

PALISADE 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 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 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 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.

Simmons & Wheeler P.C.

Englewood, CO
September 19, 2022

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities
ASSETS	
Cash	\$ 60,573
Cash - Restricted	3,423
Receivable from County Treasurer	1,427
Property Taxes Receivable	5,613
Prepaid Expenses	3,737
Total Assets	74,773
LIABILITIES	
Accounts Payable	8,409
Total Liabilities	8,409
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	5,613
Total Deferred Inflows of Resources	5,613
NET POSITION	
Restricted For:	
Emergency Reserves	2,100
Debt Service	2,491
Unrestricted	56,160
Total Net Position	\$ 60,751

See accompanying Notes to Basic Financial Statements.

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

		Program Revenues			Net Revenues (Expenses) and Change in Net Position
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Governmental Activities:					
General Government	\$ 56,313	\$ -	\$ 61,932	\$ -	\$ 5,619
Interest and Related Costs on Long-Term Debt	472,349	-	544,716	-	72,367
Total Governmental Activities	\$ 528,662	\$ -	\$ 606,648	\$ 62,989	140,975
 GENERAL REVENUES					
Property Taxes					6,481
Specific Ownership Taxes					20,745
Interest Income					191
Total General Revenues					27,417
 CHANGE IN NET POSITION					
					168,392
Net Position - Beginning of Year					(107,641)
 NET POSITION - END OF YEAR					
					\$ 60,751

See accompanying Notes to Basic Financial Statements.

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

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash	\$ 60,573	\$ -	\$ -	\$ 60,573
Cash - Restricted	2,100	1,323	-	3,423
Receivable from County Treasurer	259	1,168	-	1,427
Property Taxes Receivable	1,020	4,593	-	5,613
Prepaid Insurance	3,737	-	-	3,737
	<u>\$ 67,689</u>	<u>\$ 7,084</u>	<u>\$ -</u>	<u>\$ 74,773</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 8,409	\$ -	\$ -	\$ 8,409
Total Liabilities	8,409	-	-	8,409
DEFERRED INFLOWS OF RESOURCES				
Property Tax Revenue	1,020	4,593	-	5,613
Total Deferred Inflows of Resources	1,020	4,593	-	5,613
FUND BALANCES				
Nonspendable:				
Prepaid Expenses	3,737	-	-	3,737
Restricted For:				
Emergencies (TABOR)	2,100	-	-	2,100
Debt Service	-	2,491	-	2,491
Assigned To:				
Subsequent Year's Expenditures	52,423	-	-	52,423
Total Fund Balances	<u>58,260</u>	<u>2,491</u>	<u>-</u>	<u>60,751</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 67,689</u>	<u>\$ 7,084</u>	<u>\$ -</u>	

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

No Reconciling Items

Net Position of Governmental Activities \$ 60,751

See accompanying Notes to Basic Financial Statements.

PALISADE 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	\$ 1,178	\$ 5,303	\$ -	\$ 6,481
Specific Ownership Taxes	3,772	16,973	-	20,745
BURA TIF Revenue	61,932	278,698	-	340,630
St. Vrain Tax	-	225,597	-	225,597
City Tax	-	40,421	-	40,421
Intergovernmental Revenue	-	-	62,989	62,989
Net Investment Income	35	156	-	191
Total Revenues	<u>66,917</u>	<u>567,148</u>	<u>62,989</u>	<u>697,054</u>
EXPENDITURES				
Current:				
Accounting	34,755	-	-	34,755
County Treasurer's Fees	18	81	-	99
Insurance and Bonds	3,291	-	-	3,291
Dues and Licenses	336	-	-	336
Legal	17,760	-	-	17,760
Banking Fees	153	-	-	153
Intergovernmental Expenditures	-	-	128,584	128,584
Transfer to District No. 2	-	343,684	-	343,684
Total Expenditures	<u>56,313</u>	<u>343,765</u>	<u>128,584</u>	<u>528,662</u>
NET CHANGE IN FUND BALANCES	10,604	223,383	(65,595)	168,392
Fund Balances - Beginning of Year	<u>47,656</u>	<u>(220,892)</u>	<u>65,595</u>	<u>(107,641)</u>
FUND BALANCES - END OF YEAR	<u>\$ 58,260</u>	<u>\$ 2,491</u>	<u>\$ -</u>	<u>\$ 60,751</u>

See accompanying Notes to Basic Financial Statements.

