

PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 1

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2021

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Independent Auditors' Report

Board of Directors
Palisade Park North Metropolitan District No. 1
City and County of Broomfield, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund, of the Palisade Park North Metropolitan District No. 1 (the "District") as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Palisade Park North Metropolitan District No. 1 as of December 31, 2021, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Other Matters

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

Supplementary Information

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

Other Information

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

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Simmons & Wheeler P.C.

Englewood, CO
August 25, 2022

BASIC FINANCIAL STATEMENTS

PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION
DECEMBER 31, 2021

	Governmental Activities
ASSETS	
Cash and Investments	\$ 14,073
Cash and Investments - Restricted	336,315
Accounts Receivable - County Treasurer	1,164
Due from Other Districts - Palisade Metropolitan District No. 2	880,051
Property Taxes Receivable	6,296
Prepaid Expenses	2,987
Construction in Progress	10,526,722
Total Assets	11,767,608
DEFERRED OUTFLOWS OF RESOURCES	
Cost of Refunding	225,179
Total Deferred Inflows of Resources	225,179
LIABILITIES	
Accounts Payable	26,019
Due to Other District - Palisade Metropolitan District No. 2	127,676
Accrued Interest Payable	15,446
Noncurrent Liabilities:	
Due Within One Year	95,000
Due in More Than One Year	10,747,809
Total Liabilities	11,011,950
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	6,296
Total Deferred Inflows of Resources	6,296
NET POSITION	
Restricted For:	
Emergency Reserves	1,900
Debt Service	15,609
Capital Funds	758,815
Unrestricted	198,217
Total Net Position	\$ 974,541

See accompanying Notes to Basic Financial Statements.

**PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 1
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

		Program Revenues			Net Revenues (Expenses) and Change in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
FUNCTIONS/PROGRAMS					
Primary Government:					
Governmental Activities:					
General Government	\$ 88,077	\$ -	\$ 3,025,688	\$ -	\$ 2,937,611
Public Works	-	-	-	-	-
Interest and Related Costs on Long-Term Debt	1,252,971	-	344,463		(908,508)
Total Governmental Activities	\$ 1,341,048	\$ -	\$ 3,370,151	\$ -	2,029,103
GENERAL REVENUES					
Property Taxes					6,150
Specific Ownership Taxes					16,918
Net Investment Income					472
Total General Revenues					23,540
CHANGE IN NET POSITION					2,052,643
Net Position - Beginning of Year					(1,078,102)
NET POSITION - END OF YEAR					\$ 974,541

See accompanying Notes to Basic Financial Statements.

**PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 1
BALANCE SHEET –
GOVERNMENTAL FUNDS
DECEMBER 31, 2021**

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 14,073	\$ -	\$ -	\$ 14,073
Cash and Investments - Restricted	1,900	327,975	6,440	336,315
Accounts Receivable - County Treasurer	194	970	-	1,164
Due from Other Districts - Palisade Metro District No. 2	-	-	880,051	880,051
Property Taxes Receivable	1,049	5,247	-	6,296
Prepaid Insurance	2,987	-	-	2,987
Total Assets	\$ 20,203	\$ 334,192	\$ 886,491	\$ 1,240,886
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 12,679	\$ 13,340	\$ -	\$ 26,019
Due to Other Districts - Palisade Metro District No. 2	-	-	127,676	127,676
Total Liabilities	12,679	13,340	127,676	153,695
DEFERRED INFLOWS OF RESOURCES				
Property Tax Revenue	1,049	5,247	-	6,296
Total Deferred Inflows of Resources	1,049	5,247	-	6,296
FUND BALANCES				
Nonspendable Prepaids	2,987	-	-	2,987
Restricted For:				
Debt Service	1,900	315,605	-	317,505
Unassigned	1,588	-	758,815	760,403
Total Fund Balances	6,475	315,605	758,815	1,080,895
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 20,203	\$ 334,192	\$ 886,491	
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				10,526,722
Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds. Cost of Refunding, Net				225,179
Long-term liabilities, including Developer advances payable and bonds payable are not due and payable in the current period and, therefore, are not reported in the funds. Series 2021A Bonds Payable Series 2021B(3) Sub Bonds Payable Bond Premium Net of Amortization Developer Advance Payable Accrued Interest Payable -Series 2021A Bonds Accrued Interest Payable -Series 2021B Bonds Accrued Interest Payable - Developer Advance				(5,025,000) (2,912,000) (604,509) (2,209,576) (15,446) (41,699) (50,025)
Net Position of Governmental Activities				\$ 974,541

See accompanying Notes to Basic Financial Statements.

**PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021**

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
Property Taxes	\$ 1,025	\$ 5,125	\$ -	\$ 6,150
Specific Ownership Tax	2,820	14,098	-	16,918
BURA TIF Revenue	57,313	287,150	-	344,463
Net Investment Income	28	407	37	472
Intergovernmental Revenues	-	-	3,025,688	3,025,688
Total Revenues	<u>61,186</u>	<u>306,780</u>	<u>3,025,725</u>	<u>3,393,691</u>
EXPENDITURES				
Current:				
Accounting	40,860	-	-	40,860
Auditing	5,000	-	-	5,000
County Treasurer's Fee	16	79	-	95
Insurance and Bonds	318	-	-	318
Dues and Licenses	2,987	-	-	2,987
Legal Services	33,078	-	-	33,078
Banking Fees	227	47	-	274
Irrigation	5,295	-	-	5,295
Electrical	249	-	-	249
Debt Service:				
Bond Interest 2021A	-	35,615	-	35,615
Bond Interest 2016A	-	121,906	-	121,906
Bond Insurance	-	106,543	-	106,543
Bond Issue Cost	-	356,475	-	356,475
Bond Principal 2021A	-	80,000	-	80,000
Repay Developer Advance Principal	-	-	4,450,109	4,450,109
Repay Developer Advance Interest	-	-	520,168	520,168
Intergovernmental Expenditures	-	-	112,052	112,052
Capital Outlay	-	-	4,884,349	4,884,349
Total Expenditures	<u>88,030</u>	<u>700,665</u>	<u>9,966,678</u>	<u>10,755,373</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(26,844)	(393,885)	(6,940,953)	(7,361,682)
OTHER FINANCING SOURCES (USES)				
Developer Advance	-	-	4,878,678	4,878,678
Bond Proceeds - 2021 A Bonds	-	5,105,000	-	5,105,000
Bond Proceeds - 2021 B(3) Bonds	-	2,912,000	-	2,912,000
2021A Bond Premium	-	610,873	-	610,873
Payment to Refunded Bond Escrow Agent	-	(5,968,676)	-	(5,968,676)
Transfer to / from Other Funds	-	(2,824,640)	2,824,640	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(165,443)</u>	<u>7,703,318</u>	<u>7,537,875</u>
NET CHANGE IN FUND BALANCE	(26,844)	(559,328)	762,365	176,193
Fund Balances - Beginning of Year, as Restated	<u>33,319</u>	<u>874,933</u>	<u>(3,550)</u>	<u>904,702</u>
FUND BALANCES - END OF YEAR	<u>\$ 6,475</u>	<u>\$ 315,605</u>	<u>\$ 758,815</u>	<u>\$ 1,080,895</u>

See accompanying Notes to Basic Financial Statements.

**PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021**

Net Change in Fund Balances - Governmental Funds \$ 176,193

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

Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense, the allocation of the cost of any depreciable asset over the estimated useful life of the asset. Capital outlay, the conveyance of capital assets to other governments and depreciation expense in the current period are as follows:

Capital Assets Acquired 4,884,349

The issuance of long-term debt (e.g., issuance of bonds, the receipt of Developer advances) provides current financial resources to governmental funds, while the repayment of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Developer Advance Receipts	(4,878,678)
Developer Advance Payment	4,450,109
Series 2021A Bond Proceeds	(5,105,000)
Series 2021B(3) Bond Proceeds	(2,912,000)
Bond Premium	(610,873)
2021A Principal Payment	80,000
Refunding of 2016 Bonds	5,205,000
Cost of Refunding	227,607
Amortization of Cost of Refunding	(2,428)
2021A Bond Premium Amortization	6,364

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued Interest on Bonds - Change in Liability	340,798
Accrued Interest on Developer Advance - Change in Liability	191,202

Change in Net Position of Governmental Activities \$ 2,052,643

**PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 1
GENERAL FUND –
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2021**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
REVENUES				
Property Tax	\$ 944	\$ 944	\$ 1,025	\$ 81
Specific Ownership Tax	2,923	2,923	2,820	(103)
BURA TIF Revenue	56,647	56,647	57,313	666
Net Investment Income	-	-	28	28
Total Revenues	<u>60,514</u>	<u>60,514</u>	<u>61,186</u>	<u>672</u>
EXPENDITURES				
Current:				
Accounting	25,000	50,000	40,860	9,140
Auditing	5,000	5,000	5,000	-
County Treasurers Fee	14	14	16	(2)
Dues and Licenses	250	250	318	(68)
Insurance and Bonds	3,200	3,200	2,987	213
Legal Services	12,000	20,000	33,078	(13,078)
Miscellaneous	1,000	1,000	-	1,000
Banking Fees	500	250	227	23
Repairs and Maintenance	1,000	1,000	-	1,000
Winter Watering	1,000	-	-	-
Common Area Maintenance	6,000	-	-	-
Snow Removal	2,000	2,000	-	2,000
Irrigation	3,000	5,500	5,295	205
Electrical	2,500	250	249	1
Miscellaneous Maintenance	500	500	-	500
Contingency	2,036	2,036	-	2,036
Total Expenditures	<u>65,000</u>	<u>91,000</u>	<u>88,030</u>	<u>2,970</u>
NET CHANGE IN FUND BALANCE	(4,486)	(30,486)	(26,844)	3,642
Fund Balance - Beginning of Year	<u>34,355</u>	<u>33,319</u>	<u>33,319</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 29,869</u>	<u>\$ 2,833</u>	<u>\$ 6,475</u>	<u>\$ 3,642</u>

See accompanying Notes to Basic Financial Statements.

PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 DEFINITION OF REPORTING ENTITY

Palisade Park North Metropolitan District No. 1 (the District), a quasi-municipal corporation and political subdivision of the state of Colorado, was organized as Seven25 Metropolitan District on August 16, 2007, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). On April 5, 2016, the Broomfield District Court issued an order granting petition for name change, whereby the name of Seven25 Metropolitan District was changed to Palisade Park North Metropolitan District No. 1. The District operates under a First Amended and Restated Service Plan (the Amended Service Plan) approved by the City and County of Broomfield, Colorado (Broomfield) on March 22, 2016. The District's service area is located in Broomfield. The District was established to finance and construct certain public infrastructure improvements that benefit the citizens of the District. The District's primary revenues are property taxes. The District is governed by an elected Board of Directors.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the District are described as follows:

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by property taxes and intergovernmental revenues.

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

PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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 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.

Separate financial statements are provided for the governmental funds. 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 for which they are collected.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue subject to accrual are property taxes and interest. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures and other financing uses level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

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

Pooled Cash and Investments

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash and investments.

