175,186	-	175,186
	<u>608,448</u>	<u>3,311,021</u>	<u>45,315</u>	<u>3,964,784</u>	<u>-</u>	<u>3,964,784</u>
Total General Revenues						
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	143,098	2,034,661	(7,576,316)	(5,398,557)	3,713,230	(1,685,327)
OTHER FINANCING SOURCES (USES)						
Bond proceeds	-	-	43,001,197	43,001,197	(43,001,197)	-
Payment to escrow agent	-	(31,683,670)	-	(31,683,670)	31,683,670	-
Transfer to/from other funds	1,540	31,682,130	(31,683,670)	-	-	-
	<u>1,540</u>	<u>(1,540)</u>	<u>11,317,527</u>	<u>11,317,527</u>	<u>(11,317,527)</u>	<u>-</u>
Total Other Financing Sources (Uses)						
NET CHANGES IN FUND BALANCES	144,638	2,033,121	3,741,211	5,918,970	(5,918,970)	
CHANGES IN NET POSITION					(1,685,327)	(1,685,327)
FUND BALANCES/NET POSITION						
BEGINNING OF YEAR	<u>398,978</u>	<u>21,567</u>	<u>5,995,552</u>	<u>6,416,097</u>	<u>(25,930,469)</u>	<u>(19,514,372)</u>
END OF YEAR	<u>\$ 543,616</u>	<u>\$ 2,054,688</u>	<u>\$ 9,736,763</u>	<u>\$ 12,335,067</u>	<u>\$ (33,534,766)</u>	<u>\$ (21,199,699)</u>

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

Palisade Metropolitan District No. 2

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

For the Year Ended December 31, 2024

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Property taxes	\$ 2,077	\$ 2,072	\$ (5)
Specific ownership taxes	8,160	7,153	(1,007)
Payment in lieu of taxes	299,358	299,357	(1)
BURA District	161,128	161,132	4
Transfer from other Districts	73,904	70,245	(3,659)
Interest income	<u>20,000</u>	<u>68,489</u>	<u>48,489</u>
Total Revenues	<u>564,627</u>	<u>608,448</u>	<u>43,821</u>
EXPENDITURES			
Accounting and audit	67,000	45,906	21,094
Insurance	5,000	8,067	(3,067)
Dues and memberships	550	-	550
Legal	70,000	34,715	35,285
Property management	12,000	8,400	3,600
Miscellaneous	100	723	(623)
Banking fees	500	-	500
Treasurer fees	31	31	-
Repairs and maintenance	100,000	16,078	83,922
Snow removal	42,000	17,581	24,419
Water	40,150	57,196	(17,046)
Electricity	2,530	1,388	1,142
Common area maintenance	204,287	275,265	(70,978)
Contingency	<u>5,852</u>	<u>-</u>	<u>5,852</u>
Total Expenditures	<u>550,000</u>	<u>465,350</u>	<u>84,650</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	14,627	143,098	128,471
OTHER FINANCING SOURCES			
Transfer to/from other funds	<u>-</u>	<u>1,540</u>	<u>1,540</u>
Total Other Financing Sources	<u>-</u>	<u>1,540</u>	<u>1,540</u>
NET CHANGE IN FUND BALANCE	14,627	144,638	130,011
FUND BALANCE:			
BEGINNING OF YEAR	<u>408,044</u>	<u>398,978</u>	<u>(9,066)</u>
END OF YEAR	<u>\$ 422,671</u>	<u>\$ 543,616</u>	<u>\$ 120,945</u>

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

PALISADE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2024

Note 1: Summary of Significant Accounting Policies

The accounting policies of Palisade Metropolitan District No. 2 (the District), located in the City and County of Broomfield, Colorado, conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District, a quasi-municipal corporation and political subdivision of the State of Colorado, was organized by order and decree of the City and County of Broomfield District Court on August 16, 2007, 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 City and County of Broomfield, Colorado (Broomfield). The District’s service area is located in Broomfield. The District was established to finance and construct certain public infrastructure improvements that benefit the residents of the District. The District’s primary revenues are property taxes. The District is governed by an elected Board of Directors. On September 12, 2006, Broomfield approved the District’s Service Plan (the Original Service Plan). On December 2, 2014, Broomfield approved the First Amended and Restated Service Plan for the District (the Amended Service Plan), which is intended to modify, replace, restate, and supersede the Original Service Plan in its entirety. On August 20, 2019, Broomfield approved a First Amendment to the Amended Service Plan and on April 25, 2023, Broomfield approved a Second Amendment to the Amended Service Plan (collectively, with the Amended Service Plan, the Service Plan).

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets 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 pronouncements also require including a possible component unit if it would be misleading to exclude it.

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

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

PALISADE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2024

Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 - Special Purpose Governments.

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the governmental funds statement of revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

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

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year in 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 material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

PALISADE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2024

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

Debt Service Fund – The Debt Service Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs.

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other assets.

Budgetary Accounting

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. 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 appropriation is at the total fund expenditures level and lapses at year end.

During 2024, the District amended its total appropriation in the Debt Service Fund and the Capital Projects Fund.

Assets, Liabilities and Net Position

Fair Value of Financial Instruments

The District's financial instruments include cash and investments, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2024, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

The District's cash and short-term investments with maturities of three months or less from the date of acquisition are considered to be cash on hand. Investments for the government are reported at fair value.

