

PALISADE METROPOLITAN DISTRICT NO. 1

Financial Statements

Year Ended December 31, 2024

with

Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Palisade Metropolitan District No. 1
Broomfield County, CO

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Palisade Metropolitan District No. 1 (the "District") as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Palisade Metropolitan District No. 1 as of December 31, 2024, and the respective changes in financial position and budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

Other Matters

Required Supplemental Information

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

Supplemental Information

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

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

Flynn CPA, LLC

Castle Pines, CO
September 15, 2025

Palisade Metropolitan District No. 1

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

	<u>General</u>	Debt <u>Service</u>	Capital <u>Projects</u>	<u>Total</u>	<u>Adjustments</u>	Statement of <u>Net Position</u>
ASSETS						
Cash and investments	\$ 24,301	\$ -	\$ -	\$ 24,301	\$ -	\$ 24,301
Cash and investments - restricted	3,100	3,814	-	6,914	-	6,914
Taxes due from County	706	4,352	-	5,058	-	5,058
Prepaid expenses	5,464	-	-	5,464	-	5,464
Property taxes receivable	1,276	4,774	-	6,050	-	6,050
Total Assets	<u>\$ 34,847</u>	<u>\$ 12,940</u>	<u>\$ -</u>	<u>\$ 47,787</u>	<u>-</u>	<u>47,787</u>
LIABILITIES						
Accounts payable	\$ 39,556	\$ -	\$ -	\$ 39,556	-	39,556
Due to District No. 2	-	5,653	-	5,653	-	5,653
Total Liabilities	<u>39,556</u>	<u>5,653</u>	<u>-</u>	<u>45,209</u>	<u>-</u>	<u>45,209</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred property taxes	1,276	4,774	-	6,050	-	6,050
Total Deferred Inflows of Resources	<u>1,276</u>	<u>4,774</u>	<u>-</u>	<u>6,050</u>	<u>-</u>	<u>6,050</u>
FUND BALANCES/NET POSITION						
Fund balances:						
Nonspendable:						
Prepays	5,464	-	-	5,464	(5,464)	-
Restricted:						
Emergencies	3,100	-	-	3,100	(3,100)	-
Debt service	-	2,513	-	2,513	(2,513)	-
Unassigned	(14,549)	-	-	(14,549)	14,549	-
Total Fund Balances	<u>(5,985)</u>	<u>2,513</u>	<u>-</u>	<u>(3,472)</u>	<u>3,472</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 34,847</u>	<u>\$ 12,940</u>	<u>\$ -</u>	<u>\$ 47,787</u>		
Net Position:						
Restricted for:						
Emergencies					3,100	3,100
Unrestricted					(9,085)	(9,085)
Total Net Position (Deficit)					<u>\$ (3,472)</u>	<u>\$ (3,472)</u>

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

Palisade Metropolitan District No. 1

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

	<u>General</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES						
Accounting and audit	\$ 23,386	\$ -	\$ -	\$ 23,386	\$ -	\$ 23,386
Insurance	5,322	-	-	5,322	-	5,322
Legal	26,224	-	-	26,224	-	26,224
Miscellaneous	379	-	-	379	-	379
Treasurer fees	22	99	-	121	-	121
Transfer to District No. 2	70,245	786,104	-	856,349	-	856,349
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	125,578	786,203	-	911,781	-	911,781
GENERAL REVENUES						
Property taxes	1,352	6,087	-	7,439	-	7,439
Specific ownership taxes	4,134	18,606	-	22,740	-	22,740
BURA District	94,105	423,486	-	517,591	-	517,591
BURA City	-	50,040	-	50,040	-	50,040
BURA St. Vrain	-	278,174	-	278,174	-	278,174
Interest income	6,709	2,513	-	9,222	-	9,222
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total General Revenues	106,300	778,906	-	885,206	-	885,206
NET CHANGES IN FUND BALANCES	(19,278)	(7,297)	-	(26,575)	26,575	
CHANGES IN NET POSITION					(26,575)	(26,575)
FUND BALANCES/NET POSITION						
BEGINNING OF YEAR	13,293	9,810	-	23,103	-	23,103
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
END OF YEAR	\$ (5,985)	\$ 2,513	\$ -	\$ (3,472)	\$ -	\$ (3,472)