Property Taxes

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

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

Capital Assets

Capital assets, which include infrastructure (e.g., storm drainage, streets, and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Capital assets which are anticipated to be conveyed to other governmental entities, as well as capital assets being constructed which the District may operate and maintain, are recorded as construction in progress. Construction in progress is not being depreciated and is not included in the calculation of Net Investment in Capital Assets component of the District's net position.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation on property that will remain assets of the District is reported on the statement of activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated. No depreciation expense was recognized during 2021.

Deferred Inflow/Outflow of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, deferred property tax revenue, is deferred, and recognized as an inflow of resources in the period that the amount becomes available.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Equity

Net Position

For government-wide presentation purposes, when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance

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

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

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

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

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

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

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

PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 3 CASH AND INVESTMENTS

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

Statement of Net Position:

Cash and Investments	\$ 14,073
Cash and Investments - Restricted	336,315
Total Cash and Investments	\$ 350,388

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

Deposits with Financial Institutions	\$ 40,838
Investments - UMB	309,550
Total Cash and Investments	\$ 350,388

Deposits with Financial Institutions

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

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

At December 31, 2021, the District's cash deposits had a bank balance and a carrying balance of \$40,838.

Investments

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

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

PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

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

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

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

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted-Average Under 60 Days	\$ <u>309,550</u>

COLOTRUST

As of December 31, 2021, the District invested in the Colorado Local Governmental Liquid Asset Trust (COLOTRUST), a local governmental investment vehicle established for local governmental entities in Colorado to pool surplus funds. COLOTRUST offers three investment options, one of which is COLOTRUST PLUS+. As an investment pool, COLOTRUST operates under the Colorado Revised Statutes (24-75-701) and is overseen by the Colorado Securities Commissioner. COLOTRUST PLUS+ may invest in U.S. Treasuries, government agencies, the highest-rated commercial paper, certain corporate securities, certain money market funds, and certain repurchase agreements, and limits its investments to those allowed by State statutes. Purchases and redemptions are available daily at a net asset value (NAV) of \$1.00. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal function of COLOTRUST. The custodian's internal records identify the investments owned by participating governments. COLOTRUST Plus+ records its investment at fair value and the District records its investment in COLOTRUST PLUS+ using the next asset value. There are no unfunded commitments and there is no redemption notice period. The weighted-average maturity is 60 days or less and is rated AAAM by Standard & Poor's. At December 31, 2021, the District had \$309,550 invested in COLOTRUST PLUS+.

PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 4 CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2021 follows:

	Balance - January 1, 2021	Increases	Decreases	Balance - December 31, 2021
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 5,642,373	\$ 4,884,349	\$ -	\$ 10,526,722
Total Capital Assets Not Being Depreciated	<u>\$ 5,642,373</u>	<u>\$ 4,884,349</u>	<u>\$ -</u>	<u>\$ 10,526,722</u>

NOTE 5 LONG-TERM OBLIGATIONS

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

	Balance - December 31, 2020	Additions	Deletions	Balance - December 31, 2021	Due Within One Year
Governmental Activities:					
Bonds Payable					
Series 2016A G.O. Bonds	\$ 4,150,000	\$ -	\$ 4,150,000	\$ -	\$ -
Series 2016B Subordinate	1,055,000	-	1,055,000	-	-
Series 2021A G.O. Bonds	-	5,105,000	80,000	5,025,000	95,000
Series 2021B G.O. Bonds	-	2,912,000	-	2,912,000	-
Series 2021A Bond Premium	-	610,873	6,364	604,509	-
Accrued and Unpaid					
Interest Series 2021B	-	41,699	-	41,699	-
Interest Series 2016B	377,625	82,573	460,198	-	-
Total Bonds Payable	<u>5,582,625</u>	<u>8,752,145</u>	<u>5,751,562</u>	<u>8,583,208</u>	<u>95,000</u>
Other Long-Term Liabilities					
Developer Advance:					
Operations	161,592	-	-	161,592	-
Capital	1,619,415	4,878,678	4,450,109	2,047,984	-
Accrued Interest -					
Operations	33,058	12,927	-	45,985	-
Capital	208,169	316,039	520,168	4,040	-
Total Other Long-Term Liabilities	<u>2,022,234</u>	<u>5,207,644</u>	<u>4,970,277</u>	<u>2,259,601</u>	<u>-</u>
Total Long-Term Obligations	<u>\$ 7,604,859</u>	<u>\$ 13,959,789</u>	<u>\$ 10,721,839</u>	<u>\$ 10,842,809</u>	<u>\$ 95,000</u>

A description of the long-term obligations as of December 31, 2021, is as follows:

PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

\$4,150,000 General Obligation (Limited Tax Convertible to Unlimited Tax) Bonds, Series 2016A and \$1,055,000 Subordinate General Obligation Limited Tax Bonds, Series 2016B

On November 10, 2016, the District issued \$4,150,000 of General Obligation (Limited Tax Convertible to Unlimited Tax) Bonds, Series 2016A (Series 2016A Bonds) and \$1,055,000 of Subordinate General Obligation Limited Tax Bonds, Series 2016B (Series 2016B Bonds). The Series 2016A Bonds and the Series 2016B Bonds were refunded on September 23, 2021.

\$5,105,000 General Obligation (Limited Tax Convertible to Unlimited Tax) Refunding Bonds, Series 2021A (Senior Bonds) and \$2,912,000 Subordinate General Obligation Limited Tax Bonds, Series 2021B (3) (Subordinate Bonds)

The District issued the Bonds on September 23, 2021, in the par amount of \$5,105,000 for the senior bonds \$2,912,000 for the Subordinate Bonds.

