

TOWN OF PALISADE, COLORADO
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Town of Palisade, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Palisade (the Town), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Town'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, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Palisade, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof 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 Town of Palisade, 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 Town'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



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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 Town'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 Town's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



To the Board of Trustees
Town of Palisade, Colorado
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Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Palisade's basic financial statements. The combining and individual nonmajor fund financial statements, the supplementary budgetary comparison schedules for the proprietary and nonmajor governmental funds, and the Local Highway Finance Report 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 and supplementary budgetary comparison schedules for the proprietary and nonmajor governmental funds, and the Local Highway Finance Report are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Chadwick, Steinkirchner, Davis & Co., P.C.

Chadwick, Steinkirchner, Davis & Co., P.C.
September 29, 2022

Management's Discussion and Analysis

As Town of Palisade Management, we offer the users of the Town of Palisade financial statements this narrative overview and analysis of the financial activities of the Town for the year ended December 31, 2021.

Financial Highlights

The Town of Palisade's assets and deferred outflows of resources of \$40.5 million exceeded Town liabilities and deferred inflows of resources of \$5.4 million by \$35.1 million as of December 31, 2021. Of this amount, \$15.8 million is unrestricted, \$19.1 million is invested in capital assets such as land and improvements, buildings, vehicles, furniture, and equipment and \$256,895 is held for emergencies in compliance with Article X of the Colorado State Constitution.

Total revenue for the Town increased 24.3% in 2021 due to increases in sales tax revenue and charges for service. Total expenses increased by 1.52% in 2021 as compared to 2020. This resulted in an increase in the Town's net position of \$4.59 million in 2021.

Access to financial resources allows the Town to meet obligations and continue to provide day-to-day services necessary for the health, safety, and welfare for our citizens. One measure of this access is liquidity and can be measured as a ratio between current assets and current liabilities known as the current ratio. Current assets include cash and resources likely to be converted to cash within the next year. Current liabilities include financial obligations that the Town will have to fulfill within the next year. A larger ratio between these elements indicates that the Town has greater liquidity and thus a more secure position. In 2021, the town has a government wide current ratio of 16.3. This is a very strong current asset position.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Palisade's basic financial statements, which are comprised of government-wide financial statements, governmental funds financial statements, proprietary fund financial statements, fiduciary fund financial statements and notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Town of Palisade finances in a manner like a private sector business.

The *statement of net position* presents information on all the Town's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in the Town's net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the Town's net position changed over the past year. All changes in the Town's net position are reported when an "event" causing a change occurs, regardless of when related cash flows actually take place. As a result, some revenues and expenses, reported in this statement, will result in cash flows in future financial periods. Examples include grants, not yet reimbursed or vacation leave earned, but not used.

Both of the government-wide financial statements distinguish activities of the Town of Palisade that are primarily supported by taxes and state or federal monies (intergovernmental activities) from activities that are intended to be funded primarily from user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, public works and parks, culture and recreation and cemetery. The business-type activities of the Town include water, sewer, and refuse.

Fund Financial Statements

A *fund* is a balancing set of accounts that is used to maintain control over resources that have been set aside for specific activities or purposes. The accounting within a fund is akin to accounting for an individual business. The Town of Palisade uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the Town's funds can be categorized into two fund types: governmental and proprietary.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, governmental fund financial statements focus on near-term flows of spendable resources, as well as on balances of spendable resources available at the end of the year. This information is helpful in evaluating the Town's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements, as readers may better understand the impact of the Town's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison.

The Town of Palisade maintains four governmental funds. The *General Fund*, the only major governmental fund, is distinctly identified in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balance. The other governmental funds are combined as non-major governmental funds in the basic financial statements. These funds are articulated distinctly in the Required Supplemental Information (RSI) section of the financial statements.

Proprietary Funds. The Town of Palisade maintains three proprietary funds. There are two types of proprietary funds, Internal service funds and Enterprise funds, of which the Town only maintains Enterprise funds. *Enterprise funds* are used to report business-like interactions and are presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for water, sewer and refuse activities. The enterprise funds financial

statements provide separate information for the water and sewer and refuse funds, which are considered to be major funds of the Town. The sewer and refuse services of the town are combined and reported as the *Utilities Fund*.

Budgetary Comparisons. The Town of Palisade adopts an annual appropriated budget for all of its funds. Budget to actual comparisons for each fund are provided elsewhere in this report.

Notes to the Financial Statements. These notes provide additional information that is necessary in gaining a full understanding of the data provided in the government-wide and fund financial statements.

FINANCIAL ANALYSIS

Net Position. Net position may serve over time as a useful indicator of a government's financial position. As of December 31, 2021, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$35.1 million. The Town's net position as of December 31, 2020 was \$30.1 million.

The following table provides a summary of the Town's governmental and business-type net position as of December 31, 2021 with comparison to December 31, 2020.

