

PALISADE METROPOLITAN DISTRICT NO. 1

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2020

**PALISADE METROPOLITAN DISTRICT NO. 1
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2020**

INDEPENDENT AUDITORS' REPORT	1
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	1
STATEMENT OF ACTIVITIES	2
FUND FINANCIAL STATEMENTS	
BALANCE SHEET – GOVERNMENTAL FUNDS	3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	4
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	5
GENERAL FUND – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	6
NOTES TO BASIC FINANCIAL STATEMENTS	7
SUPPLEMENTARY INFORMATION	
DEBT SERVICE FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	20
CAPITAL PROJECTS FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	21
OTHER INFORMATION	
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED	23

Board of Directors
Palisade Metropolitan District No. 1
Broomfield County, Colorado

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities and each major fund of the Palisade Metropolitan District No. 1, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Palisade Metropolitan District No. 1 as of December 31, 2020, 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.

Other-Matters

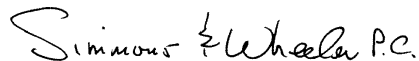
Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Palisade Metropolitan District No. 1's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Englewood, CO
July 15, 2021

BASIC FINANCIAL STATEMENTS

**PALISADE METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION
DECEMBER 31, 2020**

	Governmental Activities
ASSETS	
Cash	\$ 173,143
Cash - Restricted	44,403
Due from Other Districts	65,595
Receivable from BURA TIF	3,234
Receivable from County Treasurer	1,477
Property Taxes Receivable	5,611
Prepaid Expenses	3,294
Total Assets	296,757
LIABILITIES	
Accounts Payable	2,412
Due to County	255,360
Due to Other Districts - Palisade Metro District No. 2	141,015
Total Liabilities	398,787
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	5,611
Total Deferred Inflows of Resources	5,611
NET POSITION	
Restricted For:	
Emergency Reserves	2,100
Capital Projects	65,595
Unrestricted	(175,336)
Total Net Position	\$ (107,641)

See accompanying Notes to Basic Financial Statements.

**PALISADE METROPOLITAN DISTRICT NO. 1
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

		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	\$ 55,326	\$ -	\$ 62,874	\$ -	\$ 7,548
Public Works	814,220	-	-	1,060,916	246,696
Interest and Related Costs on Long-Term Debt	808,238	-	554,553	-	(253,685)
Total Governmental Activities	\$ 1,677,784	\$ -	\$ 617,427	\$ 1,060,916	559
GENERAL REVENUES					
Property Taxes					6,772
Specific Ownership Taxes					19,651
Interest Income					218
Total General Revenues					26,641
CHANGE IN NET POSITION					
					27,200
Net Position - Beginning of Year					(134,841)
NET POSITION - END OF YEAR					
					\$ (107,641)

See accompanying Notes to Basic Financial Statements.

**PALISADE METROPOLITAN DISTRICT NO. 1
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash	\$ 173,143	\$ -	\$ -	\$ 173,143
Cash - Restricted	2,100	4,351	37,952	44,403
Due from Other Districts - Palisade Metro District No. 2	-	-	65,595	65,595
Receivable from BURA TIF	329	2,905	-	3,234
Receivable from County Treasurer	269	1,208	-	1,477
Property Taxes Receivable	1,020	4,591	-	5,611
Prepaid Insurance	3,294	-	-	3,294
Total Assets	\$ 180,155	\$ 13,055	\$ 103,547	\$ 296,757
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 2,412	\$ -	\$ -	\$ 2,412
Due to Other Districts - Palisade Metro District No. 2	103,063	-	37,952	141,015
Due to County	26,004	229,356	-	255,360
Total Liabilities	131,479	229,356	37,952	398,787
 DEFERRED INFLOWS OF RESOURCES				
Property Tax Revenue	1,020	4,591	-	5,611
Total Deferred Inflows of Resources	1,020	4,591	-	5,611
 FUND BALANCES				
Nonspendable:				
Prepaid Expenses	3,294	-	-	3,294
Restricted For:				
Emergencies (TABOR)	2,100	-	-	2,100
Debt Service	-	(220,892)	-	(220,892)
Capital Projects	-	-	65,595	65,595
Assigned To:				
Subsequent Year's Expenditures	42,262	-	-	42,262
Total Fund Balances	47,656	(220,892)	65,595	(107,641)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 180,155	\$ 13,055	\$ 103,547	