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

Palisade Metropolitan District No. 1

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

For the Year Ended December 31, 2024

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Property taxes	\$ 1,214	\$ 1,352	\$ 138
Specific ownership taxes	4,770	4,134	(636)
BURA District	94,193	94,105	(88)
Interest income	<u>293</u>	<u>6,709</u>	<u>6,416</u>
Total Revenues	<u>100,470</u>	<u>106,300</u>	<u>5,830</u>
EXPENDITURES			
Accounting and audit	36,000	23,386	12,614
Insurance	5,000	5,322	(322)
Legal	30,000	26,224	3,776
Miscellaneous	1,078	379	699
Treasurer fees	18	22	(4)
Transfer to District No. 2	73,904	70,245	3,659
Contingency	134	-	134
Emergency Reserve	<u>3,100</u>	<u>-</u>	<u>3,100</u>
Total Expenditures	<u>149,234</u>	<u>125,578</u>	<u>23,656</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(48,764)	(19,278)	29,486
OTHER FINANCING SOURCES			
Developer advances	<u>40,000</u>	<u>-</u>	<u>(40,000)</u>
Total Other Financing Sources	<u>40,000</u>	<u>-</u>	<u>(40,000)</u>
NET CHANGE IN FUND BALANCE	(8,764)	(19,278)	(10,514)
FUND BALANCE:			
BEGINNING OF YEAR	<u>8,764</u>	<u>13,293</u>	<u>4,529</u>
END OF YEAR	<u>\$ -</u>	<u>\$ (5,985)</u>	<u>\$ (5,985)</u>

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

PALISADE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2024

Note 1: Summary of Significant Accounting Policies

The accounting policies of Palisade Metropolitan District No. 1 (the District), located in the City and County of Broomfield, Colorado, conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District, a quasi-municipal corporation and political subdivision of the State of Colorado, was organized by order and decree of the City and County of Broomfield District Court on August 16, 2007, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District operates under an Amended Service Plan approved by the City and County of Broomfield, Colorado (Broomfield). The District’s service area is located in Broomfield. The District was established to finance and construct certain public infrastructure improvements that benefit the residents of the District. The District’s primary revenues are property taxes. The District is governed by an elected Board of Directors. On September 12, 2006, Broomfield approved the District’s Service Plan (the Original Service Plan). On December 2, 2014, Broomfield approved the First Amended and Restated Service Plan for the District (the Amended Service Plan), which is intended to modify, replace, restate, and supersede the Original Service Plan in its entirety.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets forth the financial accountability of a governmental organization’s elected governing body as the basic criterion for including a possible component governmental organization in a primary government’s legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization’s governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. The pronouncements also require including a possible component unit if it would be misleading to exclude it.

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

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

PALISADE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2024

Basis of Presentation

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

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year in which they are collected.

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

PALISADE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2024

The District reports the following major governmental funds:

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

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

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

Budgetary Accounting

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

Assets, Liabilities and Net Position

Fair Value of Financial Instruments

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

Deposits and Investments

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

PALISADE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2024

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

Estimates

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify for reporting in this category.

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

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 30 or if in equal installments, at the taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected monthly to the District.

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.

PALISADE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2024

Long-Term Obligations

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

Fund Equity

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

Nonspendable Fund Balance

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

Restricted Fund Balance

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

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$3,100 of the General Fund balance has been reserved in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of \$2,514 is restricted for the payment of the debt service costs.

Committed Fund Balance

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

Assigned Fund Balance

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

PALISADE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements
December 31, 2024

Unassigned Fund Balance

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

Deficit

The General Fund has a deficit fund balance at December 31, 2024, the District is examining ways to eliminate this deficit.

Net Position

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

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

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

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

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

Note 2: Cash and Investments

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

Statement of Net Position:

Cash and investments	\$ 24,301
Cash and investments - restricted	<u>6,914</u>
Total	<u>\$ 31,215</u>

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

Deposits with financial institutions	\$ <u>31,215</u>
	\$ <u>31,215</u>

PALISADE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2024

Deposits

Custodial Credit Risk

The Colorado Public Deposit Protection Act, (“PDPA”) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

The District follows state statutes for deposits. None of the District’s deposits were exposed to custodial credit risk.