Net Position					
	Governmental		Business-Type		Total
	Activities		Activities		
	2020	2021	2020	2021	
Assets					
Current Assets	\$ 8,064,858	\$ 11,445,430	\$ 4,038,298	\$ 4,806,381	\$ 16,251,811
Capital Assets	9,472,228	10,043,509	13,218,862	12,808,526	22,852,035
Net Pension Asset	718,612	1,019,575	-	-	1,019,575
Total Current Assets	18,255,698	22,508,514	17,257,160	17,614,907	40,123,421
Deferred Outflows of Resources	449,748	403,579	-	-	403,579
Total Assets and Deferred Outflows of Resources	18,705,446	22,912,093	17,122,608	17,614,907	40,527,000
Liabilities					
Current Liabilities	579,546	475,944	428,345	519,776	995,720
Long-Term Liabilities	9,863	-	4,103,070	3,423,422	3,423,422
Total Liabilities	589,409	475,944	4,531,415	3,943,198	4,419,142
Deferred Inflows of Resources	770,721	975,015	-	-	975,015
Total Liabilities and Deferred Inflows of Resources	1,360,130	1,450,959	4,531,415	3,943,198	5,394,157
Net Position					
Net Investment in Capital Assets	9,419,711	10,035,819	8,845,356	9,034,750	19,070,569
Restricted for Emergencies	200,400	256,895	-	-	256,895
Unrestricted	7,725,205	11,168,419	3,880,389	4,636,959	15,805,378
Total Net Position	17,345,316	21,461,133	12,725,745	13,671,709	35,132,842

The Town of Palisade's assets and deferred outflows of resources were 7.51 times the Town's total liabilities and deferred inflows of resources at December 31, 2021. Total current assets were 16.32 times total current liabilities. The total amount of the long-term liabilities includes two water fund loans from the drinking water revolving fund disadvantaged community loan program with the Colorado Water Resources & Power Development Authority to re-build the water treatment plant. In addition, in 2012 the Town issued \$995,000 in water revenue bonds with interest rates ranging between 2.63% and 3.00%. The bonds are special revenue obligations of the Town, payable from the net pledged water revenues derived from the Town's Water Activity Enterprise. These bonds were used to pay off two existing water fund loans with interest rates of 4.00%.

Approximately 60% of the Town's net position is invested in capital assets that are being used in the operation of the Town and infrastructure assets that are provided and maintained by the Town. Infrastructure assets completed before January 1, 2004, and still in place, are not included in net position. In prior years, capital assets for non-proprietary funds were only shown on the combined balance sheet as the "general fixed assets" account group. These assets were not included with other assets in governmental fund type funds.

Changes in Net Position. Governmental and business-type activities increased the Town's net position by \$4,597,782 in 2021. The following table indicates the changes in net position for governmental and business-type activities for 2020 and 2021.

Changes in Net Position

	Governmental		Business-Type		Total	
	Activities		Activities			
	2020	2021	2020	2021	2020	2021
Revenues						
Program Revenues						
Charges for Services	389,541	776,168	1,819,517	1,892,008	2209058	2,668,176
Operating Grants and Contributions	86,163	379,645			86163	379,645
Capital Grants and Contributions	469,571	148,338	203,851	375,326	673422	523,664
General Revenues						
Property Taxes	573,022	602,072			573022	602,072
Other Taxes	5,136,026	6,653,340			5136026	6,653,340
Other Revenue	25,693	3,618	20,053	10,487	45746	14,105
Total Revenues	6,680,016	8,563,181	2,043,421	2,277,821	8,723,437	10,841,002
Expenses						
General Government	1,543,870	1,783,199			1,543,870	1,783,199
Public Safety	1,599,306	1,615,645			1,599,306	1,615,645
Public Works	580,937	372,602			580,937	372,602
Culture & Recreation	751,183	637,329			751,183	637,329
Cemetery	94,905	38,588			94,905	38,588
Water			937,894	1,046,735	937,894	1,046,735
Sewer and Refuse			641,527	749,122	641,527	749,122
Total Expenses	4,570,201	4,447,363	1,579,421	1,795,857	6,149,622	6,243,220
Change in Net Position	2,109,815	4,115,818	464,000	481,964	2,573,815	4,597,782
Net Position						
Beginning of Year	15,223,063	17,345,316	12,725,745	13,189,745	27,948,808	30,535,061
Prior-Period Adjustment	12,438				12,438	-
End of Year	17,345,316	21,461,134	13,189,745	13,671,709	30,535,061	35,132,843

Total revenues for combined governmental and business-type activities increased 24.3% for 2021 when compared to 2020 due mainly to increased revenue from sales taxes and fees for service. Total combined revenues were made up of 33% direct program revenues and 67% general revenues.

- The major program revenues for governmental activities were as follows:

Charges for services and fees were 60% of program revenues. The sources of this revenue were: general government charges for services, fees, fines, etc., public safety, public works and parks, culture and recreation and cemetery.

Capital and operational grants were 40% of program revenues. These grants were received for public safety and public works and recreation.

The general revenues for governmental activities were 85% of total governmental revenues. The major governmental general revenue activities were as follows:

Property taxes were 6% of total revenues and 8% of general revenues.

Other taxes, which includes sales taxes were 61% of total revenues and 92% of general revenues.

