

NORTH STATION METRO DISTRICT NO. 2
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022



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**NORTH STATION METRO DISTRICT NO. 2
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YEAR ENDED DECEMBER 31, 2022**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
North Station Metro District No. 2
Erie, Colorado

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of North Station Metro District No. 2, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise North Station Metro District No. 2'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 the major fund of North Station Metro District No. 2, as of December 31, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of North Station Metro District No. 2 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 North Station Metro District No. 2'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.

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of North Station Metro District No. 2'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 North Station Metro District No. 2'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.

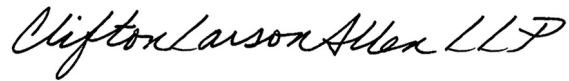
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

Board of Directors
North Station Metro District No. 2

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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



CliftonLarsonAllen LLP

Broomfield, Colorado
April 18, 2023

**NORTH STATION METRO DISTRICT NO. 2
STATEMENT OF NET POSITION
DECEMBER 31, 2022**

	Governmental Activities
ASSETS	
Unrestricted Cash and Investments	\$ 340,173
Due from County Treasurer	5,653
Prepaid Items	2,371
Property Taxes Receivable	1,944,921
Construction in Progress	992,357
Total Assets	3,285,475
LIABILITIES	
Capital Loans Payable to Summerfield No. 2	180,137
Total Liabilities	180,137
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	1,944,921
Total Deferred Inflows of Resources	1,944,921
NET POSITION	
Restricted for TABOR	42,930
Unrestricted	1,117,487
Total Net Position	\$ 1,160,417

See accompanying Notes to Financial Statements.

**NORTH STATION METRO DISTRICT NO. 2
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

Functions/Programs	Expenses	Program Revenue	Net (Expense) Revenue and Changes in Net Position Governmental Activities
GOVERNMENTAL ACTIVITIES			
General Government	\$ 57,086	\$ -	\$ (57,086)
Interest and Related Costs on Long-Term Debt	97,563	-	(97,563)
Total Governmental Activities	\$ 154,649	\$ -	(154,649)
GENERAL REVENUES			
			1,342,305
			79,444
			111,139
			268,841
			9,254
Total General Revenues			1,810,983
CHANGE IN NET POSITION			1,656,334
			(495,917)
NET POSITION - END OF YEAR			\$ 1,160,417

See accompanying Notes to Financial Statements.

**NORTH STATION METRO DISTRICT NO. 2
BALANCE SHEET
DECEMBER 31, 2022**

	<u>General Fund</u>
ASSETS	
Unrestricted Cash and Investments	\$ 340,173
Due from County Treasurer	5,653
Prepaid Items	2,371
Property Taxes Receivable	<u>1,944,921</u>
Total Assets	<u><u>\$ 2,293,118</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	
LIABILITIES	
Capital Loans Payable to Summerfield No. 2	<u>\$ 180,137</u>
Total Liabilities	180,137
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Property Tax Revenue	<u>1,944,921</u>
Total Deferred Inflows of Resources	1,944,921
FUND BALANCE	
Nonspendable	2,371
Restricted for TABOR	42,930
Unassigned	<u>122,759</u>
Total Fund Balance	<u>168,060</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u><u>\$ 2,293,118</u></u>

See accompanying Notes to Financial Statements.

**NORTH STATION METRO DISTRICT NO. 2
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2022**

Total Fund Balance - Total Governmental Fund \$ 168,060

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

Capital assets used in governmental activities are not financial resources and,
therefore, are not reported in the fund balance sheet.

Construction in Progress

992,357

Net Position of Governmental Activities

\$ 1,160,417

See accompanying Notes to Financial Statements.