PALISADE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2024

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 minimum number of bank accounts. 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.

Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category. It is the deferred loss on refunding reported in the government-wide statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report 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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item that qualifies for reporting in this category. This item is deferred property taxes. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

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 30 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.

PALISADE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2024

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.

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.

Fund Equity

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

Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact. The nonspendable fund balance in the General Fund represents prepaid expenditures.

Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$17,800 of the General Fund balance has been reserved in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of \$2,054,688 is restricted for the payment of the debt service costs.

The restricted fund balance in the Capital Projects Fund in the amount of \$9,736,763 is restricted for the payment of the costs for capital improvements within the District.

Committed Fund Balance

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by a 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.

PALISADE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2024

Assigned Fund Balance

Assigned fund balance includes amounts the District intends to use for a specific purpose. Intent can be expressed by the District's Board of Directors or by an official or body to which the Board of Directors delegates the authority.

Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund, all funds can report negative amounts.

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District can report three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets. The District does not have any investment in capital assets to report at December 31, 2024.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District will use the most restrictive net position first.

Note 2: Cash and Investments

As of December 31, 2024, cash and investments is classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and investments	\$ 518,277
Cash and investments - restricted	<u>11,757,733</u>
Total	<u>\$ 12,276,010</u>

PALISADE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2024

Cash and cash equivalents as of December 31, 2024, consist of the following:

Deposits with financial institutions	\$ 801,770
Investments – Morgan Stanley Liq Govt Adv	<u>11,474,240</u>
Total	<u>\$12,276,010</u>

Deposits

Custodial Credit Risk

The Colorado Public Deposit Protection Act, (“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 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 is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 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.

None of the District’s deposits are subject to custodial or concentration of credit risk.

Investments

Credit Risk

The District has elected to follow state statutes for investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

Custodial and Concentration of Credit Risk

None of the District’s investments are subject to custodial or concentration of credit risk.

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

Investment Valuation

Certain investments are measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District’s investment is not required to be categorized within the fair value hierarchy. This investment’s value is calculated using the net asset value method (“NAV”) per share.

PALISADE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2024

As of December 31, 2024, the District had the following investments:

Morgan Stanley Treasury Portfolio

The District’s funds that were included in the trust accounts at UMB Bank were invested in the Morgan Stanley Treasury Portfolio (“Portfolio”). This Portfolio is a money market fund and each share is equal in value to \$1.00. All investments within the Portfolio are recorded at fair value and the District records its investment in the Portfolio at NAV. The Portfolio is AAAM rated and invests exclusively in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. The maturity of the underlying securities is 15 days or less. As of December 31, 2024, the District has \$11,474,240 invested in the Portfolio.

Note 3: Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2024 follows:

<u>Governmental Type Activities:</u>	<u>Balance</u> <u>1/1/2024</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2024</u>
<u>Capital assets not being depreciated:</u>				
Construction in progress	\$ 20,673,955	\$ 6,337,553	\$ -	\$ 27,011,508
Total capital assets not being depreciated:	<u>20,673,955</u>	<u>6,337,553</u>	<u>-</u>	<u>27,011,508</u>
Government type assets, net	<u>\$ 20,673,955</u>	<u>\$ 6,337,553</u>	<u>\$ -</u>	<u>\$ 27,011,508</u>

Note 4: Long-Term Debt

The following is an analysis of changes in long-term debt for the period ending December 31, 2024:

	<u>Balance</u> <u>1/1/2024</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2024</u>	<u>Current</u> <u>Portion</u>
<u>General Obligation Bonds:</u>					
Series 2019 Bonds	\$ 23,558,000	\$ -	\$ 23,558,000	\$ -	\$ -
Series 2024B Bonds	-	32,815,530	-	32,815,530	-
Series 2024C Bonds	-	10,310,000	-	10,310,000	-
	<u>23,558,000</u>	<u>43,125,530</u>	<u>23,558,000</u>	<u>43,125,530</u>	<u>-</u>
<u>Direct Borrowing</u>					
Series 2021 Loan	18,442,000	-	700,000	17,742,000	1,000,000
	<u>18,442,000</u>	<u>-</u>	<u>700,000</u>	<u>17,742,000</u>	<u>1,000,000</u>
	<u>\$ 42,000,000</u>	<u>\$ 43,125,530</u>	<u>\$ 24,258,000</u>	<u>\$ 60,867,530</u>	<u>\$ -</u>

PALISADE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2024

Subordinate General Obligation Limited Tax and Revenue Bonds Series 2019

On October 10, 2019, the District issued \$23,558,000 of Subordinate General Obligation Limited Tax and Revenue Bonds, Series 2019 (Series 2019 Bonds), for the purpose of funding and reimbursing a portion of the costs of certain public infrastructure and paying the costs of issuance of the Series 2019 Bonds. The Series 2019 Bonds bear interest at rate of 7.250% payable annually on December 15 each year, commencing on December 15, 2019.

The Series 2019 Bonds are subject to mandatory redemption to the extent Pledged Revenue is available therefore and are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, commencing on December 15, 2024, upon payment of par, accrued interest, and a redemption premium that ranges between 0% and 3%.