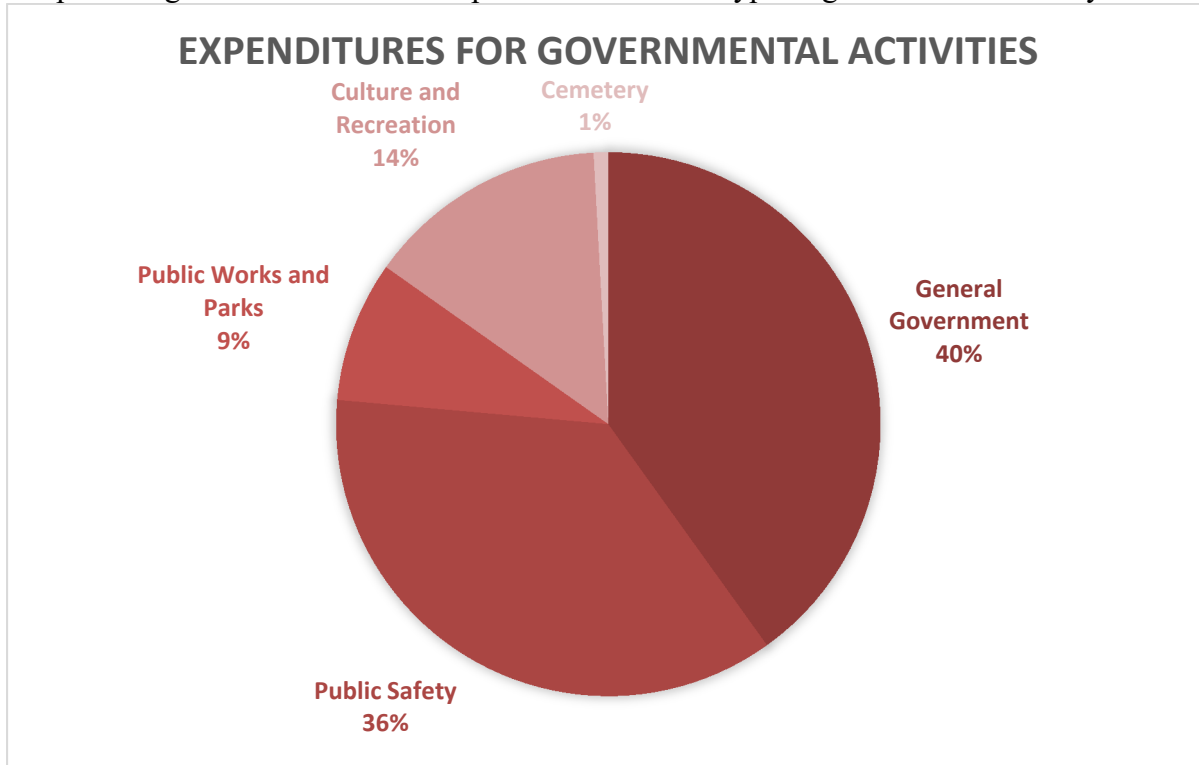
Other revenues were <1% of total revenues and <1% of general revenues.

- The major program revenues for business-type activities were:

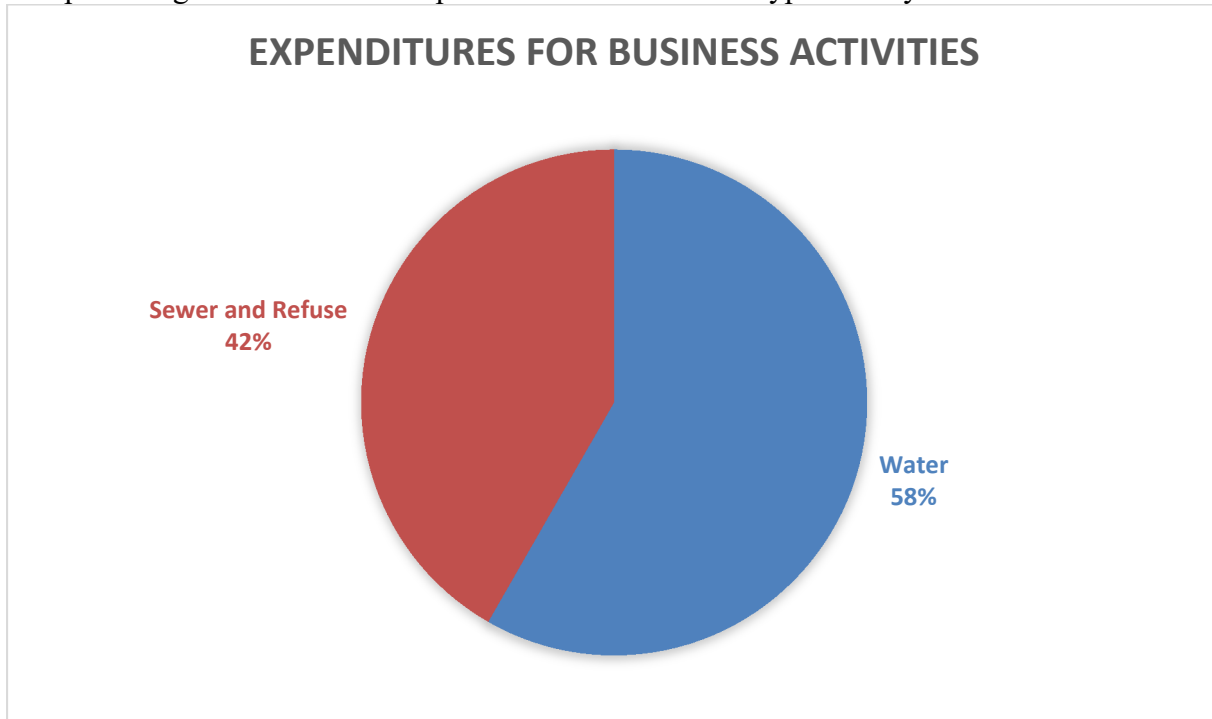
Charges for services were 83% of total business-type activities revenues. Each business-type activity charges for the specific products and/or services for which the activity was established. The major revenues for 2021 were water service fees \$1,084,100 and sewer fees \$807,908.