Proceeds from the sale of the Senior Bonds were used to: (i) refund the Series 2016A Bonds and Series 2016B Bonds; (ii) fund a Reserve Fund and; (iii) pay the costs of issuing the Senior Bonds, including paying the cost of purchasing the bond insurance policy. Proceeds from the sale of the Subordinate Bonds will be used to: (i) reimburse a portion of certain costs of acquiring, constructing, and/or installing certain public infrastructure improvements related to the Development; and (ii) pay the costs of issuing the Subordinate Bonds.

Senior Bond Details

The Senior Bonds were issued as serial bonds and two term bonds that bear interest at rates of 3.000% and 4.000%, payable semiannually to the extent of Senior Pledged Revenue available on June 1 and December 1 (each an Interest Payment Date), beginning on December 1, 2021. Principal payments from December 1, 2021 through December 1, 2036 are serial payments. Mandatory sinking fund payments begin on December 1, 2037 for the 2041 term bond and on December 1, 2042 for the 2051 term bond. The Senior Bonds have a final maturity of December 1, 2051.

To the extent principal of any Senior Bond is not paid when due, such principal shall remain outstanding until the earlier of its payment or December 2, 2056 (the Senior Bonds Termination Date) and shall continue to bear interest at the rate then borne by the Senior Bond.

To the extent interest on any Senior Bond is not paid when due, such interest shall compound on each Interest Payment Date at the rate then borne by the Senior Bond.

All of the Senior Bonds and interest thereon shall be deemed to be paid, satisfied and discharged on the Senior Bonds Termination Date regardless of the amount of principal and interest paid prior to the Senior Bonds Termination Date.

PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

\$5,105,000 General Obligation (Limited Tax Convertible to Unlimited Tax) Refunding Bonds, Series 2021A (Senior Bonds) and \$2,912,000 Subordinate General Obligation Limited Tax Bonds, Series 2021B (3) (Subordinate Bonds) (Continued)

Senior Bonds Optional Redemption

The Senior Bonds are subject to redemption prior to maturity, at the option of the District, on September 1, 2031, and on any date thereafter, upon payment of par and accrued interest, with no redemption premium.

Senior Pledged Revenue

The Senior Bonds are secured by and payable from the Senior Pledged Revenue, which means the moneys derived by the District from the following sources, net of any costs of collection:

- (a) the Senior Required Mill Levy, including any Senior District TIF produced as a result of imposition of the Senior Required Mill Levy;
- (b) the portion of the Specific Ownership Tax which is collected as a result of imposition of the Senior Required Mill Levy; and
- (c) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Senior Pledged Revenue.

Senior District TIF means the tax increment revenue returned to the District pursuant to the Cooperation Agreement (See Note 8) as a result of the imposition of the Senior Required Mill Levy.

On September 23, 2021, the District advance refunded \$4,150,000 of General Obligation (Limited Tax Convertible to Unlimited Tax) Bonds, Series 2016A and \$1,055,000 of Subordinate General Obligation Limited Tax Bonds, Series 2016B dated November 10, 2016 with an average interest rate of 5.875% by the issuance of \$5,105,000 General Obligation (Limited Tax Convertible to Unlimited Tax) Refunding Bonds, Series 2021A and \$2,912,000 Subordinate General Obligation Limited Tax Bonds, Series 2021B₍₃₎ dated September 23, 2021 with an average interest rate 4.427%. The District advance refunded the Series 2016A and Series 2016B Bonds to reduce its total debt service payments over the next 35 years by almost \$6,291,945 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$3,154,709. Restrictions on the monies restricted for the Reserve Fund pertaining to the defeased bonds were removed under the new refunding. The defeased bonds are not considered a liability of the District since sufficient funds in the amount of \$5,968,658 were deposited with a trustee for the purpose of paying the principal and interest of the defeased bonds until the call date, at which point the bonds were repaid in their entirety from the remaining funds in the escrow account. The bonds were redeemed on December 1, 2021.

PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

\$5,105,000 General Obligation (Limited Tax Convertible to Unlimited Tax) Refunding Bonds, Series 2021A (Senior Bonds) and \$2,912,000 Subordinate General Obligation Limited Tax Bonds, Series 2021B (3) (Subordinate Bonds) (Continued)

Senior Required Mill Levy

Prior to the Conversion Date, the District has covenanted to impose an ad valorem mill levy upon all taxable property of the District each year in an amount sufficient to generate revenues (after including any Projected Senior District TIF expected to be received as a result of the imposition of the Senior Required Mill Levy in the ensuing calendar year), when combined with the Senior Pledged Revenue then on deposit in the Senior Bond Fund (not including the Reserve Fund), to pay the principal of, premium if any, and interest on the Senior Bonds when due and to fund the Reserve Fund up to the Required Reserve, but not in excess of 50 mills (subject to adjustment for changes in the ratio of actual valuation to assessed valuation on or after January 1, 2016), or such lesser mill levy which, when combined with the Senior Pledged Revenue then on deposit in the Senior Bond Fund, will permit the District to fully fund the Senior Bond Fund for the next Bond Year and pay the Senior Bonds when due and to fund the Reserve Fund up to the Required Reserve.

Projected Senior District TIF means the Senior District TIF expected to be received by the District in the ensuing calendar year as a result of the imposition of the Senior Required Mill Levy, calculated using the most recent final assessed valuation of the District and the most recent Property Tax Base Amount applicable to the property within the District subject to the Senior Required Mill Levy. Property Tax Base Amount means the most recent base valuation used by the Assessor to determine the amount of Senior District TIF generated by the imposition of the Senior Required Mill Levy.