The Series 2019 Bonds are cash flow bonds secured by the Pledged Revenue consisting of the following, net of any costs of collection: (a) the Sales Tax Revenue; (b) the Subordinate Required Mill Levy, including any District No. 2 TIF produced from the imposition of the Subordinate Required Mill Levy; (c) any Additional PILOT Revenue; (d) collectively, any District No. 1 Capital Revenue, BURA Agreement Revenue (exclusive of the Sales Tax Revenue as and to the extent received by the District), and PILOT Revenue, remaining in each Fiscal Year after the payment of any Senior Bonds (including the Series 2021 Loan); (e) the portion of the Specific Ownership Tax which is collected as a result of the imposition of the Subordinate Required Mill Levy; and (f) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Pledged Revenue. Excluding Sales Tax Revenue, the Series 2019 Bonds are secured by the Pledged Revenue on a subordinate basis to the Series 2021 Loan.

The Series 2019 Bonds were refunded by the issuance of the District's Series 2024B Bonds, discussed below.

Tax-Exempt General Obligation Refunding Loan Series 2021

On November 23, 2021, the District entered into a Loan Agreement with Zions Bancorporation, N.A. dba: Vectra Bank Colorado (Lender) in the principal amount of \$19,647,000 (Series 2021 Loan). Proceeds of the Series 2021 Loan were used to (i) refund, pay, and cancel the District's General Obligation Limited Tax Revenue Bonds, Series 2016 (the Series 2016 Bonds); and (ii) pay the costs of issuing the Series 2021 Loan.

The Series 2021 Loan matures on December 1, 2046, and bears interest at 2.75% (Base Rate) from the closing date to December 1, 2036 (Interest Reset Date). For the period ranging from the Interest Reset Date to the Maturity Date, the Base Rate shall be equal the sum of the Index plus 150 basis points, multiplied by 80%; (i) provided, however, for so long as the Series 2019 Bonds remain outstanding, in no event shall the Base Rate cause the debt service payable on the Series 2021 Loan to exceed the debt service for such comparable year set forth in the Loan Agreement; and (ii) provided, further, in no event shall the Base Rate be less than 3.00%.

PALISADE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2024

Interest is payable semiannually on June 1 and December 1, beginning on June 1, 2022, and principal is payable on December 1, beginning on December 1, 2022. Interest not paid when due shall compound on each payment date at the then-applicable interest rate.

The principal and interest on the Series 2021 Loan shall be payable solely from and to the extent of the Pledged Revenue and the funds and accounts held for the payment of the Series 2021 Loan. Pledged Revenue means the money derived by the District from the following sources, net of any costs of collection; (a) the Required Mill Levy, including any District No. 2 TIF produced from the imposition of the Required Mill Levy; (b) District No. 1's Capital Revenue (except for Sales Tax Revenue); (c) BURA Agreement Revenue (except for Sales Tax Revenue); (d) PILOT Revenue; (e) the portion of Specific Ownership Tax which is collected as a result of imposition of the Required Mill Levy; and (f) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Pledged Revenue.

The following is a summary of the annual long-term debt principal and interest requirements of the Series 2021 Loan.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 1,000,000	\$ 494,681	\$ 1,494,681
2026	1,200,000	466,800	1,666,800
2027	1,150,000	433,341	1,583,341
2028	1,150,000	401,277	1,551,277
2029	525,000	369,213	894,213
2030-2034	2,625,000	1,626,495	4,251,495
2035-2039	3,326,000	1,684,788	5,010,788
2040-2044	4,705,000	1,128,763	5,833,763
2045-2049	2,061,000	141,301	2,202,301
	<u>\$17,742,000</u>	<u>\$ 6,746,659</u>	<u>\$24,488,659</u>

PALISADE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2024

\$32,691,197.35 (Value at Issuance) Subordinate Convertible Capital Appreciation General Obligation Limited Tax and Revenue Refunding Bonds, Series 2024B (2024 B Bonds) and \$10,310,000 Second Subordinate General Obligation Limited Tax and Revenue Bonds, Series 2024C (2024C Bonds and, collectively, with the 2024B Bonds, the Bonds)

On November 21, 2024, the District issued its (i) Subordinate Convertible Capital Appreciation General Obligation Limited Tax and Revenue Refunding Bonds, Series 2024B (Series 2024B Bonds) in the aggregate original principal amount of \$32,691,197.35 and appreciating to a principal amount of \$36,785,000; and (ii) Second Subordinate General Obligation Limited Tax and Revenue Bonds, Series 2024C (Series 2024C Bonds) (with the Series 2024C Bonds, the Series 2024 Bonds) in the aggregate principal amount of \$10,310,000. Proceeds from the Series 2024B Bonds were used for the purpose of refunding the Series 2019 Bonds and paying costs of issuance in connection with the issuance of the Series 2024 Bonds. Proceeds from the Series 2024C Bonds were used for the purpose of funding public infrastructure.

The Series 2024B Bonds were issued as capital appreciation bonds, convertible to current interest bonds on December 15, 2026. From the date of issuance to December 15, 2026, interest accrues on the Series 2024B Bonds at a rate of 5.875%, compounding on each December 15, with accrued interest constituting appreciated principle of the Series 2024B Bonds. Commencing on December 15, 2027, the Series 2024B Bonds bear interest at 5.875%, payable annually on December 15 of each year from and to the extent of Pledged Revenue. The 2024B Bonds mature on December 15, 2054. The Series 2024B Bonds are subject to mandatory sinking fund redemption prior to the maturity date on December 15 of each year, commencing on December 15, 2031. The Series 2024B Bonds are subject to redemption prior to maturity, at the option of the District, on December 1, 2029, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium that ranges between 0% and 3%.