The total expenses for combined governmental and business-type activities were made up of \$4,447,363 of expenses for governmental activities and \$1,795,857 of expenses for business-type activities. Of the total expenses, 71% were for governmental activities and 29% for business-type activities.

The percentages of Governmental expenditures for each type of governmental activity are:



The percentages of total Town expenses for each business-type activity are:



FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

The Town of Palisade uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of the end of 2021, the combined ending fund balances of the Town of Palisade's governmental funds were \$10,550,728. Of this amount, 96% is unassigned fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. Of the remaining, \$140 are non-spendable funds, \$63,290 are restricted for park improvements, \$256,895 are restricted for emergencies and not available for new spending, \$44,331 are assigned for marketing and \$54,136 are assigned for public safety.

The Town has one major governmental fund: The General Fund.

General Fund

The fund balance of the general fund was \$10,468,710 on December 31, 2021. Of this balance, 98% is unassigned. Of the remaining, \$140 are non-spendable funds and \$256,895 are restricted for emergencies in compliance with Title X of the Colorado constitution. The unassigned fund balance is available for working capital and will be used for subsequent operations. Working capital is also available for immediate cash disbursements in the subsequent period.

Most of the ratios that are used in the financial analysis of business organizations provide only limited information in an analysis of a governmental type fund; however, governmental funds that are in severely bad liquidity condition can often be recognized by such an analysis. Therefore, the following items and relationships are presented for the Town of Palisade's general fund at December 31, 2021:

- Working Capital (assets minus liabilities and deferred inflows of resources) of the General Fund was \$10,468,710. The general fund balance on the fund balance sheet is the fund's "working capital." However, a portion of the fund balance is restricted or non-spendable and may not be available for use as working capital. Therefore, the unassigned fund balance of \$10,211,674 is considered "working capital" as a measure of liquidity for the fund.
- Current Ratio (current assets divided by current liabilities and deferred inflows of resources) 15.4:1
- Modified Current Ratio (current assets less property tax accrual divided by current liabilities): 54.2:1. The current ratio is used, by business organizations, to display the ability to meet currently maturing obligations.

While the analysis provided above must be combined with other information in order to develop a certain conclusion as to the liquidity and the probability of continuation of financial operations by the Town of Palisade general fund, it is reasonable to conclude that the Town’s general fund level of liquidity is not deficient.

Proprietary Funds

The Town’s proprietary fund statement provides the same type of information found in the government-wide financial statements, but in greater detail.

As of the end of 2021, the combined ending net position of the Town of Palisade’s enterprise funds was \$13,671,709. Of this amount 34% is unrestricted net position, which is available as working capital and for current spending.

The Town has three major enterprise funds, *the Water Fund, the Utility Fund and the Solid Waste Fund*. The Water Fund is used to account for water activities. The Utility Fund is used to account for sewer collections and treatment activities. The Solid Waste Fund is used to account for the solid refuse activities for the Town. For presentation in the financial statements, the Solid Waste Fund and Utilities Fund are combined. On December 31, 2021, the *Water Fund, Utility Fund, and Solid Waste Fund* had total assets, which equaled 4.5 times the total liabilities. 66% of the funds’ net position was invested in capital assets. 34% of the funds’ net position is unrestricted and available as working capital and to be used for subsequent operations. The Water Fund and the Utility Fund are enterprise funds with a large ratio of capital assets. The Solid Waste Fund does not have significant capital assets because the Town contracts these services with a private entity. The funds with significant capital asset requirements require significant cash flow planning to maintain infrastructure.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Town’s budget is prepared and approved according to Colorado statutes.

The Town of Palisade’s Trustees budgeted \$6,576,513 for 2021 general fund revenues.

The Town’s General Fund Budget is shown below:

	Original Budget	Final Budget	Actual
Beginning Balance	\$ 5,667,914	\$ 5,667,914	\$ 7,055,449
Revenues and Other Financing Sources	4,827,700	6,709,513	8,193,914
Expenditures and Other Financing Uses	6,384,554	8,056,697	4,780,653
Prior Period Adjustment			
Ending Balance	\$ 4,111,060	\$ 4,111,060	\$ 10,468,704

CAPITAL ASSET AND DEBT ADMINISTRATION

The Town's capital assets net of depreciation on December 31, 2021 are presented in the following table. Also see Note D in the footnotes for further detail.

Capital Assets, Net of Depreciation			
December 31, 2021			
	Governmental Activities	Business-Type Activities	Total
Land	\$2,039,926	\$226,126	\$2,266,052
Water Rights		234,247	234,247
Construction in Progress	651,027	172,818	823,845
Swimming Pool/Community Center	131,356		131,356
Water/Sewer System		12,078,722	12,078,722
Building and Improvements	3,503,168		3,503,168
Equipment and Furniture	1,001,000	96,613	1,097,613
Infrastructure	2,717,032		2,717,032
Total	10,043,509	12,808,526	22,852,035

Business-type activities, specifically the Water Fund, currently have two notes payable and one outstanding bond issue as noted above. Debt was incurred for repair and replacement of a water line and reservoir expansion and to rebuild the water treatment plant. The total amount due at December 31, 2021 was \$3,773,775, which includes unamortized debt premiums of \$17,228. See Note E in the footnotes for further detail.