**PALISADE METROPOLITAN DISTRICT NO. 1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

Net Change in Fund Balances - Governmental Funds	\$ 168,392
Amounts reported for governmental activities in the statement of activities are different because:	
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.	<u>-</u>
Change in Net Position of Governmental Activities	<u><u>\$ 168,392</u></u>

See accompanying Notes to Basic Financial Statements.

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

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 1,020	\$ 1,178	\$ 158
Specific Ownership Taxes	3,157	3,772	615
BURA TIF Revenue	61,002	61,932	930
Net Investment Income	15	35	20
Total Revenues	<u>65,194</u>	<u>66,917</u>	<u>1,723</u>
EXPENDITURES			
Current:			
Accounting	30,000	34,755	(4,755)
Audit	5,000	-	5,000
County Treasurer's Fees	15	18	(3)
Dues and Licenses	800	336	464
Insurance and Bonds	3,500	3,291	209
Legal	21,000	17,760	3,240
Common Area Maintenance	5,000	-	5,000
Repairs and Replacement	1,000	-	1,000
Snow Removal	2,000	-	2,000
Irrigation	7,000	-	7,000
Electrical	1,000	-	1,000
Management	1,000	-	1,000
Banking Fees	150	153	(3)
Reserve	3,000	-	3,000
Contingency	2,835	-	2,835
Winter Watering	1,000	-	1,000
Pond Maintenance	3,000	-	3,000
Barn Maintenance	1,200	-	1,200
Miscellaneous Maintenance	500	-	500
Office Supplies	1,000	-	1,000
Total Expenditures	<u>90,000</u>	<u>56,313</u>	<u>33,687</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(24,806)	10,604	35,410
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(24,806)	10,604	35,410
Fund Balance - Beginning of Year	<u>174,800</u>	<u>47,656</u>	<u>(127,144)</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 149,994</u></u>	<u><u>\$ 58,260</u></u>	<u><u>\$ (91,734)</u></u>

See accompanying Notes to Basic Financial Statements.

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

NOTE 1 DEFINITION OF REPORTING ENTITY

Palisade Metropolitan District No. 1 (the District), a quasi-municipal corporation and political subdivision of the state of Colorado, was organized by order and decree of the City and County of Broomfield District Court on August 16, 2007, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District operates under a Service Plan approved by the City and County of Broomfield, Colorado (Broomfield). The District's service area is located in the City and County of Broomfield, Colorado. 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. On September 12, 2006, Broomfield approved the District's Service Plan (the Original Service Plan). On December 2, 2014, Broomfield approved the First Amended and Restated Service Plan for the District (the Amended Service Plan), which is intended to modify, replace, restate, and supersede the Original Service Plan in its entirety.

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.

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

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.

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.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)**

The District reports the following major governmental funds:

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

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

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

Budgets

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

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes (Continued)

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.

Deferred Inflow

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.

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.

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.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

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.

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

NOTE 3 CASH

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

Statement of Net Position:

Cash	\$ 60,573
Cash - Restricted	3,423
Total Cash	\$ 63,996

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

Deposits with Financial Institutions	\$ 63,996
Total Cash	\$ 63,996

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.

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

NOTE 3 CASH (CONTINUED)

Deposits with Financial Institutions (Continued)

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 of \$63,996 and a carrying balance of \$63,996.