The Series 2024B Bonds are secured by the Pledged Revenue consisting of the following, net of any costs of collection: (a) the Sales Tax Revenue; (b) the Subordinate Required Mill Levy, including any District No. 2 TIF produced from the imposition thereof; (c) any Additional PILOT Revenue; (d) collectively, any District No. 1 Capital Revenue, BURA Agreement Revenue (exclusive of Sales Tax Revenue and as and to the extent received by the District) and PILOT Revenue, remaining in each Fiscal Year after the payment of any Senior Bonds (including the Series 2021 Loan); (e) the portion of the Specific Ownership Tax which is collected as a result of imposition of the Subordinate Required Mill Levy; and (f) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Pledged Revenue. The Series 2024B Bonds are also secured by a Surplus Fund to be funded to the extent of Pledged Revenue up to the Maximum Surplus Fund Amount of \$5,000,000 until the Release Date (being the date upon which the Debt to Assessed Ratio is equal to 50% or less).

PALISADE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2024

The Series 2024C Bonds bear interest at a rate of 8.000% payable annually on December 15 of each year, commencing on December 15, 2024 from and to the extent of Pledged Revenue. The Series 2024C Bonds are cash flow bonds, meaning that no regularly scheduled payments of principal are due prior to the maturity date of December 15, 2037. The Series 2024C Bonds are subject to mandatory redemptions following each November 15, from, and to the extent of, Pledged Revenue therefor, if any, commencing on November 15, 2024. The Series 2024C Bonds are subject to redemption prior to maturity, at the option of the District, on December 1, 2029, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium that ranges between 0% and 3%. Notwithstanding, all of the Series 2024C Bonds and interest thereon will be deemed to be paid, satisfied, and discharged on December 16, 2069, regardless of the amount of principal and interest paid prior to such date.

The Series 2024C Bonds are secured by the Pledged Revenue consisting of the following, net of any costs of collection: (a) the Second Subordinate Required Mill Levy, including any District No. 2 TIF produced therefrom; (b) any Additional PILOT Revenue remaining in each Fiscal Year after payment of any Subordinate Bonds (including the Series 2024B Bonds); (c) collectively, any District No. 1 Capital Revenue (exclusive of Sales Tax Revenue and as and to the extent received by the District), BURA Agreement Revenue (exclusive of the Sales Tax Revenue and as and to the extent received by the District), and PILOT Revenue, remaining in each Fiscal Year after the payment of any Senior Bonds (including the Series 2021 Loan) and Subordinate Bonds (including the Series 2024B Bonds); (d) the portion of Specific Ownership Tax which is collected as a result of imposition of the Second Subordinate Required Mill Levy; (e) following the Release Date for the Series 2024B Bonds, monies released from the Surplus Fund initially established for the Series 2024B Bonds; and (f) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Pledged Revenue.

Because of the uncertainty of the timing of payments for the Series 2024B Bonds and the Series 2024C Bonds, a summary of the long-term debt principal and interest requirements is not presented.

Debt Authorization

The limit on the District's ability to issue Debt, exclusive of refundings, is set forth in its Service Plan as \$82,000,000 (Service Plan Debt Issuance Limit). In no event is the District authorized to issue Debt in excess of the Service Plan Debt Issuance Limit. As of December 31, 2024, the District had \$21,575,843 of Service Plan Debt Issuance Limit remaining.

The District has voter authorization in excess of the Service Plan Debt Issuance Limit as at the time of the elections, the actual costs of construction were not known. Without knowing the costs of construction, it is not possible to allocate the Service Plan Debt Issuance Limit by power (such as water, sewer or streets). With that understanding, on November 7, 2006, November 5, 2013, and May 2, 2023, District electors voted to authorize debt issuance, by power, as follows:

PALISADE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2024

	2006 Electoral Authorization	2013 Electoral Authorization	2023 Electoral Authorization	Authorization Used ⁽¹⁾	Remaining Authorization
Street	\$10,100,000	\$18,300,000	\$3,000,000	\$28,765,749	\$2,634,251
Parks and Recreation	2,500,000	18,300,000	16,500,000	18,602,014	18,697,986
Water	1,300,000	18,300,000	-	2,007,886	17,592,114
Sanitation	3,700,000	18,300,000	-	10,017,508	11,982,492
Public Transportation	100,000	18,300,000	-	-	18,400,000
Mosquito Control	50,000	18,300,000	-	-	18,350,000
Safety Protection	500,000	18,300,000	-	1,031,000	17,769,000
Television Relay and Translation	50,000	18,300,000	-	-	18,350,000
O&M	500,000	18,300,000	-	-	18,800,000
Refunding Debt	18,300,000	36,600,000	-	46,211,792	8,688,208
IGAs as Debt	18,300,000	18,300,000	-	-	36,600,000
TOTAL	\$55,400,000	\$219,600,000	\$19,500,000	\$106,635,949	\$187,864,051
Service Plan Debt Issuance Limit				\$60,424,157	\$21,575,843
⁽¹⁾ Includes a contingent use of \$19,646,792 of refunding authorization in connection with the Series 2021 Loan.					