Items of Interest for 2021

Government wide revenue increased by 24.3% when compared to government wide revenue in 2020. This increase is due to a combination of increasing property values driving increases in property taxes, strong consumer activity driving sales tax, and consistent demand for town provided public utilities. Sales tax continues to be the largest source of funding for governmental type activities and charges for service continue to primarily fund the Town's utility activities. We expect both revenue streams to remain capable of supporting services at the same levels in the next fiscal year.

ECONOMIC FACTORS AND CONDITIONS

The Town continues to pursue areas of capital improvement and economic development. The 2021 operating budget focused on public safety, utility service delivery, and infrastructure maintenance. The maintenance of facilities and systems, infrastructure, and equipment as well as updating ineffective, obsolete, and end of service life equipment and systems to support the delivery of high quality, and cost-effective services remains a priority. The Town has had some changes in staff, but the overall number of FTE's remained close to 2020 staff levels.

The Town responded to unknown economic conditions caused by the COVID-19 pandemic by closely monitoring expenses and revenues, pursuing grant funding and delaying discretionary capital projects.

Board Direction for 2021

The Palisade Board of Trustees continues to support the town mission statement that supports opportunities for agriculture, business, recreation and protecting our diverse community and our citizen's quality of life. We continue to actively seek economic development for the Town.

The Town will also continue to study new options for revenue to perform much needed capital improvement projects to our streets, parks, and utility infrastructure. We are focused on maintaining what we have and making investments that will have a positive impact on the quality of life and experience of our residents, visitors, and wider community.

Conclusion

The primary revenue streams for the Town remain strong and capable of supporting fundamental services on which our citizens rely. The 2022 budget has an expansion of revenues and expenditures when compared to 2021. This increase is largely due to grant funding opportunities for capital projects on Highway 6. We believe sales tax and property tax revenues will show some growth in 2022 and moving forward.

The Town will remain focused on executing a strategic vision that is aimed at increasing the quality of life for our citizens and creating a Town that residents and visitors alike hold in the highest esteem.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Town of Palisade's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Town of Palisade Trustees, P.O. Box 128, Palisade, CO 81526.

Basic Financial Statements

Town of Palisade, Colorado
STATEMENT OF NET POSITION

December 31, 2021

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 9,860,796	\$ 4,475,211	\$ 14,336,007
Property taxes receivable	675,222	-	675,222
Accounts receivable	904,554	213,552	1,118,106
Lodging tax receivable	4,718	-	4,718
Prepaid expenses	140	-	140
Inventory (at cost)	-	117,618	117,618
Total current assets	<u>11,445,430</u>	<u>4,806,381</u>	<u>16,251,811</u>
Capital assets			
Land	2,039,926	226,126	2,266,052
Construction in progress	651,027	172,818	823,845
Water rights	-	234,247	234,247
Infrastructure (net of depreciation)	2,717,032	-	2,717,032
Swimming pool (net of depreciation)	64,430	-	64,430
Community center (net of depreciation)	66,926	-	66,926
Sewer system (net of depreciation)	-	2,965,383	2,965,383
Water system (net of depreciation)	-	9,113,339	9,113,339
Buildings and improvements (net of depreciation)	3,503,168	-	3,503,168
Equipment and furniture (net of depreciation)	1,001,000	96,613	1,097,613
Net pension asset - cost sharing plan	171,716	-	171,716
Net pension asset - agency plan	847,859	-	847,859
Total assets	<u>22,508,514</u>	<u>17,614,907</u>	<u>40,123,421</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	403,579	-	403,579
Total assets and deferred outflows of resources	<u>22,912,093</u>	<u>17,614,907</u>	<u>40,527,000</u>
LIABILITIES			
Accounts payable	87,565	63,740	151,305
Accrued expenses	103,914	12,634	116,548
Accrued interest	-	28,246	28,246
Unearned revenue	28,001	-	28,001
Compensated absences payable	248,774	64,802	313,576
Current portion long-term liabilities	7,690	350,354	358,044
Total current liabilities	<u>475,944</u>	<u>519,776</u>	<u>995,720</u>
Long-term liabilities due more than one year:			
Bonds, notes and capital leases payable	-	3,423,422	3,423,422
Total liabilities	<u>475,944</u>	<u>3,943,198</u>	<u>4,419,142</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes	675,222	-	675,222
Deferred inflows related to pensions	299,793	-	299,793
Total deferred inflows of resources	<u>975,015</u>	<u>-</u>	<u>975,015</u>
Total liabilities and deferred inflows of resources	<u>1,450,959</u>	<u>3,943,198</u>	<u>5,394,157</u>
NET POSITION			
Net investment in capital assets	10,035,819	9,034,750	19,070,569
Restricted for emergencies	256,895	-	256,895
Unrestricted	11,168,419	4,636,959	15,805,378
Total net position	<u>\$ 21,461,134</u>	<u>\$ 13,671,709</u>	<u>\$ 35,132,843</u>

The accompanying notes are an integral part of this financial statement.