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

No Reconciling Items

Net Position of Governmental Activities	\$ (107,641)
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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, 2020

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
Property Taxes	\$ 1,231	\$ 5,541	\$ -	\$ 6,772
Specific Ownership Taxes	3,573	16,078	-	19,651
BURA TIF Revenue	62,874	282,949	-	345,823
St. Vrain Tax	-	230,334	-	230,334
City Tax	-	16,325	-	16,325
County Tax	-	21,742	-	21,742
HHS Tax	-	3,203	-	3,203
Intergovernmental Revenue	-	-	65,595	65,595
Net Investment Income	39	179	-	218
Total Revenues	<u>67,717</u>	<u>576,351</u>	<u>65,595</u>	<u>709,663</u>
EXPENDITURES				
Current:				
Accounting	31,694	-	-	31,694
Audit	4,700	-	-	4,700
County Treasurer's Fees	19	86	-	105
Insurance And Bonds	3,222	-	-	3,222
Dues and Licenses	736	-	-	736
Legal	14,471	-	-	14,471
Election Expense	419	-	-	419
Banking Fees	65	-	-	65
Capital Outlay	-	-	814,220	814,220
Total Expenditures	<u>55,326</u>	<u>86</u>	<u>814,220</u>	<u>869,632</u>
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES	12,391	576,265	(748,625)	(159,969)
OTHER FINANCING SOURCES (USES)				
Repay Developer Advance Principal	(54,258)	-	-	(54,258)
Repay Developer Advance Interest	(48,805)	-	(222,448)	(271,253)
Transfer to District No. 2	-	(803,799)	-	(803,799)
Transfer from District No. 2	-	-	995,321	995,321
Total Other Financing Sources (Uses)	<u>(103,063)</u>	<u>(803,799)</u>	<u>772,873</u>	<u>(133,989)</u>
NET CHANGE IN FUND BALANCES	(90,672)	(227,534)	24,248	(293,958)
Fund Balances - Beginning of Year	<u>138,328</u>	<u>6,642</u>	<u>41,347</u>	<u>186,317</u>
FUND BALANCES - END OF YEAR	<u>\$ 47,656</u>	<u>\$ (220,892)</u>	<u>\$ 65,595</u>	<u>\$ (107,641)</u>

See accompanying Notes to Basic Financial Statements.

**PALISADE METROPOLITAN DISTRICT NO. 1
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

Net Change in Fund Balances - Governmental Funds \$ (293,958)

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

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 Principal Payment 54,258

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 Developer Advance - Change in Liability 266,900