Note 4: Related Parties

All the Board of Directors are employees, owners, or are otherwise associated with Kevamra, 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.

Note 5: Agreements

Operation Funding Agreement

On November 13, 2008, the District and Kevamra entered into an Operation Funding Agreement with an effective date of September 27, 2007 (OFA), whereby Kevamra agreed to provide funding for operations and maintenance expenses of the District as needed through 2010 up to \$125,000 and the District agreed to reimburse Kevamra for such advances, along with interest at 8% per annum. The OFA expires on December 31, 2027. On December 9, 2010, the District entered a First Amendment to the OFA extending the term to include advances up to \$125,000 as are necessary through 2012. On November 15, 2012, the District entered a Second Amendment to OFA extending the term to include advances up to \$125,000 as are necessary through 2013. During 2020 the District repaid the Developer \$31,372 in principal and \$28,996 in interest and on December 31, 2024, there were no amounts outstanding under the OFA, as amended.

PALISADE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2024

Facilities Funding and Acquisition Agreement

On August 25, 2016, the District and Kevamra entered into an Amended and Restated Facilities Funding and Acquisition Agreement (Amended FFAA) with an effective date of September 27, 2007. Pursuant to the Amended FFAA, Kevamra agreed to provide funding for certain construction-related expenses of the District up to \$17,500,000 and the District agreed to reimburse Kevamra for such capital advances made to the District along with interest at 8% per annum. The Amended FFAA further provides Kevamra may construct public improvements for subsequent acquisition and/or reimbursement by the District, subject to the conditions set forth in the Amended FFAA, along with interest at 8% per annum. On November 16, 2017, with an effective date of January 1, 2018, the District and Kevamra entered a First Amendment to Amended FFAA to extend the fiscal years Kevamra shall be obligated to advance funds up to the amount of the shortfall amount through 2020 and to extend the term of the Amended FFAA. On September 13, 2023, with an effective date of September 27, 2007, the District and Kevamra entered into a Second Amendment to Amended FFAA to reflect the District's agreement to reimburse Kevamra, and/or to make direct payment to vendors on behalf of Kevamra, for the Verified Costs (as defined in the Amended FFAA). The Amended FFAA expires on December 31, 2030. As of December 31, 2024, there were no amounts outstanding under the Amended FFAA.

Amended and Restated Intergovernmental Agreement for Cost Sharing

On August 25, 2016, the District and Palisade Metropolitan District No. 1 (District No. 1, and collectively with the District, the Districts) entered into an Amended and Restated Intergovernmental Agreement for Cost Sharing with an effective date of January 1, 2014 (Amended IGA). The purpose of the Amended IGA is to identify and approve the allocation of the costs of the Completed Improvements (as defined in the Amended IGA) as between the Districts, to evidence the agreement of District No. 1 to assume the obligation to reimburse Kevamra for the District No. 1 Allocated Improvement Costs (as defined in the Amended IGA) and the District No. 1 Direct Costs (as defined in the Amended IGA) pursuant to the District No. 1 Amended and Restated Facilities Funding and Acquisition Agreement with Kevamra and to evidence the agreement of the District to assume the obligation to reimburse Kevamra for the District No. 2 Allocated Improvement Costs (as defined in the Amended IGA) pursuant to the Amended FFAA. The Amended IGA also established the allocation between the District and District No. 1 for costs verified between the District and District No. 1 associated with the remaining public improvements to be constructed by the District for the benefit of the District and District No. 1.

PALISADE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2024

Agreement to Plug and Abandon Wells and Reclaim Lands

On November 5, 2020, the District, Crestone Peak Resources Operating LLC (Crestone), and Kevamra entered into an Agreement to Plug and Abandon Wells and Reclaim Lands (the Crestone Agreement) setting forth the terms relative to the plugging and abandoning of certain wells owned and operated by Crestone on property owned by Kevamra that lies within the service area and/or boundaries of the District and District No. 1. The District intends to install certain park and recreation infrastructure on the property, but is unable to do so without having the wells plugged and abandoned. Crestone agreed to plug and abandon the wells in accordance with applicable rules and regulations and remove associated equipment from the property. Crestone and Kevamra further agreed to jointly perform the reclamation of a well pad location pursuant to the terms of the Crestone Agreement. The District agreed to pay Crestone \$100,000 to perform the plugging and abandoning of the wells and the reclamation of the well pad location.

Reimbursement Agreement

On October 9, 2007, the District entered into a Reimbursement Agreement by and among the Broomfield Urban Renewal Authority (BURA) and District No. 1 (Reimbursement Agreement) whereby BURA agreed to reimburse the Districts for eligible improvements in an amount of the lesser of the total certified costs, or \$15,809,807 (Reimbursement Obligation). Pursuant to the Reimbursement Agreement, the Districts are expected to issue bonds to finance the eligible improvements described therein and, to assist in supporting the repayment of such bonds, BURA agreed to transfer 50% of the 3.5% sales taxes imposed upon all transactions subject to sales tax within the Districts, 50% of the 3.5% use tax revenue produced by initial construction of Private Improvements within the Districts, and 50% of the Service Expansion Fee collected for residential uses developed and constructed within the Districts.