Property Tax Base Amount means the most recent base valuation used by the Assessor to determine the amount of Senior District TIF generated by the imposition of the Senior Required Mill Levy.

The Conversion Date is the first date on which the Senior Debt to Assessed Ratio is 50% or less. For purposes of the forecast, the current year Senior Debt to Assessed Ratio is calculated based on the outstanding Senior Bonds as of December 2 at the end of the current year and the assessed valuation for the subsequent year.

On and after the Conversion Date, the District has covenanted to impose an ad valorem mill levy upon all taxable property of the District each year in an amount sufficient to generate revenues (after including any Projected Senior District TIF expected to be received as a result of the imposition of the Senior Required Mill Levy in the ensuing calendar year), when combined with the Senior Pledged Revenue then on deposit in the Senior Bond Fund (not including the Reserve Fund), to pay the principal of, premium if any, and interest on the Senior Bonds when due and to fund the Reserve Fund up to the Required Reserve, without limitation of rate and in amounts sufficient to make such payments when due. On and after the Conversion Date, the definition of "Senior Required Mill Levy" shall be determined exclusively by this paragraph regardless of any subsequent increase in the Senior Debt to Assessed Ratio.

PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

\$5,105,000 General Obligation (Limited Tax Convertible to Unlimited Tax) Refunding Bonds, Series 2021A (Senior Bonds) and \$2,912,000 Subordinate General Obligation Limited Tax Bonds, Series 2021B (3) (Subordinate Bonds) (Continued)

Additional Security for Senior Bonds

The Senior Bonds are also secured by the Reserve Fund which will be funded from proceeds of the Senior Bonds in the amount of the Reserve Requirement of \$284,550 and are expected to be insured by Build America Mutual Assurance Company.

Subject to the receipt of sufficient Senior Pledged Revenue, the Reserve Fund shall be maintained in the amount of the Reserve Requirement for as long as any Senior Bonds are outstanding. Amounts on deposit in the Reserve Fund may be applied to the final payment due on the Senior Bonds, whether at maturity or upon redemption.

Events of Default

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

- (a) Before the Unlimited Tax Receipt Date, the District fails or refuses to impose the Senior Required Mill Levy or to apply the Senior Pledged Revenue as required by the Senior Indenture;
- (b) On and after the Unlimited Tax Receipt Date, the District fails to pay the principal of, premium, if any, or interest on the 2021A Senior Bonds when due;
- (c) (c) The District defaults in the performance or observance of any of the covenants, agreements, or conditions on the part of the District in the Senior Indenture or the Bond Resolution, other than as described in paragraph (a) or (b) above, and fails to remedy the same after notice thereof pursuant to the Senior Indenture; or
- (d) (d) The District files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the 2021A Senior Bonds.

Subordinate Bonds Details

The Subordinate Bonds were issued at the rate of 5.250% per annum and are structured as cash flow bonds, meaning that no regularly scheduled payments of principal are due on the Subordinate Bonds prior to their maturity date. Instead, principal is payable on each December 15 from the available Subordinate Pledged Revenue, if any, pursuant to a mandatory redemption.

Interest on the Subordinate Bonds is payable on each December 15, commencing December 15, 2021, to the extent of the Subordinate Pledged Revenue and accrued unpaid interest on the Subordinate Bonds will compound annually on each December 15 until

**PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 1
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2021**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

\$5,105,000 General Obligation (Limited Tax Convertible to Unlimited Tax) Refunding Bonds, Series 2021A (Senior Bonds) and \$2,912,000 Subordinate General Obligation Limited Tax Bonds, Series 2021B (3) (Subordinate Bonds) (Continued)

Subordinate Bonds Optional Redemption

sufficient Subordinate Pledged Revenue is available for payment. The Subordinate Bonds have a final maturity of December 15, 2051.

In the event that any amount of principal or interest on the Subordinate Bonds remain unpaid on December 16, 2056, the Subordinate Bonds will be deemed paid, satisfied, and discharged.

The Subordinate Bonds are subject to redemption prior to maturity, at the option of the District, on September 1, 2026, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed as follows:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
September 1, 2026, to August 31, 2027	3.00%
September 1, 2027, to August 31, 2028	2.00
September 1, 2028, to August 31, 2029	1.00
September 1, 2029, and thereafter	0.00

Subordinate Pledged Revenue

The Subordinate Bonds are secured by and payable solely from and to the extent of Subordinate Pledged Revenue, which means the moneys derived by the District from the following sources, net of any costs of collection:

- (a) the Subordinate Required Mill Levy, including any Subordinate District TIF produced as a result of the imposition of the Subordinate Required Mill Levy;
- (b) the portion of the Specific Ownership Tax which is collected as a result of imposition of the Subordinate Required Mill Levy; and
- (c) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Subordinate Pledged Revenue.

Subordinate District TIF means the tax increment revenue returned to the District pursuant to the Cooperation Agreement (see Note 8) as a result of the imposition of the Subordinate Required Mill Levy.

PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

\$5,105,000 General Obligation (Limited Tax Convertible to Unlimited Tax) Refunding Bonds, Series 2021A (Senior Bonds) and \$2,912,000 Subordinate General Obligation Limited Tax Bonds, Series 2021B (3) (Subordinate Bonds) (Continued)

Subordinate Required Mill Levy

Pursuant to the Subordinate Indenture, the District has covenanted to impose a Subordinate Required Mill Levy each year in the amount of (i) 50 mills (subject to adjustment for changes in the method of calculating assessed valuation occurring after January 1, 2016) less the Senior Bond Mill Levy, or (ii) such lesser mill levy which, after the deduction of the Senior Bond Mill Levy, and when combined with other Subordinate Pledged Revenue available in the Subordinate Bond Fund and any Projected Subordinate District TIF, will fully fund the Subordinate Bond Fund for the next Bond Year and pay all of the principal and interest on the Subordinate Bonds in full. Senior Bond Mill Levy means the mill levy required to be imposed for the payment of any senior bonds, including the Senior Bonds discussed herein. In any year that the Senior Bond Mill Levy equals 50 mills, as adjusted, the Subordinate Required Mill Levy for that year shall be zero.

Events of Default

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

- (a) The District fails or refuses to impose the Subordinate Required Mill Levy or to apply the Subordinate Pledged Revenue as required by the Subordinate Indenture;
- (b) The District defaults in the performance or observance of any of the covenants, agreements, or conditions on the part of the District in the Subordinate Indenture or the Bond Resolution, other than as described in paragraph (a) above, and fails to remedy the same after notice thereof pursuant to the Subordinate Indenture; or
- (c) The District files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the 2021B(3) Subordinate Bonds.

PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Events of Default (Continued)

Following is a schedule for Series 2021A Bonds.

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 95,000	\$ 185,350	\$ 280,350
2023	100,000	181,550	281,550
2024	105,000	177,550	282,550
2025	110,000	173,350	283,350
2026	115,000	168,950	283,950
2027-2031	650,000	771,750	1,421,750
2032-2036	690,000	655,450	1,345,450
2037-2041	875,000	537,250	1,412,250
2042-2046	1,035,000	377,600	1,412,600
2047-2051	1,250,000	154,000	1,404,000
Total	<u>\$ 5,025,000</u>	<u>\$ 3,382,800</u>	<u>\$ 8,407,800</u>

Due to the uncertainty regarding the timing of cash flows, no maturity schedule for the Series 2021B (3) Bonds is presented.

Debt Authorization

As of December 31, 2021, the District had \$150,059,000 of voted but unissued debt for providing public improvements. The District's Service Plan limits its general obligation debt to \$14,500,000 of which \$6,383,000 remains available for use by the District.

There are no unused lines of credit as of December 31, 2021.

NOTE 6 NET POSITION

The District has net position consisting of two components – restricted and unrestricted.

Restricted net position includes assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2021, as follows:

Restricted Net Position:	
Emergencies	\$ 1,900
Debt Service	15,609
Capital Funds	758,815
Total Restricted Net Position	<u>\$ 776,324</u>

The deficit was a result of the District being responsible for the repayment of bonds issued for public improvements which were conveyed to other governmental entities and which costs were removed from the District's financial records.

PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 7 RELATED PARTY

As of December 31, 2021, all of the Board of Directors are employees, owners, consultants, or are otherwise associated with UF Kevamra 725, LLC (Kevamra), and may have conflicts of interest in dealing with the District. Management believes that all potential conflicts, if any, have been disclosed by the Board.

NOTE 8 AGREEMENTS

Facilities Funding and Acquisition Agreement

On October 19, 2016 the District and Kevamra entered into a Facilities Funding and Acquisition Agreement (FFAA) whereby Kevamra agreed to make advances not to exceed \$4,000,000 to the District for the purpose of funding the organizational expenses and construction and/or acquisition of public improvements. The District agreed to repay these advances together with accrued interest at the rate of 8% per annum accruing from the date of verification. On November 16, 2017, the District and Kevamra entered into a First Amendment to Facilities Funding and Acquisition Agreement extending the term to include advances up to \$6,000,000 as necessary for fiscal years 2016 through 2020. The FFAA does not constitute debt, but is an annual appropriations agreement intended to be repaid through a future bond issuance. The FFAA expires on December 31, 2050. As of December 31, 2021, there was an outstanding balance of \$2,052,024 consisting of \$2,047,984 in principal and \$4,040 in interest.

Operation Funding Agreement

On January 14, 2016, the District entered into an Operation Funding Agreement with Kevamra, as amended by that certain First Amendment to 2016 Operation Funding Agreement dated November 3, 2016 (collectively, the OFA) whereby Kevamra agreed to advance funds to the District for certain operation and maintenance expenses as needed for fiscal years 2016 through 2017. On November 16, 2017, the District and Kevamra entered into a Second Amendment to OFA extending the term of the OFA through 2020 and increasing the shortfall amount to \$200,000. On November 14, 2019, the District and Kevamra entered into a Third Amendment to OFA to increase the shortfall amount to \$220,000. On October 28, 2021 the District entered and Kevamra entered into a Fourth Amendment to OFA to extend the term of the OFA through 2022.

The District agreed to repay these advances, together with accrued interest at the rate of 8% per annum accruing from the date of deposit into the District's account or from the date of direct payment by Kevamra to the District's consultants. The District's repayment of the advances under the OFA does not constitute a debt and is subject to annual appropriation by the District. Kevamra's obligation to advance funds expires on March 15, 2023. The District's obligation to repay advances expires on December 31, 2052. As of December 31, 2021 there was an outstanding balance of \$161,592 in principal and \$45,985 in interest for a total of \$207,577.

PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 8 AGREEMENTS (CONTINUED)

Reimbursement Agreement

On October 23, 2007, Broomfield and the District entered into a Reimbursement Agreement (the Reimbursement Agreement), which set forth the terms and conditions relating to the construction and financing of certain Public Improvements (as defined in the Reimbursement Agreement) to serve the Property (as defined in the Reimbursement Agreement). On November 16, 2017, the Reimbursement Agreement was amended to include Palisade Park North Metropolitan District No. 2 (District No. 2) and the District North Metropolitan District No. 3 (District No. 3) as parties to the Reimbursement Agreement, to update the properties subject to the Reimbursement Agreement and to update the public improvements eligible for reimbursement by Broomfield pursuant to the Reimbursement Agreement. Pursuant to the Reimbursement Agreement, each District is responsible for designing, financing, constructing, owning, and maintaining certain Public Improvements until conveyance or dedication of such Public Improvements to Broomfield. Broomfield is required to design and construct to the edge of the Property and operate, at no cost to each District or any owners of property within such development, water and wastewater facilities in the capacity required to serve the Property at full build-out. The Reimbursement Agreement also provides that each District is to indemnify Broomfield, to the extent allowed by law, for all claims or suits for damages to property and injuries to persons arising from any of the District's construction activities under the Reimbursement Agreement. In exchange, Broomfield has agreed to deposit into a Special Fund the Sales Tax Revenues, Use Tax Revenues, and Service Expansion Fees to pay for certain Eligible Expenses of the District associated with the construction of such Public Improvements up to the Maximum Gross Reimbursement Obligation.

Cooperation Agreement

On October 23, 2007, the District and the Broomfield Urban Renewal Authority (BURA) entered into a Cooperation Agreement. On November 16, 2017, the parties entered into a First Amendment to the Cooperation Agreement to include District No. 2 and District No. 3 as parties to the Cooperation Agreement, to update the properties subject to the Cooperation Agreement and to update the public improvements subject to the Cooperation Agreement. Pursuant to the Cooperation Agreement, as amended, BURA agreed to deposit certain property tax increment revenues received as a result of the imposition of each Districts' debt service mill levy and each Districts' operations and maintenance mill levy (collectively, the District Property TIF) into special funds to be used, in part, by each respective District to pay for debt service on bonds issued to pay for public improvements, including the District's Senior Bonds and Subordinate Bonds.

Facilities Fee Resolution

On October 19, 2016, the District adopted Resolution No. 2016-10-02; Facilities Fee Resolution as recorded with the Broomfield Clerk and Recorder on November 3, 2016 (Fee Resolution). Pursuant to the Fee Resolution, the District is authorized to impose a Facilities Fee in the amount of \$1,000 per single-family residential unit within the District. The Facilities Fee is due and payable on or before the date of issuance of a building permit. A written request may be made to the District for a deferral of the payment to an alternative date. Any request will be considered on a case-by-case basis by the District.

**PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 8 AGREEMENTS (CONTINUED)

Supplemental Agreement to the Subdivision Improvement Agreements for Palisade Park

On April 28, 2020, the District, the City and County of Broomfield (Broomfield), Kevamra, LLC, Palisade Metropolitan District Nos. 1 and 2, District No. 2, District No. 3, and Palisade Park West Metropolitan District (collectively, the District, Palisade Metropolitan District Nos. 1 and 2, District No. 2, District No. 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, LLC provide an irrevocable letter of credit or other performance guaranty (Surety) designating Broomfield as the beneficiary in an amount equal to the total costs of the public improvements governed by the respective Subdivision Improvement Agreements between Broomfield and Kevamra, LLC. In lieu of the Surety, the Supplemental Agreement provides that the respective Palisade District and Kevamra, LLC will provide Broomfield with a Project Application (as defined in the Supplemental Agreement) which includes the anticipated costs associated with the construction of the contemplated public improvements (Project Costs). The respective Palisade District must provide evidence of funds sufficient to pay the entirety of the Project Costs identified in the Project Application. The Supplemental Agreement further provides the process for the release of such funds for the payment of the Project Costs.

Park Cost Sharing Intergovernmental Agreement

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

Cost Sharing and Reimbursement Agreement

On December 20, 2021, the District, District No. 2, District No. 3, and Palisade Park West Metropolitan District (collectively, referred to herein as the Districts) entered into the Cost Sharing and Reimbursement Agreement (Cost Sharing Agreement). The Cost Sharing Agreement: (i) identifies and approves the Development Area Improvements (as defined in the Cost Sharing Agreement, and generally meaning those certain public improvements of a regional nature that benefit all of the Districts as constructed or to be constructed by one or more of the Districts); (ii) approves the allocation of the costs of the Development Area Improvements between the Districts based on the benefit to each of the Districts as determined therein; (iii) acknowledges and sets forth the terms by which the Development Area Improvements have been or will be constructed, financed and/or acquired; and (iv) evidences the agreement of the Districts to reconcile, finance and, where appropriate, provide reimbursement for the costs associated with Development Area Shared Improvements in accordance with the terms of the Cost Sharing Agreement.

PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 9 INTERFUND AND OPERATING TRANSFERS

The Districts transferred \$2,824,640 from the Debt Service Fund to the Capital Project Fund to fund capital projects.

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

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

NOTE 11 TAX, SPENDING, AND DEBT LIMITATIONS

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

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

On 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.