Change in Net Position of Governmental Activities \$ 27,200

**PALISADE METROPOLITAN DISTRICT NO. 1
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Property Taxes	\$ 1,158	\$ 1,158	\$ 1,231	\$ 73
Specific Ownership Taxes	6,000	6,000	3,573	(2,427)
BURA TIF Revenue	62,997	62,997	62,874	(123)
Net Investment Income	15	15	39	24
Total Revenues	<u>70,170</u>	<u>70,170</u>	<u>67,717</u>	<u>(2,453)</u>
EXPENDITURES				
Current:				
Accounting	17,000	17,000	31,694	(14,694)
Audit	5,000	5,000	4,700	300
County Treasurer's Fees	17	17	19	(2)
Dues and Licenses	-	-	736	(736)
Insurance And Bonds	5,000	5,000	3,222	1,778
Legal	25,000	25,000	14,471	10,529
Common Area Maintenance	5,000	5,000	-	5,000
Repairs and Replacement	1,000	1,000	-	1,000
Snow Removal	2,000	2,000	-	2,000
Irrigation	7,000	7,000	-	7,000
Electrical	1,000	1,000	-	1,000
Management	1,000	1,000	-	1,000
Banking Fees	-	-	65	(65)
Reserve	3,000	3,000	-	3,000
Contingency	2,500	2,500	-	2,500
Election Expense	2,000	2,000	419	1,581
Winter Watering	1,000	1,000	-	1,000
Pond Maintenance	3,000	3,000	-	3,000
Barn Maintenance	1,200	1,200	-	1,200
Miscellaneous Maintenance	500	500	-	500
Office Supplies	1,000	1,000	-	1,000
Total Expenditures	<u>83,217</u>	<u>83,217</u>	<u>55,326</u>	<u>27,891</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(13,047)	(13,047)	12,391	25,438
OTHER FINANCING SOURCES (USES)				
Repay Developer Advance Principal	-	(54,258)	(54,258)	-
Repay Developer Advance Interest	-	(48,805)	(48,805)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(103,063)</u>	<u>(103,063)</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(13,047)	(116,110)	(90,672)	25,438
Fund Balance - Beginning of Year	<u>138,854</u>	<u>138,328</u>	<u>138,328</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 125,807</u>	<u>\$ 22,218</u>	<u>\$ 47,656</u>	<u>\$ 25,438</u>

See accompanying Notes to Basic Financial Statements.

PALISADE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

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.

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 METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

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 METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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, 2020.

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.

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.

PALISADE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

**PALISADE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deficits

The Debt Service Fund reported a deficit in the fund financial statements as of December 31, 2020 as a result of an error in taxes remitted to the District by the County. The deficit will be eliminated with BURA taxes collected in 2021.

NOTE 3 CASH

Cash as of December 31, 2020 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash	\$ 173,143
Cash - Restricted	44,403
Total Cash	<u><u>\$ 217,546</u></u>

Cash as of December 31, 2020 consist of the following:

Deposits with Financial Institutions	\$ 217,546
Total Cash	<u><u>\$ 217,546</u></u>

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, 2020, the District's cash deposits had a bank balance of \$217,546 and a carrying balance of \$217,546.

**PALISADE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 4 LONG-TERM OBLIGATIONS

The following is an analysis of changes in long-term debt for the period ending December 31, 2020:

	Balance - January 1, 2020	Additions	Deletions	Balance - December 31, 2020	Due Within One Year
Developer Advance:					
Operations	\$ 54,258	\$ -	\$ (54,258)	\$ -	\$ -
Operations - Interest	44,452	4,353	(48,805)	-	-
Capital	-	-	-	-	-
Capital - Interest	222,448	-	(222,448)	-	-
Total	<u>\$ 321,158</u>	<u>\$ 4,353</u>	<u>\$ (325,511)</u>	<u>\$ -</u>	<u>\$ -</u>

Debt Authorization

As of December 31, 2020, the District had remaining voted debt authorization of approximately \$123,120,000. The District has not budgeted to issue any new debt during 2020. 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, 2020, as follows:

Restricted Net Position:	
Emergencies	\$ 2,100
Capital Projects	65,595
Total Restricted Net Position	<u>\$ 67,695</u>

The District has a deficit in unrestricted net position. The is deficit amount is a result of an error in taxes remitted to the District by the County. This will be eliminated in 2021 from taxes collected.

PALISADE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

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 2020 the developer advances principal and interest due 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 2020 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, 2020**

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.

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.