Additionally, BURA will deposit into a separate account and transfer to the Districts all property tax revenue paid to BURA because of the Districts' mill levies. The funds generated from the operating mill levy will be used by the Districts to pay for normal operating and maintenance expense, and the portion attributable to the debt service mill levy will be used for payment on the bonds. The debt service mill levy transfer will expire on the first to occur of the 25th anniversary of the Reimbursement Agreement or the defeasance in full of the bonds. The District's mill levies do not count against or otherwise reduce the Reimbursement Obligation.

On April 19, 2011, the Districts and BURA entered into Amendment No. 1 to the Reimbursement Agreement to acknowledge issuance of a Promissory Note by the District to finance certain specified public improvements (Amendment Improvements) for the benefit of certain property within the District (Amendment Property). Pursuant to Amendment No. 1, BURA agreed to pledge to the District for repayment of the Promissory Note that portion of increment revenues BURA receives as a result of 7.242 mills levied by Broomfield associated with the Amendment Property, and that portion of the increment revenues BURA receives as a result of the mill levy imposed by the Saint Vrain School District on the Amendment Property (Amendment Revenues).

PALISADE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2024

On December 2, 2014, the Districts and BURA entered into Amendment No. 2 to the Reimbursement Agreement to provide for additional Pledged Revenue to pay for Eligible Expenditures of those Public Improvements defined in Amendment No. 2, including certain property tax increment revenues BURA receives as a result of the following, but excluding any Amendment No. 1 Property Tax Revenue attributed to the Amendment Property, (i) the levy of 7.242 mill by the Broomfield upon certain property, (ii) 100% of the levy of the St. Vrain School District on certain property within District No. 2, and (iii) 75% of the levy of the St. Vrain School District on certain property within District No. 1. Amendment No. 2 also increased the Maximum Net Reimbursement Obligation of BURA to the lesser of the total cost for the Public Improvements, as certified and approved in accordance with the Reimbursement Agreement, or \$23,633,446. On July 15, 2015, the Districts and BURA entered into a Corrected Amendment No. 3 to the Reimbursement Agreement (Amendment No. 3) to clarify certain definitions and authorized uses of the Pledged Revenues.

Agreement Regarding Children's Payments in Lieu of Taxes

The District and Kevamra entered into an Agreement Regarding Children's Payments in Lieu of Taxes on July 12, 2011 (Children's Agreement) whereby Kevamra agreed to transfer, convey, and assign all its rights title and interest in certain payments made by the Children's Hospital Association (Children's). Specifically, Kevamra had previously entered into various agreements with Children's whereby Children's agreed to promptly pay all taxes, assessments, fees, and other lawful charges levied by the District, or alternatively to pay the District an amount equivalent to the fees assessments or taxes if it is deemed that Children's is tax exempt (Children's PILOT). Pursuant to the Children's Agreement, the District has the right to enforce and collect the Children's PILOT.

Declaration of Covenants Relating to Payments in Lieu of Ad Valorem Taxes

The District, Kevamra, and The Oxford Fund/NARA-CO, LLC (Oxford) entered into a Declaration of Covenants Relating to Payments in Lieu of Ad Valorem Taxes on July 12, 2011 (Declarations), whereby Kevamra and Oxford agreed that if (1) any tax-exempt entity becomes an owner of the property that is the subject of the Declarations, or (2) any owner that is taxable subsequently becomes tax exempt, then such property shall be subject to a payment in lieu of taxes (PILOT). The amount of the PILOT payment shall be an amount equal to what would have been derived from the District's operations and maintenance mill levy and debt service mill levy plus, during the term of the Reimbursement Agreement, an amount equal to the Amendment Revenues, prorated of any portion of the year during which a change in status occurs. The Declarations terminate upon the later of dissolution of the District or repayment of all obligations under bonds issued by the District.

PALISADE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2024

Facilities Fee Resolution

On November 13, 2008, the District adopted Facilities Fee Resolution No. 2008-11-05, as amended on June 23, 2010, and as further amended on November 13, 2014 (Fee Resolution). Pursuant to the Fee Resolution, the District imposed a Facilities Fee on (i) each Commercial Unit, as defined in the Fee Resolution, constructed in the District in the amount of \$.50 per square foot, and (ii) each Multifamily Residential Unit, as defined in the Fee Resolution, in the amount of \$1,000 on each Multifamily Residential Unit (collectively, the Fee). The 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.

Amended and Restated Capital Pledge Agreement

On September 1, 2016, the District and District No. 1 entered into a Capital Pledge Agreement (2016 Pledge Agreement), whereby District No. 1 pledged certain revenues to the payment of the District's Series 2016 Bonds. On October 1, 2019, the District and District No. 1 entered into an Amended and Restated Capital Pledge Agreement (Restated Pledge Agreement), which amended and restated the 2016 Pledge Agreement in its entirety, in connection with the District's issuance of the Series 2019 Bonds. The Restated Pledge Agreement obligates District No. 1 to pledge the District No. 1 Capital Revenue (as defined in the Restated Pledge Agreement) to the payment of the Series 2016 Bonds and Series 2019 Bonds. On November 23, 2021, the District and District No. 1 entered into a Second Amended and Restated Capital Pledge Agreement (Second Restated Pledge Agreement), which amended and restated the Restated Pledge Agreement in its entirety, and obligates District No. 1 to pledge the District No. 1 Capital Revenue to the payment of the Series 2019 Bonds and Series 2021 Loan.