Town of Palisade, Colorado
STATEMENT OF ACTIVITIES
Year ended December 31, 2021

	Expenses	Program Revenues			Net (expense) revenue		
		Charges for Services and Fees	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Functions/Programs							
Governmental Activities:							
General government	\$ 1,783,199	\$ 73,439	\$ -	\$ -	\$ (1,709,760)		\$ (1,709,760)
Public safety	1,615,645	230,843	345,796	-	(1,039,006)		(1,039,006)
Public works and parks	372,602	51,703	-	148,338	(172,561)		(172,561)
Culture and recreation	637,329	333,933	33,849	-	(269,547)		(269,547)
Cemetery	38,588	86,250	-	-	47,662		47,662
Total governmental activities	<u>4,447,363</u>	<u>776,168</u>	<u>379,645</u>	<u>148,338</u>	<u>(3,143,212)</u>		<u>(3,143,212)</u>
Business-type Activities:							
Water	1,046,735	1,084,100	-	215,091		\$ 252,456	252,456
Sewer and refuse	749,122	807,908	-	160,235		219,021	219,021
Total business-type activities	<u>1,795,857</u>	<u>1,892,008</u>	<u>-</u>	<u>375,326</u>		<u>471,477</u>	<u>471,477</u>
Total primary government	<u>\$ 6,243,220</u>	<u>\$ 2,668,176</u>	<u>\$ 379,645</u>	<u>\$ 523,664</u>	<u>(3,143,212)</u>	<u>471,477</u>	<u>(2,671,735)</u>
General revenues:							
Taxes:							
Property taxes					602,072	-	602,072
Sales taxes					6,174,177	-	6,174,177
Other					479,163	-	479,163
Interest income					3,618	10,487	14,105
Total general revenues					<u>7,259,030</u>	<u>10,487</u>	<u>7,269,517</u>
Change in net position					4,115,818	481,964	4,597,782
Net position - beginning of year					17,345,316	13,189,745	30,535,061
Net position - end of year					<u>\$ 21,461,134</u>	<u>\$ 13,671,709</u>	<u>\$ 35,132,843</u>

The accompanying notes are an integral part of this financial statement.

Town of Palisade, Colorado

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2021

	General Fund	Capital Projects Fund	Non-major Governmental Funds	Total
Assets				
Cash and investments	\$ 9,693,402	\$ -	\$ 167,394	\$ 9,860,796
Accounts receivable				
Fire, rescue and other (net of allowance)	54,302	-	-	54,302
Other governments	836,109	-	-	836,109
Franchise taxes	14,143	-	-	14,143
Property tax receivable	527,736	-	147,486	675,222
Lodging and other tax receivable	-	-	4,718	4,718
Due from other funds	67,557	-	-	67,557
Prepaid expenses	140	-	-	140
Total assets	<u>11,193,389</u>	<u>-</u>	<u>319,598</u>	<u>11,512,987</u>
Liabilities				
Accounts payable	65,028	12,182	10,355	87,565
Accrued liabilities	103,914	-	-	103,914
Due to treasurer	-	67,557	-	67,557
Unearned revenue	28,001	-	-	28,001
Total liabilities	<u>196,943</u>	<u>79,739</u>	<u>10,355</u>	<u>287,037</u>
Deferred inflows of resources				
Property taxes	527,736	-	147,486	675,222
Total deferred inflows of resources	<u>527,736</u>	<u>-</u>	<u>147,486</u>	<u>675,222</u>
Total liabilities and deferred inflows of resources	<u>724,679</u>	<u>79,739</u>	<u>157,841</u>	<u>962,259</u>
Fund balances				
Non-spendable	140	-	-	140
Restricted for emergency reserve	256,895	-	-	256,895
Restricted for park improvements	-	-	63,290	63,290
Assigned for marketing	-	-	44,331	44,331
Assigned for public safety	-	-	54,136	54,136
Unassigned	10,211,674	(79,739)	-	10,131,935
Total fund balances	<u>\$ 10,468,710</u>	<u>\$ (79,739)</u>	<u>\$ 161,757</u>	<u>\$ 10,550,728</u>

The accompanying notes are an integral part of this financial statement.

Town of Palisade, Colorado

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

Year ended December 31, 2021

Total governmental fund balances (as reported above)	\$ 10,550,728
Amounts reported for governmental activities in the statement of net position are different because:	
Compensated absences reported as long-term liabilities in governmental activities are not reported in the funds.	(248,774)
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	10,043,509
Capital leases are reported as liabilities in governmental activities are not reported in the funds.	(7,690)
Net pension asset (liability) is not available soon enough to pay for the current year's expenditures and therefore is not reported in the funds	1,019,575
The amount by which deferred outflows of resources are greater than deferred inflows of resources related to pensions, both of which are not recorded in the funds (\$403,579 - \$299,793)	<u>103,786</u>
Net position of governmental activities	<u><u>\$ 21,461,134</u></u>

The accompanying notes are an integral part of this financial statement.