PALISADE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 7 AGREEMENTS (CONTINUED)

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. The Restated Pledge Agreement obligates the District to pledge the District No. 1 Capital Revenue (as defined in the Restated Pledge Agreement) to the payment of the 2016 Bonds and 2019 Bonds. Further, for so long as the 2016 Bonds and 2019 Bonds are outstanding, the District covenants to impose the Mandatory Capital Levy (as defined in the Restated Pledge Agreement). The obligation of the District under the 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 Restated Pledge Agreement will not exceed \$24,301,000 (Revenue Limitation). The payment obligations of the District under the Restated Pledge Agreement continue until the earlier of the date when the 2016 Bonds and 2019 Bonds are no longer outstanding or the date on which the District has made payments thereunder equal to the Revenue Limitation.

**PALISADE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 7 AGREEMENTS (CONTINUED)

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.

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 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 (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.

**PALISADE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 7 AGREEMENTS (CONTINUED)

Spano Park Cost Sharing Intergovernmental Agreement

The Palisade Districts entered into the Spano Park Cost Sharing Intergovernmental Agreement (Spano Agreement) effective in 2020. The Spano Agreement: (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 Spano Park Improvements); (ii) evidences the agreement of District No. 2 to finance and cause the construction of the Spano 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.

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).

PALISADE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 9 TAX SPENDING AND DEBT LIMITATIONS (CONTINUED)

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, 2020**

	Budget Amounts	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Property Taxes	\$ 5,210	\$ 5,210	\$ 5,541	\$ 331
Specific Ownership Tax	10,000	17,000	16,078	(922)
BURA TIF Revenue	283,504	400,000	282,949	(117,051)
St. Vrain Tax	229,870	326,000	230,334	(95,666)
City Tax	16,355	24,000	16,325	(7,675)
County Tax	21,785	31,000	21,742	(9,258)
HHS Tax	3,209	4,000	3,203	(797)
Net Investment Income	-	-	179	179
Total Revenues	<u>569,933</u>	<u>807,210</u>	<u>576,351</u>	<u>(230,859)</u>
EXPENDITURES				
Current:				
County Treasurer's Fees	150	150	86	64
Total Expenditures	<u>150</u>	<u>150</u>	<u>86</u>	<u>64</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	569,783	807,060	576,265	(230,795)
OTHER FINANCING SOURCES (USES)				
Transfer to District No. 2	(575,000)	(805,000)	(803,799)	1,201
Total Other Financing Sources (Uses)	<u>(575,000)</u>	<u>(805,000)</u>	<u>(803,799)</u>	<u>1,201</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES				
	(5,217)	2,060	(227,534)	(229,594)
Fund Balance - Beginning of Year	<u>9,217</u>	<u>6,642</u>	<u>6,642</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 4,000</u></u>	<u><u>\$ 8,702</u></u>	<u><u>\$ (220,892)</u></u>	<u><u>\$ (229,594)</u></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, 2020**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental Revenue	\$ -	\$ 65,595	\$ 65,595	\$ -
Total Revenues	<u>-</u>	<u>65,595</u>	<u>65,595</u>	<u>-</u>
EXPENDITURES				
Current:				
Capital Outlay	800,000	837,167	814,220	22,947
Total Expenditures	<u>800,000</u>	<u>837,167</u>	<u>814,220</u>	<u>22,947</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(800,000)	(771,572)	(748,625)	(22,947)
OTHER FINANCING SOURCES (USES)				
Repay Developer Advance Interest	-	(222,448)	(222,448)	-
Transfers from District No. 2	800,000	1,018,268	995,321	(22,947)
Total Other Financing Sources (Uses)	<u>800,000</u>	<u>795,820</u>	<u>772,873</u>	<u>(22,947)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-	24,248	24,248	-
Fund Balance - Beginning of Year	<u>43,237</u>	<u>41,347</u>	<u>41,347</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 43,237</u>	<u>\$ 65,595</u>	<u>\$ 65,595</u>	<u>\$ -</u>

OTHER INFORMATION

PALISADE METROPOLITAN DISTRICT NO. 1
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2020

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
Estimated for the Year Ending December 31, 2021	\$ 5,690,860	\$ (5,598,912)	\$ 91,948	61.023	\$ 5,611		

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.