**NORTH STATION METRO DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2022**

	General Fund
REVENUES	
Property Taxes	\$ 1,342,305
Specific Ownership Taxes	79,444
Intergovernmental - North Station Metropolitan District No. 1 and No. 3	111,139
Intergovernmental - Summerfield Metropolitan District No. 2	1,335,834
Investment Income	9,254
Total Revenues	2,877,976
EXPENDITURES	
Current:	
Intergovernmental - Erie Commons Metropolitan District No. 1	25,000
County Treasurer's Fees	20,135
Audit	1,811
Accounting	6,519
Insurance	1,906
Miscellaneous	1,715
Debt Service:	
Principal	3,000,000
Interest	110,688
Capital Outlay	210,000
Total Expenditures	3,377,774
NET CHANGE IN FUND BALANCE	(499,798)
Fund Balance - Beginning of Year	667,858
FUND BALANCE - END OF YEAR	\$ 168,060

See accompanying Notes to Financial Statements.

**NORTH STATION METRO DISTRICT NO. 2
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO
THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

Net Change in Fund Balance - Total Governmental Fund	\$ (499,798)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Governmental fund reports capital outlays as expenditures. However, for government activities, those capital outlays other than noncapitalizable items are shown in the statement of net position at cost.</p>	
Capital Outlay	210,000
<p>Transfers of capital improvements to other entities decrease net position in the statement of activities. This transaction is not reported in the governmental fund as it is not a current use of financial resources.</p>	
	(1,066,993)
<p>The issuance of long-term debt provides current financial resources to the governmental fund, while the repayment of the principal on long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.</p>	
Payment of Principal	3,000,000
<p>An decrease in accrued interest does not have any impact on governmental fund expenditures. This transaction, however, does reduce the amount of interest expense on the statement of activities.</p>	
	<u>13,125</u>
Change in Net Position of Governmental Activities	<u><u>\$ 1,656,334</u></u>

See accompanying Notes to Financial Statements.

NORTH STATION METRO DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 DEFINITION OF REPORTING ENTITY

North Station (previously Erie Corporate Center) Metropolitan District No. 2 (District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized by order and decree of the District Court, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). In April 2022, the Board approved the District's name change from Erie Corporate Center Metropolitan District to North Station Metropolitan District. The District operates under a Consolidated Service Plan with North Station Metropolitan District No. 1 and No. 3. (District No. 1 and District No. 3) approved by the Town of Erie on October 28, 2004. Pursuant to the Service Plan, the District, the residential financing district, is intended to provide funding to District No. 1 for the design, acquisition, construction, and completion of public improvements, including streets, traffic and safety controls and devices, transportation services, park and recreation, water, and sanitation facilities. District No. 1, the operating district, is intended to manage the financial, construction and operation and maintenance of such improvements.

The operation and maintenance of all other services and facilities is anticipated to be provided by the Town of Erie and not by the District.

The District has no employees and all services 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 for any other organization, nor is the District a component unit of any other primary governmental entity, including District No. 1 and District No. 3 and the Town of Erie.

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. Governmental activities are normally supported by taxes.

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

NORTH STATION METRO DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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 charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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 related cash flows.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted as they are needed.

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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes. Expenditures generally are recorded when a 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 fund:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government.

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'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 adopted budgets for the General Fund and Debt Service fund have been consolidated and reflected as the General Fund Budget for financial reporting purposes.

NORTH STATION METRO DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year.

The taxes are payable by April or if in equal installments, at the 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 are recorded initially as deferred inflows of resources in the year they are levied and measurable. The property tax revenues are recorded as revenue in the year they are available and collected.

Fund Balance and Net Position

Net position is reported in the governmental activities and is classified as restricted or unrestricted. Restrictions of net position represent amounts that are not available for appropriation or are legally restricted. As of December 31, 2022, fund balances of governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are not spendable in form or because they are legally or contractually required to be maintained intact. This includes amounts that are not expected to be converted to cash, for example, prepaid amounts.

Restricted – amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.

Committed – amounts that are subject to a purpose constraint imposed by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified or rescinded only through resolutions approved by the Board.

Assigned – amounts that are subject to a purpose constraint that represents an intended use established by the District in its budget process. The purpose of the assignment must be narrower than the purpose of the General Fund.

Unassigned – represents the residual classification for the District's General Fund and could report a surplus or deficit.

**NORTH STATION METRO DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Fund Balance

Emergency Reserves have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado. In compliance with this requirement, \$42,930 of the General Fund balance has been restricted.