Town of Palisade, Colorado

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

Year ended December 31, 2021

	General Fund	Capital Projects Fund	Non-major Governmental Funds	Total
Revenues				
Taxes and special assessments	\$ 7,018,181		\$ 227,339	\$ 7,245,520
License and permits	48,576		-	48,576
Intergovernmental	483,109		33,849	516,958
Grant revenue	-	107,289	-	107,289
Fines and forfeitures	16,904		-	16,904
Charges for services	519,506		-	519,506
Interest income	3,577		40	3,617
Miscellaneous	104,061		750	104,811
Total revenues	<u>8,193,914</u>	<u>107,289</u>	<u>261,978</u>	<u>8,563,181</u>
Expenditures				
Current:				
General government	1,262,177		65,531	1,327,708
Public safety	1,770,819		16,784	1,787,603
Public works and parks	355,389		-	355,389
Culture and recreation	637,329		-	637,329
Cemetery	34,616		-	34,616
Capital outlay:				
General government	-	797,853	-	797,853
Public works and parks	25,411		-	25,411
Culture and recreation	222,987		-	222,987
Total expenditures	<u>4,308,728</u>	<u>797,853</u>	<u>82,315</u>	<u>5,188,896</u>
Excess of revenues over (under) expenditures	3,885,186	(690,564)	179,663	3,374,285
Other financing sources (uses)				
Transfers in	138,900	610,825	-	749,725
Transfers (out)	(610,825)	-	(138,900)	(749,725)
Total other financing sources (uses)	<u>(471,925)</u>	<u>610,825</u>	<u>(138,900)</u>	<u>-</u>
Net change in fund balance	3,413,261	(79,739)	40,763	3,374,285
Fund balance, January 1	7,055,449	-	120,994	7,176,443
Fund balance, December 31	<u>\$ 10,468,710</u>	<u>\$ (79,739)</u>	<u>\$ 161,757</u>	<u>\$ 10,550,728</u>

The accompanying notes are an integral part of this financial statement.

Town of Palisade, Colorado

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

Year ended December 31, 2021

Change in fund balance from the Statement of Revenues, Expenditures and Changes in Fund Balance	\$ 3,374,285
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds do not report accrued compensated absences as part of expenditures. However, they are reported as expenses in the statement of activities. This is the amount accrued compensated absences changed in the Statement of Net Position from the prior year.	(1,712)
Governmental funds report expenditures related to pension obligations measured by the amount of financial resources used (essentially, the amounts actually paid to the pension plan), whereas, in the statement of activities, they are measured on the full accrual basis. This is the amount of the change in deferred outflows of resources (\$403,579 - \$449,748), the change in net pension asset (\$1,019,575- \$718,612), and the change in deferred inflows of resources (\$299,793 - \$172,130).	127,131
Governmental funds report principal payments on capital leases as expenditures. However, they are reported as a reduction of the lease liability in the statement of Net Position. This is the amount that the lease liability for capital assets decreased during the year.	44,828
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of capital assets is allocated over estimated useful lives and reported as depreciation expense. This is the amount that capital outlays were greater than depreciation in the current period (\$1,034,934 - \$463,653).	<u>571,281</u>
Change in net position of governmental activities	<u><u>\$ 4,115,813</u></u>

The accompanying notes are an integral part of this financial statement.

Town of Palisade, Colorado

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

December 31, 2021

	Water Fund	Utility Fund	Total Business-type
Assets			
Cash and investments	\$ 2,003,346	\$ 2,471,865	\$ 4,475,211
Customer accounts receivable (net of allowance)	117,176	96,376	213,552
Inventory (at cost)	117,618	-	117,618
Total current assets	<u>2,238,140</u>	<u>2,568,241</u>	<u>4,806,381</u>
Capital assets			
Land	-	226,126	226,126
Construction in progress	-	172,818	172,818
Water rights	234,247	-	234,247
Sewer system (net of depreciation)	-	2,965,383	2,965,383
Water system (net of depreciation)	9,113,339	-	9,113,339
Equipment and furniture (net of depreciation)	89,253	7,360	96,613
Total assets	<u>11,674,979</u>	<u>5,939,928</u>	<u>17,614,907</u>
Liabilities			
Accounts payable	28,529	35,211	63,740
Accrued wages	8,205	4,429	12,634
Accrued interest	28,246	-	28,246
Compensated absences	45,809	18,993	64,802
Long-term liabilities - current portion	350,354	-	350,354
Total current liabilities	<u>461,143</u>	<u>58,633</u>	<u>519,776</u>
Long-term liabilities	3,423,422	-	3,423,422
Total liabilities	<u>3,884,565</u>	<u>58,633</u>	<u>3,943,198</u>
Net Position			
Net investment in capital assets	5,663,063	3,371,687	9,034,750
Unrestricted	2,127,351	2,509,608	4,636,959
Total net position	<u>\$ 7,790,414</u>	<u>\$ 5,881,295</u>	<u>\$ 13,671,709</u>

The accompanying notes are an integral part of this financial statements.

Town of Palisade, Colorado

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS

Year ended December 31, 2021

	Water Fund	Utility Fund	Total Business-type
Operating revenues			
Charges for service	\$ 1,084,100	\$ 807,908	\$ 1,892,008
Total operating revenues	1,084,100	807,908	1,892,008
Operating expenses			
Direct costs to provide service	622,272	599,682	1,221,954
Depreciation	335,435	149,440	484,875
Total operating expenses	957,707	749,122	1,706,829
Operating income (loss)	126,393	58,786	185,179
Nonoperating revenues (expenses)			
Interest income and penalties	1,750	8,737	10,487
Tap fees	215,091	160,235	375,326
Interest expense	(89,028)	-	(89,028)
Total nonoperating revenues (expenses)	127,813	168,972	296,785
Change in net position	254,206	227,758	481,964
Net position, beginning	7,536,208	5,653,537	13,189,745
Net position, ending	\$ 7,790,414	\$ 5,881,295	\$ 13,671,709

The accompanying notes are an integral part of this financial statement.