NOTE 4 LONG-TERM OBLIGATIONS

The District did not have any long-term obligations as of December 31, 2021:

Debt Authorization

As of December 31, 2021, the District had remaining voted debt authorization of approximately \$123,120,000. The District has not budgeted to issue any new debt during 2022. Pursuant to the Amended Service Plan, the District cannot issue debt in excess of \$10,260,000. Issuance of debt in excess of \$10,260,000 shall be considered a material modification of the Amended Service Plan, which shall be subject to the statutory procedures set forth in Section 32-1-207, C.R.S.

NOTE 5 NET POSITION

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

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

Restricted Net Position:	
Emergencies	\$ 2,100
Debt Service	2,491
Total Restricted Net Position	<u>\$ 4,591</u>

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

NOTE 6 RELATED PARTIES

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

Operation Funding Agreement

On November 13, 2008, the District and Kevamra entered into an Operation Funding Agreement with an effective date of September 27, 2007 (OFA), whereby Kevamra agreed to provide funding for operations and maintenance expenses of the District as needed through 2010 up to \$125,000 and the District agreed to reimburse Kevamra for such advances, along with interest at 8% per annum. On December 9, 2010, the District and Kevamra entered into a First Amendment to the OFA extending the term to include advances up to \$125,000 as are necessary through 2012. On November 15, 2012, the District entered into a Second Amendment to OFA extending the term of the OFA through 2013. As of December 2021 the District had repaid all developer advances and accumulated interest and no amounts remain outstanding under the OFA.

Amended and Restated Facilities Funding and Acquisition Agreement

On August 25, 2016, the District and Kevamra entered into an Amended and Restated Facilities Funding and Acquisition Agreement with an effective date of September 27, 2007 (Restated FFAA) whereby Kevamra agreed to provide funding for certain construction related expenses of the District as needed for fiscal years 2007 through 2017, up to \$6,000,000 and the District agreed to reimburse Kevamra for such capital advances made to the District along with interest at 8% per annum. The Restated FFAA further provides Kevamra may construct public improvements for subsequent acquisition and/or reimbursement by the District, subject to the conditions set forth in the Restated FFAA, along with interest at 8% per annum. On November 16, 2017, the District and Kevamra entered into a First Amendment to Restated FFAA effective January 1, 2018 to extend the fiscal years Kevamra shall be obligated to advance funds up to the shortfall amount through 2020 and to extend the term of the Restated FFAA through December 31, 2030. As of December 2021 the District paid Kevamra the remaining interest and no amounts remain due under the Restated FFAA.

NOTE 7 AGREEMENTS

Amended and Restated Intergovernmental Agreement for Cost Sharing

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

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

NOTE 7 AGREEMENTS (CONTINUED)

Reimbursement Agreement

On October 9, 2007, the District entered into a Reimbursement Agreement by and among the Broomfield Urban Renewal Authority (BURA) and District No. 2 (Reimbursement Agreement) whereby BURA agreed to reimburse the Districts for eligible improvements in an amount of the lesser of the total certified costs, or \$15,809,807 (Reimbursement Obligation). Pursuant to the Reimbursement Agreement, the Districts are expected to issue bonds to finance the eligible improvements described therein and, to assist in supporting the repayment of such bonds, BURA agreed to transfer 50% of the 3.5% sales taxes imposed upon all transactions subject to sales tax within the Districts, 50% of the 3.5% use tax revenue produced by initial construction of Private Improvements within the Districts, and 50% of the Service Expansion Fee collected for residential uses developed and constructed within the Districts.