On November 1, 2024, the District and District No. 1 entered into a Third Amended and Restated Capital Pledge Agreement (Third Restated Pledge Agreement), which amended and restated the Second Restated Pledge Agreement in its entirety in connection with the District's issuance of its Series 2024 Bonds. The Third Restated Pledge Agreement obligates District No. 1 to pledge the District No. 1 Capital Revenue (as defined therein) to the District for the payment of the 2021 Loan and 2024 Bonds.

The obligation of District No. 1 under the Third Restated Pledge Agreement constitutes a general obligation limited tax debt of District No. 1 in the principal amount of \$8,000,000, bearing interest at the rate of 7.00% per annum (due on each June 1 and December 1), maturing on December 15, 2049, and payable solely from the District No. 1 Capital Revenue; provided, however, the total payments made by District No. 1 to the District pursuant to the Third Restated Pledge Agreement will not exceed \$24,301,000; less all payments made from the date of the 2016 Pledge Agreement (Revenue Limitation). The payment obligations of District No. 1 under the Third Restated Pledge Agreement continue until the earlier of the date when the Series 2021 Loan and Series 2024 Bonds are no longer outstanding or the date on which District No. 1 has made payments thereunder equal to the Revenue Limitation.

PALISADE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2024

County Road 7 Escrow Account Letter Agreement

The District agreed pursuant to a letter agreement to Kevamra dated March 26, 2019 (Escrow Letter Agreement) to requisition \$960,699 of bond proceeds from its Series 2016 Bonds to reimburse Kevamra for the District and Palisade Metropolitan District No. 1's share of the construction related expenses associated with the County Road 7 Improvements (as defined therein) in the amount of \$598,867 (defined therein as the Verified Costs), as such Verified Costs were determined to be reimbursable under the Amended FFAA, and to provide an additional \$361,833 (as defined therein as the Unverified Amount) to Kevamra so that with the Verified Costs, Kevamra can place the entire \$960,699.31 in escrow to stay the execution of a jury award against Kevamra in a suit brought against Kevamra relative to the County Road 7 Improvements. Pursuant to the Escrow Letter Agreement, Kevamra agrees that if the jury award against Kevamra is overturned or decreased and/or all or any portion of the Unverified Amount is not certified as reimbursable under the Amended FFAA, Kevamra will return all or such portions of the Unverified Amount to the District and/or credit such amount to future construction related expenses to the extent the same are reimbursable pursuant to the terms of the Amended FFAA.

Pursuant to a Letter Agreement to Kevamra dated July 28, 2021, the District amended the Escrow Letter Agreement to reflect additional verified costs associated with the County Road 7 Improvements in the amount of \$398,794.19, as the same are reimbursable to Kevamra pursuant to the Amended FFAA, increasing the total reimbursement to Kevamra to \$1,359,493.50.

Supplemental Agreement to the Subdivision Improvement Agreements for Palisade Park

On April 28, 2020, the District, the City and County of Broomfield (Broomfield), Kevamra, District No. 1, Palisade Park North Metropolitan District Nos. 1, 2, and 3, and Palisade Park West Metropolitan District (collectively, the District, District No. 1, Palisade Park North Metropolitan District Nos. 1, 2, and 3, 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 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. In lieu of the Surety, the Supplemental Agreement provides that the respective Palisade District and Kevamra 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.

PALISADE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2024

First Amendment to Subdivision Improvement Agreement for Palisade Park Filing No. 1, Replat C Final Plat

On July 25, 2023, the District, Broomfield, Kevamra, Palisade Brownstones, LLC, Palisade Brownstones II, LLC, and Chartered Development Corporation entered into the First Amendment to the City and County of Broomfield Subdivision Improvement Agreement for Palisade Park Filing No. 1, Replat C Final Plat (First Amendment to SIA). The purpose of the First Amendment to SIA is to establish the District's responsibility to construct certain park improvements within its boundaries, subject to the availability of funds, in a phased approach as indicated in the First Amendment to SIA. In the event the District does not have funds available, Kevamra will construct or cause the construction of the park improvements and seek reimbursement from the District pursuant to the Amended FFAA.

Park Cost Sharing Intergovernmental Agreement

On May 7, 2020, the Palisade Districts entered the Park Cost Sharing Intergovernmental Agreement (Park Cost Sharing IGA) effective in 2020. The Park Cost Sharing IGA: (i) identifies and approves the allocation of the costs incurred relative to certain regional park, open space, and recreation improvements of a regional nature (referred to therein as the Park Improvements); (ii) evidences the agreement of the District to finance and cause the construction of the Park Improvements; and (iii) evidences the agreement of the remaining Palisade Districts to reimburse the District for such costs in accordance with an agreed-upon cost-sharing allocation.

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 the District 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 to reimburse the District for such costs in accordance with an agreed-upon cost-sharing allocation. The District's cost sharing allocation is 35.6%. Pursuant to the Restated Park Cost Sharing IGA, to the extent the District does not have sufficient funds and has not received sufficient funds from the other Palisade Districts for construction of the Urban Park Improvements, the District shall request funds from Palisade Park North Metropolitan District No. 3 (PPN District No. 3) in accordance with the Restated Park Costing Sharing IGA. PPN District No. 3 agrees to advance such funds to the District 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.

PALISADE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2024

Intergovernmental Agreement for Operations Cost Sharing

On September 8, 2022, the District and District No. 1 (collectively, referred to herein as 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 both of the Districts); identifies the District Maintained Improvements requiring 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); evidences the agreement of the District 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 District No. 1 to reimburse the District for the costs of the Operations Services in accordance with the agreed upon allocation.