The District's order of fund balance spending policy is to apply expenditures against restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance. The District reserves the right to selectively spend unassigned fund balance.

NOTE 3 CASH AND INVESTMENTS

Cash and investments reflected on the statement of net position as of December 31, 2022 consist of the following:

Cash and Investments	<u>\$ 340,173</u>
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Cash Deposits

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

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

At December 31, 2022, the District's cash deposits had a carrying balance of \$11,237.

Investments

The District has not adopted a formal investment policy; however, it follows state statutes regarding investments. The District generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk 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 depending on the specific investment held unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements. Revenue bonds of U.S. local government securities, corporate and bank securities and guaranteed investment contracts not purchased with bond proceeds are limited to maturities of three years or less.

**NORTH STATION METRO DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

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

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

As of December 31, 2022, the District had the following investments:

Investment	Maturity	Amortized Cost
Colorado Surplus Asset Fund Trust	Less than One Year	\$ 328,936

Colorado Surplus Asset Trust Fund

As of December 31, 2022, the District had invested \$328,936 in the Colorado Surplus Asset Fund 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 operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust is rated AAmmf by Fitch Ratings and is valued at amortized cost. Based on the valuation method, additional disclosures are not required under GASB Statement No. 72.

NOTE 4 COST SHARING INTERGOVERNMENTAL AGREEMENT

On August 13, 2019 The District and Summerfield Metropolitan District No. 2, (SMD No. 2) entered into an agreement in order to work together and coordinate their activities with respect to the financing of the cost of extinguishing certain surface rights associated with oil and gas sites and the acquisition of those sites for public recreational use and enjoyment to serve the development within their respective boundaries. As outlined in Note 8, the District issued \$3,000,000 to fund the costs of the projects in the service plan, and the Districts recognized that the improvements being funded by the District issuance of bonds were deemed mutually beneficial to both Districts and their residents and taxpayers as a whole regardless of the physical location of any such improvements within the Districts.

NORTH STATION METRO DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 4 COST SHARING INTERGOVERNMENTAL AGREEMENT (CONTINUED)

In order to facilitate the issuance of the bonds, the Districts have, by the terms of a Pledge Agreement dated July 1, 2019 between the Districts, pledged certain revenues and covenanted to take certain actions with respect to generating such revenues, for the benefit of the holders and the bonds. The Districts are liable for the repayment of the bonds based upon the amount of revenues generated from the imposition of a mill levy by the Districts.

Within the cost sharing agreement, the Districts have determined the allocation of each District's proportionate share of the shared improvement costs to be 45.8% allocated to SMD No. 2, and 54.2% allocated to the District. The Districts acknowledge that the intent of the agreement is for each District to pay their proportionate share of the costs under the agreement, but the Districts recognize that if one of the Districts does not have the necessary funds to pay its relevant proportionate share, the District that possesses the funds will pay the remaining balance to make the full scheduled bond debt service payment. Any additional contribution will be recorded and the accounts will be updated to indicate the credits and deficiencies of each District relative to the agreed allocation percentage.

During 2022, SMD No. 2 repaid the District for its proportionate share of the total costs incurred under the cost sharing intergovernmental agreement. As the costs were repaid during the year, the District transferred \$1,066,993 of capital assets to SMD No. 2. This represents the amount that the District spent on behalf of SMD No. 2 to extinguish certain surface rights associated with oil and gas sites and acquire those sites for public recreational use.

The funds received from SMD No. 2 are reflected as revenue for the District. The District paid these expenses in prior years and were reimbursed by SMD No. 2 in 2022. On the fund financial statements, the total revenue is \$1,335,834. This includes SMD No. 2's proportionate share of bank fees and charges of \$104, interest expense of \$225,053, loan fees of \$41,455, custodial fees of \$458, legal fees of \$1,955, interest income of (\$184), and \$1,066,993 for the surface rights associated with oil and gas sites.

On the government-wide financial statements, the total revenue is \$268,841. This excludes the \$1,066,993 related to the surface rights associated with oil and gas sites (see Note 5).