Additionally, BURA will deposit into a separate account and transfer to the Districts all property tax revenue paid to BURA as a result of the Districts' mill levies. The funds generated from the operating mill levy will be used by the Districts to pay for normal operating and maintenance, and the portion attributable to the debt service mill levy will be used for payment on the bonds. The debt service mill levy transfer will expire on the first to occur of the 25th anniversary of the Reimbursement Agreement or the defeasance in full of the bonds. The District's mill levies do not count against or otherwise reduce the Reimbursement Obligation. On April 19, 2011 the Districts and BURA entered into Amendment No. 1 to the Reimbursement Agreement (Amendment No. 1) to acknowledge issuance of a Promissory Note by District No. 2 to finance certain specified public improvements (Amendment Improvements) for the benefit of certain property within District No. 2 (Amendment Property). Pursuant to Amendment No. 1, BURA agreed to pledge to District No. 2 for repayment of the Promissory Note that portion of increment revenues BURA receives as a result of 7.242 mills levied by Broomfield associated with the Amendment Property, and that portion of the increment revenues BURA receives as a result of the mill levy imposed by the Saint Vrain School District on the Amendment Property (Amendment Revenues).

On December 2, 2014, the Districts and BURA entered into Amendment No. 2 to the Reimbursement Agreement (Amendment No. 2) to provide for additional Pledged Revenue to pay for Eligible Expenditures of those Public Improvements defined in Amendment No. 2, including certain property tax increment revenues BURA receives as a result of the

following, but excluding any Amendment No. 1 Property Tax Revenue attributed to the Amendment Property, (i) the levy of 7.242 mills by Broomfield upon certain property, (ii) 100% of the levy of the St. Vrain School District on certain property within District No. 2, and (iii) 75% of the levy of the St. Vrain School District on certain property within District No. 1. Amendment No. 2 also increased the Maximum Net Reimbursement Obligation of BURA to the lesser of the total cost for the Public Improvements, as certified and approved in accordance with the Reimbursement Agreement, or \$23,633,446.

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

NOTE 7 AGREEMENTS (CONTINUED)

Reimbursement Agreement (Continued)

On July 15, 2015, the Districts and BURA entered into a Corrected Amendment No. 3 to the Reimbursement Agreement (Amendment No. 3) in order to clarify certain definitions and authorized uses of the Pledged Revenues.

Facilities Funding and Reimbursement Agreement

On December 20, 2012 the Board entered into a Facilities Funding and Reimbursement Agreement, as amended (FFRA) with Taylor Morrison of Colorado, Inc. (Taylor Morrison), and Kevamra, whereby, the District agreed to construct certain offsite and onsite improvements as further described in the FFRA. Taylor Morrison agreed to deposit \$1,466,218 into an escrow account (as described below) for the District to utilize for the construction of the offsite improvements and to deposit \$833,782 with the District for other public improvements. Taylor Morrison further agreed that Kevamra shall have the right to receive and retain reimbursement from the District for both the onsite and offsite improvements. On December 20, 2012, \$2,300,000 was deposited by Taylor Morrison as required under the FFRA. In conjunction with the FFRA the District, Taylor Morrison and Vectra Bank Colorado, (the Bank) entered into an Escrow and Disbursement Agreement (EDA) whereby a disbursement account is established for the disbursement of the funds deposited by Taylor Morrison for offsite improvements in the amount of \$1,466,218 as described above. The EDA sets forth the requirements of each request for funds.

Amended and Restated Capital Pledge Agreement

On September 1, 2016, the District and District No. 2 entered into a Capital Pledge Agreement (2016 Pledge Agreement), whereby the District pledged certain revenues to the payment of District No. 2's General Obligation Limited Tax and Revenue Bonds, Series 2016 (2016 Bonds) issued in the maximum principal amount of \$26,240,000. On October 1, 2019, the District and District No. 2 entered into an Amended and Restated Capital Pledge Agreement (Restated Pledge Agreement), which amended and restated the 2016 Pledge Agreement in its entirety, in connection with District No. 2's issuance of its Subordinate General Obligation Limited Tax and Revenue Bonds, Series 2019 (2019 Bonds), in the aggregate principal amount of \$23,558,000. On November 23, 2021, the District and District No. 2 entered into a Second Amended and Restated Capital Pledge Agreement (Second Restated Pledge Agreement), which amended and restated the Restated Pledge Agreement in its entirety, in connection with District No. 2's refunding of the 2016 Bonds with the proceeds of a loan in the principal amount of \$19,647,000 (2021 Loan) issued to District No. 2 pursuant to the terms a of a Loan Agreement between District No. 2 and Zions Bancorporation, N.A. d/b/a Vectra Bank Colorado, as the lender. The Second Restated Pledge Agreement obligates the District to pledge the District No. 1 Capital Revenue (as defined therein) to District No. 2 for the payment of the 2019 Bonds and the 2021 Loan.