Investments

The District did not have any investments at December 31, 2024

Note 3: Long-Term Debt

The District did not have any long-term obligations as of December 31, 2024:

Debt Authorization

The limit on the District’s ability to issue Debt is set forth in its Service Plan as \$10,260,000 (Service Plan Debt Issuance Limit). In no event is the District authorized to issue Debt in excess of the Service Plan Debt Issuance Limit. As of December 31, 2024, the District has issued the full amount of the Service Plan Debt Issuance Limit.

The District has voter authorization in excess of the Service Plan Debt Issuance Limit. At the November 7, 2006 election, the Service Plan Debt Issuance Limit was allocated between public improvement powers (such as water, sewer or streets). At the time of that election, the actual costs of construction were not known, so a subsequent election was held on November 5, 2013, where the Service Plan Debt Issuance Limit was voted in every public improvement power to provide flexibility to the District.

With that understanding, on November 7, 2006 and November 5, 2013, District electors voted to authorize debt issuance, by power, as follows:

PALISADE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements
December 31, 2024

	2006 Electoral Authorization	2013 Electoral Authorization	Authorization Used	Remaining Authorization
Street	\$3,060,000	\$10,260,000	\$-	\$13,320,000
Park and Recreation	2,000,000	10,260,000	-	12,260,000
Water	1,250,000	10,260,000	-	11,510,000
Sanitation	3,500,000	10,260,000	-	13,760,000
Transportation	100,000	10,260,000	-	10,360,000
Mosquito Control	50,000	10,260,000	-	10,310,000
Safety Protection	250,000	10,260,000	-	10,510,000
Television Relay and Translation	50,000	10,260,000	-	10,310,000
O&M	750,000	10,260,000		11,010,000
Refunding Debt	10,260,000	20,520,000	-	30,780,000
IGAs as Debt	10,260,000	10,260,000	10,260,000 ¹	10,260,000
TOTAL	\$31,530,000	\$123,120,000	\$10,260,000	\$144,390,000
Service Plan Debt Issuance Limit			\$10,260,000	\$-
¹ Reflects electoral authorization used by the Capital Pledge Agreement refinanced by the 2016 Pledge Agreement (discussed under Note 5).				

Note 4: Related Parties

A majority 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 2024 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

PALISADE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2024

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 2024, no amounts remain due under the Restated FFAA.

Note 5: 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).

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.

PALISADE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2024

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.

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.

PALISADE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2024

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 of a Loan Agreement between District No. 2 and Zions Bancorporation, N.A. d/b/a Vectra Bank Colorado, as the lender.

On November 1, 2024, the District and District No. 2 entered into a Third Amended and Restated Capital Pledge Agreement (Third Restated Pledge Agreement), which amended and restated the Second Restated Pledge Agreement in its entirety, in connection with District No. 2's issuance of its: (i) Subordinate Convertible Capital Appreciation General Obligation Limited Tax and Revenue Refunding Bonds, Series 2024B (2024B Bonds) in original principal amount of \$32,691,197.35, for the purpose of refunding the 2019 Bonds; and (ii) Second Subordinate General Obligation Limited Tax and Revenue Bonds, Series 2024C (2024C Bonds, and with the 2024B Bonds, the 2024 Bonds) in the original principal amount of \$10,310,000, for the purpose of paying additional costs of public improvements. The Third 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 2021 Loan and 2024 Bonds.

Further, for so long as the 2021 Loan and 2024 Bonds are outstanding, the District covenants to impose the Mandatory Capital Levy (as defined in the Third Restated Pledge Agreement).

The obligation of the District under the Third 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 Third Restated Pledge Agreement will not exceed \$24,301,000 less all payments made from the date of the 2016 Pledge Agreement (Revenue Limitation). The payment obligations of the District under the Third Restated Pledge Agreement continue until the earlier of the date when the 2021 Loan and 2024 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 Financial Statements December 31, 2024

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.

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).

PALISADE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2024

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.