**NORTH STATION METRO DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 5 CONSTRUCTION IN PROGRESS

An analysis of the changes in construction in progress for the year ended December 31, 2022 follows:

	Balance at January 1, 2022	Additions	Reductions	Balance at December 31, 2022
Construction in Progress	\$ 1,849,350	\$ 210,000	\$ 1,066,993	\$ 992,357

It is the policy of the Town of Erie to accept the maintenance responsibility for water, sanitation, traffic and safety controls, park and recreation improvements, transportation and other related improvements within the District only after a probationary period following completion of construction. When the improvements enter the probationary period, the District removes the cost of construction from its statement of net position.

During 2022, the District incurred no warranty costs and no improvements were conveyed to the Town of Erie. As outlined in Note 4, \$1,066,993 of the beginning construction in progress balance was paid on behalf of SMD No. 2. During 2022, SMD No. 2 repaid the District for its proportionate share of the costs. The District transferred \$1,066,993 of construction in progress to SMD No. 2 during 2022.

NOTE 6 RELATED PARTY

All three members of the Board of Directors are employees and are associated with Bellock Construction Company, accountants for the District. During 2022, Districts No. 1, No. 2, and No. 3 had the same Board of Directors.

Accounting Services Agreement

An accounting services contract was entered into with Bellock Construction Company during March 2003. This agreement was subsequently amended on March 25, 2004. Under this amended agreement, accounting services are provided to the District at the annual hourly rates of Bellock Construction Company employees. During 2022, the District incurred accounting services fees in the amount of \$6,519.

**NORTH STATION METRO DISTRICT NO. 2
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2022**

NOTE 7 DISTRICT FACILITIES CONSTRUCTION AND SERVICE AGREEMENT (SERVICE CONTRACT)

In order to implement the Service Plan, the District entered into an intergovernmental agreement with District No. 1 and District No. 3. The agreement shall remain in full force and effect until such time as each of the terms and conditions has been performed in their entirety or until the agreement is terminated by mutual written agreement of the Districts.

District No. 1 is to construct the facilities benefiting the three Districts and transfer them to the Town of Erie or the homeowners association (HOA). The District will, to the extent that it benefits, pay the capital costs and the service costs of operation and maintenance of such facilities (authorized service costs), until the facilities are transferred to the Town of Erie or the HOA.

The District is required to fund, on an annual basis, the amount of actual service costs that it would be capable of funding through property tax revenue plus other fee revenue as determined in the annual budget. If the Districts disagree as to the amount to be paid, then the District must pay District No. 1 the amount set forth in the annual budget. The mill levy cap shall be subject to automatic adjustment if, after the original date of approval of the Service Plan, the laws of the State change with respect to the assessment of property for taxation purposes, the ratio for determining assessed valuation changes, or other similar changes occur.

The Gallagher Amendment, first added to the Colorado Constitution in 1982, required a residential to non-residential property tax ratio of 45% to 55% and required the state legislature to adjust the residential assessment rate to maintain the required ratio. During fiscal year 2017, the Colorado legislature reduced the residential assessment ratio from 7.96% to 7.20% causing the property tax mill rate for general obligation bonds and service costs to increase from 50 mills to 55.275 mills. The residential assessment ratio decreased to 7.15% in 2019 causing the mills to increase to 55.663 for taxes to be collected in 2020. During fiscal year 2020, the Gallagher Amendment was repealed. While the residential assessment rate is set in statute at 7.15%, the Colorado legislature approved a temporary reduction to 6.765% for the 2023 and 2024 tax years.