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

NOTE 7 AGREEMENTS (CONTINUED)

Amended and Restated Capital Pledge Agreement (Continued)

Further, for so long as the 2019 Bonds and the 2021 Loan are outstanding, the District covenants to impose the Mandatory Capital Levy (as defined in the Second Restated Pledge Agreement).

The obligation of the District under the Second Restated Pledge Agreement constitutes a general obligation limited tax debt of the District in the principal amount of \$8,000,000, bearing interest at the rate of 7.00% per annum (due on each June 1 and December 1), maturing on December 15, 2049, and payable solely from the District No. 1 Capital Revenue; provided, however, the total payments made by the District to District No. 2 pursuant to the Second Restated Pledge Agreement will not exceed \$24,301,000 less all payments made from the date of the 2016 Pledge Agreement (Revenue Limitation). The payment obligations of the District under the Second Restated Pledge Agreement continue until the earlier of the date when the 2019 Bonds and 2021 Loan are no longer outstanding or the date on which the District has made payments thereunder equal to the Revenue Limitation.

County Road 7 Escrow Account Letter Agreement

In a Letter Agreement between the District, District No. 2 and Kevamra dated March 26, 2019 (Escrow Letter Agreement), District No. 2 agreed to requisition \$960,699.31 of bond proceeds from its 2016 Bonds to reimburse Kevamra for the District and District No. 2's share of the construction related expenses associated with the County Road 7 Improvements (as defined therein) in the amount of \$598,866.60 (defined therein as the "Verified Costs"), as such Verified Costs were determined to be reimbursable under a Reimbursement Agreement between District No. 2 and Kevamra (District No. 2 Reimbursement Agreement), and to provide an additional \$361,832.71 (as defined therein as the "Unverified Amount") to Kevamra so that with the Verified Costs, Kevamra can place the entire \$960,699.31 in escrow to stay the execution of a jury award against Kevamra in a suit brought against Kevamra relative to the County Road 7 Improvements. Pursuant to the Escrow Letter Agreement, Kevamra agrees that if the jury award against Kevamra is overturned or decreased and/or all or any portion of the Unverified Amount is not certified as reimbursable under the District No. 2 Reimbursement Agreement, Kevamra will return all or such portions of the Unverified Amount to District No. 2 and/or credit such amount to future construction related expenses to the extent the same are reimbursable pursuant to the terms of the District No. 2 Reimbursement Agreement. Pursuant to the Letter Agreement between the District, District No. 2 and Kevamra dated July 28, 2021, the parties amended the Escrow Letter Agreement to reflect those additional verified costs associated with the County Road 7 Improvements in the amount of \$398,794.19, as the same are reimbursable to Kevamra pursuant to the District No. 2 Reimbursement Agreement, increasing the total reimbursement to Kevamra to \$1,359,493.50.