On September 14, 2023, the Palisade Districts entered into an Amended and Restated Park Cost Sharing Intergovernmental Agreement, effective May 7, 2020, which amended and restated the Park Cost Sharing IGA in its entirety (Restated Park Cost Sharing IGA). The Restated Park Cost Sharing IGA: (i) identifies and approves the allocation of the costs incurred relative to certain regional park, open space, and recreation improvements of a regional nature as defined therein as the Spano Park Improvements and those subsequent regional park, open space and recreational improvements of a regional nature defined therein as the Urban Park Improvements; (ii) evidences the agreement of District No. 2 to finance and cause the construction of the Spano Park Improvements and Urban Park Improvements; and (iii) evidences the agreement of the remaining Palisade Districts, including the District, to reimburse District No. 2 for such costs in accordance with an agreed-upon cost-sharing allocation. Pursuant to the Restated Park Cost Sharing IGA, to the extent District No. 2 does not have sufficient funds and has not received sufficient funds from the other Palisade Districts for construction of the Urban Park Improvements, District No. 2 shall request funds from Palisade Park North Metropolitan District No. 3 (PPN District No. 3) in accordance with the Restated Park Costing Sharing IGA. PPN District No. 3 agrees to advance such funds to District No. 2 to the extent it has funds available, and any such advance will be reconciled between the Palisade Districts in accordance with the Restated Park Cost Sharing IGA.

Intergovernmental Agreement for Operations Cost Sharing

On September 8, 2022, the District and District No. 2 (collectively, referred to herein as the Districts) entered into the Intergovernmental Agreement for Operations Cost Sharing (Operations Cost Sharing Agreement). The Operations Cost Sharing Agreement: (i) identifies the District Maintained Improvements (as defined in the Operations Cost Sharing Agreement, and generally meaning those certain public improvements owned and operated, currently or in the future, by one of the Districts and providing benefit to both of the Districts); (ii) identifies the District Maintained Improvements requiring Operations Services (as defined in the Operations Cost Sharing Agreement, and generally meaning the services needed to ensure

PALISADE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements
December 31, 2024

adequate and appropriate maintenance of the District Maintained Improvements); (iii) evidences the agreement of District No. 2 to provide the Operations Services relative to the District Maintained Improvements in accordance with the Operations Cost Sharing Agreement; (iv) identifies and approves the method of allocation of the costs for the Operations Services between the Districts; and (v) evidences the agreement of the District to reimburse District No. 2 for the costs of the Operations Services in accordance with the agreed upon allocation.

Note 6: Tax, Spending and Debt Limitations

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

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

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not

allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

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

On November 7, 2006, a majority of the District’s electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

PALISADE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements
December 31, 2024

Note 7: Risk Management

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

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

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

The District has no reconciling items at December 31, 2024.

SUPPLEMENTAL INFORMATION

Palisade Metropolitan District No. 1

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - DEBT SERVICE FUND

For the Year Ended December 31, 2024

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Property taxes	\$ 5,464	\$ 6,087	\$ 623
Specific ownership taxes	21,467	18,606	(2,861)
BURA District	423,881	423,486	(395)
BURA City	43,770	50,040	6,270
BURA St. Vrain	293,499	278,174	(15,325)
Interest income	<u>491</u>	<u>2,513</u>	<u>2,022</u>
Total Revenues	<u>788,572</u>	<u>778,906</u>	<u>(9,666)</u>
EXPENDITURES			
Treasurer fees	82	99	(17)
Transfer to District No. 2	<u>788,490</u>	<u>786,104</u>	<u>2,386</u>
Total Expenditures	<u>788,572</u>	<u>786,203</u>	<u>2,369</u>
NET CHANGE IN FUND BALANCE	-	(7,297)	(7,297)
FUND BALANCE:			
BEGINNING OF YEAR	<u>9,810</u>	<u>9,810</u>	<u>-</u>
END OF YEAR	<u>\$ 9,810</u>	<u>\$ 2,513</u>	<u>\$ (7,297)</u>

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

Palisade Metropolitan District No. 1

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
CAPITAL PROJECTS FUND
For the Year Ended December 31, 2024

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Intergovernmental revenue	\$ 500,000	\$ -	\$ (500,000)
Total Revenues	500,000	-	(500,000)
EXPENDITURES			
Intergovernmental expenditures	500,000	-	500,000
Total Expenditures	500,000	-	500,000
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE:			
BEGINNING OF YEAR	-	-	-
END OF YEAR	\$ -	\$ -	\$ -

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