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

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

SUPPLEMENTARY INFORMATION

**PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 1
DEBT SERVICE FUND –
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2021**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Property Taxes	\$ 4,723	\$ 4,723	\$ 5,125	\$ 402
Specific Ownership Tax	14,614	14,614	14,098	(516)
BURA TIF Revenue	283,253	283,253	287,150	3,897
Interest Income	2,289	2,289	407	(1,882)
Total Revenues	<u>304,879</u>	<u>304,879</u>	<u>306,780</u>	<u>1,901</u>
EXPENDITURES				
Current:				
County Treasurer's Fees	71	71	79	(8)
Banking Fees	500	500	47	453
Debt Service:				
Bond Interest 2021A	-	35,615	35,615	-
Bond Interest 2016A	243,813	125,000	121,906	3,094
Bond Interest 2016B	81,658	-	-	-
Bond Issue Cost	-	356,475	356,475	-
Bond Insurance	-	106,543	106,543	-
Bond 2021A Principal	-	80,000	80,000	-
Bond 2016A Principal	20,000	-	-	-
Trustee Fees	5,500	5,500	-	5,500
Contingency	1,458	1,458	-	1,458
Total Expenditures	<u>353,000</u>	<u>711,162</u>	<u>700,665</u>	<u>10,497</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(48,121)	(406,283)	(393,885)	12,398
OTHER FINANCING SOURCES (USES)				
Refunding Bonds - 2021A	-	5,105,000	5,105,000	-
Refunding Bonds - 2021B (3)	-	2,912,000	2,912,000	-
2021A Bond Premium	-	610,873	610,873	-
Payment to Refunded Bond Escrow Agent	-	(5,968,676)	(5,968,676)	-
Transfers to Other Funds	-	(2,824,640)	(2,824,640)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(165,443)</u>	<u>(165,443)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(48,121)	(571,726)	(559,328)	12,398
Fund Balance - Beginning of Year	<u>940,103</u>	<u>874,933</u>	<u>874,933</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 891,982</u>	<u>\$ 303,207</u>	<u>\$ 315,605</u>	<u>\$ 12,398</u>

**PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 1
CAPITAL PROJECTS FUND –
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2021**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Interest Income	\$ -	40	\$ 37	\$ (3)
Intergovernmental Revenue	-	2,265,925	3,025,688	759,763
Total Revenues	-	2,265,965	3,025,725	759,760
EXPENDITURES				
Current:				
Repay Developer Advance Principal	-	4,449,832	4,450,109	(277)
Repay Developer Advance Interest	-	520,168	520,168	-
Intergovernmental Expenditures	-	112,055	112,052	3
Capital Outlay	15,199	4,885,000	4,884,349	651
Total Expenditures	15,199	9,967,055	9,966,678	377
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(15,199)	(7,701,090)	(6,940,953)	760,137
OTHER FINANCING SOURCES (USES)				
Developer Advance	-	4,880,000	4,878,678	(1,322)
Transfer from Other Funds	-	2,824,640	2,824,640	-
Total Other Financing Sources (Uses)	-	7,704,640	7,703,318	(1,322)
NET CHANGE IN FUND BALANCE	(15,199)	3,550	762,365	758,815
Fund Balance - Beginning of Year	15,199	(3,550)	(3,550)	-
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ 758,815	\$ 758,815

OTHER INFORMATION

PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 1
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2021

\$5,105,000 General Obligation (Limited Tax Convertible
to Unlimited Tax)

Refunding Bonds Series 2021A

Dated September 23, 2021

Interest Rate 3.00% to 4.00%

Principal Due December 1

Interest Payable June 1 and December 1

<u>Year Ending December 31.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 95,000	\$ 185,350	\$ 280,350
2023	100,000	181,550	281,550
2024	105,000	177,550	282,550
2025	110,000	173,350	283,350
2026	115,000	168,950	283,950
2027	120,000	164,350	284,350
2028	125,000	159,550	284,550
2029	130,000	154,550	284,550
2030	135,000	149,350	284,350
2031	140,000	143,950	283,950
2032	80,000	138,350	218,350
2033	145,000	135,950	280,950
2034	150,000	131,600	281,600
2035	155,000	127,100	282,100
2036	160,000	122,450	282,450
2037	165,000	117,650	282,650
2038	170,000	112,700	282,700
2039	175,000	107,600	282,600
2040	180,000	102,350	282,350
2041	185,000	96,950	281,950
2042	190,000	91,400	281,400
2043	200,000	83,800	283,800
2044	205,000	75,800	280,800
2045	215,000	67,600	282,600
2046	225,000	59,000	284,000
2047	230,000	50,000	280,000
2048	240,000	40,800	280,800
2049	250,000	31,200	281,200
2050	260,000	21,200	281,200
2051	270,000	10,800	280,800
Total	<u>\$ 5,025,000</u>	<u>\$ 3,382,800</u>	<u>\$ 8,407,800</u>

**PALISADE PARK NORTH METROPOLITAN DISTRICT NO. 1
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2021**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Tax Levy	Prior Year TIF Increment Assessed Valuation for Current Year Tax Levy	Prior Year Gross Assessed Valuation for Current Year Tax Levy	Mills Levied	Total Property Taxes		Percent Collected to Levied
					Levied	Collected	
2017	\$ 20,530	\$ (19,711)	\$ 819	60.000	\$ 49	\$ 48	97.96%
2018	24,030	(23,380)	650	66.332	43	43	100.00%
2019	1,764,636	(1,726,728)	37,908	66.332	2,514	2,503	99.56%
2020	4,323,912	(4,245,889)	78,023	66.552	5,192	5,179	99.74%
2021	5,250,960	(5,166,120)	84,840	66.796	5,667	6,150	108.52%
Estimated for the Year Ending December 31, 2022	\$ 6,143,450	\$ (6,049,192)	\$ 94,258	66.796	\$ 6,296		

NOTE: Property taxes shown as collected in any one year include collection of delinquent property taxes or abatements of property taxes assessed in prior years. This presentation does not attempt to identify specific years of assessment.