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

NOTE 7 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, District No. 2, Palisade Park North Metropolitan District Nos. 1, 2, and 3, and Palisade Park West Metropolitan District (collectively, the District, District No. 2, Palisade Park North Metropolitan District Nos. 1, 2, and 3, and Palisade Park West Metropolitan District) entered into the Supplemental Agreement to the City and County of Broomfield Subdivision Improvement

Agreements for Palisade Park (the Supplemental Agreement). The purpose of the Supplemental Agreement is to provide an alternative to the requirement that Kevamra provide an irrevocable letter of credit or other performance guaranty (Surety) designating Broomfield as the beneficiary in an amount equal to the total costs of the public improvements governed by the respective Subdivision Improvement Agreements between Broomfield and Kevamra. In lieu of the Surety, the Supplemental Agreement provides that the respective Palisade District and Kevamra will provide Broomfield with a Project Application (as defined in the Supplemental Agreement) which includes the anticipated costs associated with the construction of the contemplated public improvements (the 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 in 2020. The Park Cost Sharing IGA: (i) identifies and approves the allocation of the costs incurred relative to certain regional park, open space, and recreation improvements of a regional nature (referred to therein as the Park Improvements); (ii) evidences the agreement of 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 District No. 2 for such costs in accordance with an agreed-upon cost-sharing allocation.

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

NOTE 8 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, public officials' liability coverage and workers' compensation. 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 9 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).

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 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 and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 4,591	\$ 5,303	\$ 712
Specific Ownership Tax	14,207	16,973	2,766
BURA TIF Revenue	274,511	278,698	4,187
St. Vrain Tax	221,326	225,597	4,271
City Tax	39,817	40,421	604
Net Investment Income	-	156	156
Total Revenues	<u>554,452</u>	<u>567,148</u>	<u>12,696</u>
EXPENDITURES			
Current:			
County Treasurer's Fees	69	81	(12)
Transfers to District No. 2	553,452	343,684	209,768
Contingency	931	-	(931)
Total Expenditures	<u>554,452</u>	<u>343,765</u>	<u>208,825</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	223,383	221,521
Fund Balance - Beginning of Year	<u>15,658</u>	<u>(220,892)</u>	<u>236,550</u>
FUND BALANCE - END OF YEAR	<u>\$ 15,658</u>	<u>\$ 2,491</u>	<u>\$ 13,167</u>

**PALISADE 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				
Intergovernmental Revenue	\$ -	\$ 64,405	\$ 62,989	\$ (1,416)
Total Revenues	<u>-</u>	<u>64,405</u>	<u>62,989</u>	<u>(1,416)</u>
EXPENDITURES				
Intergovernmental Expenditures	-	130,000	128,584	(1,416)
Capital Outlay	37,952	-	-	-
Total Expenditures	<u>37,952</u>	<u>130,000</u>	<u>128,584</u>	<u>(1,416)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(37,952)	(65,595)	(65,595)	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(37,952)	(65,595)	(65,595)	(1,416)
Fund Balance - Beginning of Year	<u>37,952</u>	<u>65,595</u>	<u>65,595</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (1,416)</u></u>

OTHER INFORMATION

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

Year Ended December 31,	Prior	Prior Year	Prior	Mills Levied	Total Property Taxes		Percent Collected to Levied
	Year Assessed Valuation for Current Year Tax Levy	TIF Increment Assessed Valuation for Current Year Tax Levy	Year Gross Assessed Valuation for Current Year Tax Levy		Levied	Collected	
2016	\$ 1,880,972	\$ (1,800,894)	\$ 80,078	55.000	\$ 4,404	\$ 4,440	100.81 %
2017	2,865,900	(2,746,780)	119,120	55.000	6,551	6,971	106.42
2018	4,493,640	(4,372,106)	121,534	60.710	7,379	7,806	105.78
2019	5,458,418	(5,341,160)	117,258	60.710	7,119	7,118	99.99
2020	5,815,322	(5,710,387)	104,935	60.679	6,367	6,772	106.36
2021	5,690,860	(5,598,912)	91,948	61	5,611	6,481	115.51
Estimated for the Year Ending December 31, 2022	\$ 5,995,410	\$ (5,903,423)	\$ 91,987	61.023	\$ 5,613		

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.