NOTE 8 LONG-TERM OBLIGATIONS

Private Placement Long-Term Obligations

The District's long-term obligations consist of the following for the year ended December 31, 2022:

	Balance at January 1, 2022	Additions	Reductions	Balance at December 31, 2022	Due Within One Year
Private Placement:					
Series 2019 Limited Tax Bonds	\$ 3,000,000	\$ -	\$ 3,000,000	\$ -	\$ -
Total Private Placement	<u>\$ 3,000,000</u>	<u>\$ -</u>	<u>\$ 3,000,000</u>	<u>\$ -</u>	<u>\$ -</u>

**NORTH STATION METRO DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 8 LONG-TERM OBLIGATIONS (CONTINUED)

2019A Limited Tax Revenue Bonds

On August 13, 2019, the District issued \$3,000,000 of Limited Tax Revenue Bonds. The bonds were issued for the purpose of financing the cost of all or a portion of the projects and funding capitalized interest on the Bonds for a period of three years. Such bonds will be payable from (i) amounts collected by the District from the imposition of the Required Mill Levy which are generated from the amount of assessed valuation associated with and otherwise attributable to any and all oil and gas production and operations within the District; (ii) amounts received from SMD No. 2 pursuant to the Pledge Agreement dated as of July 1, 2019 by and between SMD No. 2 and the District; (iii) revenues derived from specific ownership taxes imposed by the District; and (iv) any other legally available amounts designated by the District at its discretion, as may be permitted under the Service Plan.

In August 2022, the 2019A Limited Tax Revenue Bonds were repaid in full. Funds from Summerfield Metropolitan District No. 2 were used to pay off the remaining principal balance of \$3,000,000 and \$110,688 of interest. The District incurred \$97,563 of interest expense for the year ended December 31, 2022.

Debt Authorization

The District voters approved \$26,700,000 of revenue obligation debt in 2001 at an interest rate not to exceed 18% per annum. The District had remaining authorized but unissued indebtedness of \$26,700,000 for the year ended December 31, 2022.

NOTE 9 INTERGOVERNMENTAL REVENUES AND EXPENDITURES

The following intergovernmental revenue and expenditures occurred during fiscal year ended December 31, 2022:

	North Station Metropolitan District No. 1	North Station Metropolitan District No. 2	North Station Metropolitan District No. 3	Total Revenues
North Station Metropolitan:				
District No. 1	\$ -	\$ 25,000	\$ 30,000	\$ 55,000
District No. 2	11,139	-	100,000	111,139
District No. 3	6,777	-	-	6,777
Total Expenditures	<u>\$ 17,916</u>	<u>\$ 25,000</u>	<u>\$ 130,000</u>	<u>\$ 172,916</u>

NORTH STATION METRO DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 10 RISK MANAGEMENT

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

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2022. 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 during the past three years.

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

NOTE 11 TAX, SPENDING, AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, referred to 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.

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.

On May 4, 2004, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all annual District revenue without regard to any limitations under TABOR.

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.

REQUIRED SUPPLEMENTARY INFORMATION

**NORTH STATION METRO DISTRICT NO. 2
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2022**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property Taxes	\$ 1,342,305	\$ 1,342,305	\$ 1,342,305	\$ -
Specific Ownership Taxes	67,115	67,115	79,444	12,329
Intergovernmental - North Station				
Metropolitan District No. 1 and No. 3	15,000	15,000	111,139	96,139
Intergovernmental - Summerfield				
Metropolitan District No. 1	-	-	1,335,834	1,335,834
Investment Income	-	-	9,254	9,254
Other	1,374,194	1,374,194	-	(1,374,194)
Total Revenues	2,798,614	2,798,614	2,877,976	79,362
EXPENDITURES				
Current:				
Intergovernmental - North Station				
Metropolitan District No. 1	50,000	50,000	25,000	25,000
County Treasurer's Fees	20,135	20,135	20,135	-
Audit	2,500	2,500	1,811	689
Accounting	5,000	5,000	6,519	(1,519)
Insurance	2,500	2,500	1,906	594
Miscellaneous	5,000	5,000	1,715	3,285
Debt Service:				
Principal	2,500,000	2,953,623	3,000,000	(46,377)
Interest	91,875	91,875	110,688	(18,813)
Capital Outlay	270,000	270,000	210,000	60,000
Total Expenditures	2,947,010	3,400,633	3,377,774	22,859
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(148,396)	(602,019)	(499,798)	102,221
Fund Balances - Beginning of Year	674,477	674,477	667,858	(6,619)
FUND BALANCES - END OF YEAR	\$ 526,081	\$ 72,458	\$ 168,060	\$ 95,602



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