Note 6: Tax, Spending and Debt Limitations

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer Bill of Rights (“TABOR”), contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

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

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

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

On November 7, 2006, 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.

PALISADE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2024

Note 7: Risk Management

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

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

Note 8: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

The Governmental Funds Balance Sheet/Statement of Net Position includes an adjustments column. The adjustments have the following elements:

- 1) capital improvements used in government activities are not financial resources and, therefore are not reported in the funds; and
- 2) deferred cost on refunding is not financial resources and, therefore are not reported in the funds; and,
- 3) long-term liabilities such as bonds payable and accrued bond interest payable are not due and payable in the current period and, therefore, are not in the funds.

The Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities includes an adjustments column. The adjustments have the following elements:

- 1) governmental funds report capital outlays as expenditures, however, in the statement of activities, the costs of those assets are held as construction in process pending transfer to other governmental entities or depreciated over their useful lives;
- 2) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities;
- 3) governmental funds report bond proceeds as revenue; and,
- 4) governmental funds report long-term debt payments as expenditures, however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.

SUPPLEMENTAL INFORMATION

Palisade 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, 2024

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES				
Property taxes	\$ 6,855	\$ 6,855	\$ 6,840	\$ (15)
Specific ownership taxes	26,930	26,930	23,608	(3,322)
Sales tax revenue	283,966	281,466	78,515	(202,951)
Payment in lieu of taxes	987,913	987,913	987,908	(5)
BURA District	531,738	531,738	531,751	13
BURA City	101,722	101,722	99,252	(2,470)
BURA St. Vrain	753,895	753,895	735,661	(18,234)
Transfer from other Districts	788,490	788,490	786,104	(2,386)
Interest income	<u>13,781</u>	<u>20,000</u>	<u>61,382</u>	<u>41,382</u>
Total Revenues	<u>3,495,290</u>	<u>3,499,009</u>	<u>3,311,021</u>	<u>(187,988)</u>
EXPENDITURES				
Miscellaneous	150	150	163	(13)
Bond principal	-	23,558,000	-	23,558,000
Loan principal	700,000	700,000	700,000	-
Bond interest	2,003,498	7,597,750	54,987	7,542,763
Loan interest	507,155	507,155	515,608	(8,453)
Paying agent fees	6,000	6,000	5,500	500
Treasurer fees	103	103	102	1
Contingency	33,094	2,004,102	-	2,004,102
Call premium	<u>-</u>	<u>706,740</u>	<u>-</u>	<u>706,740</u>
Total Expenditures	<u>3,250,000</u>	<u>35,080,000</u>	<u>1,276,360</u>	<u>33,803,640</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	245,290	(31,580,991)	2,034,661	33,615,652
OTHER FINANCING SOURCES (USES)				
Payment to escrow agent	-	-	(31,683,670)	(31,683,670)
Transfer to/from other funds	<u>-</u>	<u>31,864,636</u>	<u>31,682,130</u>	<u>(182,506)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>31,864,636</u>	<u>(1,540)</u>	<u>(31,866,176)</u>
NET CHANGE IN FUND BALANCE				
	245,290	283,645	2,033,121	1,749,476
FUND BALANCE:				
BEGINNING OF YEAR	<u>22,849</u>	<u>21,567</u>	<u>21,567</u>	<u>-</u>
END OF YEAR	<u>\$ 268,139</u>	<u>\$ 305,212</u>	<u>\$ 2,054,688</u>	<u>\$ 1,749,476</u>

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

Palisade Metropolitan District No. 2

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

For the Year Ended December 31, 2024

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES				
Intergovernmental revenue	\$ 500,000	\$ 500,000	\$ -	\$ (500,000)
Interest income	<u>178,000</u>	<u>70,000</u>	<u>45,315</u>	<u>(24,685)</u>
Total Revenues	<u>678,000</u>	<u>570,000</u>	<u>45,315</u>	<u>(524,685)</u>
EXPENDITURES				
Capital outlay	400,000	14,685,024	6,337,553	8,347,471
Cost of issuance	-	1,433,800	1,284,078	149,722
Banking fees	100	100	-	100
Intergovernmental expenditures	500,000	-	-	-
Engineering	8,000	8,000	-	8,000
Contingency	<u>6,906,982</u>	<u>3,783,993</u>	<u>-</u>	<u>3,783,993</u>
Total Expenditures	<u>7,815,082</u>	<u>19,910,917</u>	<u>7,621,631</u>	<u>12,289,286</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(7,137,082)	(19,340,917)	(7,576,316)	11,764,601
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	45,210,000	43,001,197	(2,208,803)
Transfer to/from other funds	<u>-</u>	<u>(31,864,636)</u>	<u>(31,683,670)</u>	<u>180,966</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>13,345,364</u>	<u>11,317,527</u>	<u>(2,027,837)</u>
NET CHANGE IN FUND BALANCE	(7,137,082)	(5,995,553)	3,741,211	9,736,764
FUND BALANCE:				
BEGINNING OF YEAR	<u>7,137,082</u>	<u>5,995,553</u>	<u>5,995,552</u>	<u>(1)</u>
END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,736,763</u>	<u>\$ 9,736,763</u>

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