Town of Palisade, Colorado

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year ended December 31, 2021

	<u>Water Fund</u>	<u>Utility Fund</u>	<u>Total Business-type</u>
Increase (Decrease) in Cash and Cash Equivalents			
Cash flows from operating activities:			
Cash received from customers	\$ 1,065,975	\$ 804,423	\$ 1,870,398
Cash payments to employees	(293,464)	(5,519)	(298,983)
Cash payments to suppliers	(368,420)	(589,399)	(957,819)
Net cash provided (used) by operating activities	<u>404,091</u>	<u>209,505</u>	<u>613,596</u>
Cash flows from capital and related financing activities:			
Tap fees	215,091	160,235	375,326
Capital asset acquisitions	(290,073)	(243,701)	(533,774)
Principal payments long-term debt	(326,832)	-	(326,832)
Interest payments on notes	(88,703)	-	(88,703)
Net cash provided (used) by capital and related financing activities	<u>(490,517)</u>	<u>(83,466)</u>	<u>(573,983)</u>
Cash flows from investing activities:			
Interest income	1,750	8,737	10,487
Net cash provided (used) by investing activities	<u>1,750</u>	<u>8,737</u>	<u>10,487</u>
Increase (decrease) in cash and cash equivalents	(84,676)	134,776	50,100
Cash and cash equivalents at beginning of year	<u>1,883,482</u>	<u>2,466,783</u>	<u>4,350,265</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,798,806</u></u>	<u><u>\$ 2,601,559</u></u>	<u><u>\$ 4,400,365</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ 126,393	\$ 58,786	\$ 185,179
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities			
Depreciation	335,435	149,440	484,875
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable customers	(18,125)	(3,485)	(21,610)
(Increase) decrease in inventory and prepaids	(72,982)	-	(72,982)
Increase (decrease) in accounts payable	16,737	10,283	27,020
Increase (decrease) in accrued wages and compensated absences	16,633	(5,519)	11,114
Total adjustments	<u>277,698</u>	<u>150,719</u>	<u>428,417</u>
Net cash provided by operating activities	<u><u>\$ 404,091</u></u>	<u><u>\$ 209,505</u></u>	<u><u>\$ 613,596</u></u>

The accompanying notes are an integral part of this financial statement.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization

The Town of Palisade, Colorado, (the Town) a statutory municipality operates under a Board of Trustees-Mayor form of government. The Town provides its residents with police protection, sewer service, water service, sanitation service, fire protection, recreation, swimming pool, streets, cemetery, and parks. The Town is governed by an elected mayor and a six member Board of Trustees.

2. Reporting Entity

The reporting entity consists of (a) the primary government; i.e., the Town, and (b) organizations for which the Town is financially accountable. The Town is considered financially accountable for legally separate organizations if it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the Town. Consideration is also given to other organizations, which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the Town. Organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

The Town's financial statements include the activities of the First Street Special Improvement District, the Palisade Downtown Improvement District, and the Palisade Rural Fire Protection District as blended component units in the General Fund and governmental activities. The Districts do not issue separate financial statements.

3. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and user charges for support. The Town has no discretely presented *component units*.

The statement of activities demonstrates the degree to which the direct 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 as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. 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*, as are the proprietary fund and fiduciary fund financial statements. 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 levied. Grants and similar items are recognized as revenues as soon as eligibility requirements imposed by the provider have been met.

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 Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes and interest associated with the current period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the Town's operating fund. It accounts for all financial resources of the government except for those required to be reported in another fund.

The Capital Projects Fund accounts for all financial resources that have been committed to fund the expenditures associated with constructing assets for the Town.

The government reports the following major proprietary funds:

The Water Fund accounts for the water treatment and distribution system.

The Utility Fund accounts for the sewage treatment and collection system and refuse collection.

Additionally, the government reports the following non-major fund types:

The Tourism Special Revenue Fund accounts for lodging tax received and used for tourism based marketing of the Town.

The Conservation Trust Fund accounts for the proceeds of lottery funds received from the State of Colorado.

The Palisade Rural Fire Protection District Fund accounts for property tax received and used for fire protection provided by volunteers for the Town.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water, sewer and refuse functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Town's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Town's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications—committed and then assigned fund balances before using unassigned fund balances.

5. Estimates

The preparation of financial statements in accordance with accounting principals generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

6. Risk Management

The Town is one of several local governments that are members of the Colorado Intergovernmental Risk Sharing Agency (CIRSA). CIRSA is an organization created by an intergovernmental agreement in 1982 solely to provide property and casualty coverage to its members. Coverage is provided through pooling of self-insured losses and the purchase of stop-loss insurance coverage. CIRSA is governed by a seven-member board elected by and from its members. The governing board is autonomous as to budgeting and fiscal matters.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

7. Capital Assets

Capital assets, which include property, plant and equipment, are defined by the Town as assets with an initial, individual cost of at least \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

Depreciation is provided on the straight-line method over the assets estimated useful lives, as follows:

Water distribution and collection system	10 – 60 years
Sewer collection and treatment system	10 – 50 years
Buildings and building improvements	10 – 100 years
Swimming pool	15 – 40 years
Equipment and furniture	5 – 20 years

8. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Town considers investments purchased with a maturity of three months or less to be cash equivalents.

9. Receivables and Payables

The Town has no interfund loans. Balances outstanding between funds are reported as “due to/from other funds”. Residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

Emergency service receivables are shown net of an allowance for uncollectible accounts. Property tax, Water Fund and Utility Fund accounts receivable do not have an allowance for uncollectible accounts as the receivables are considered to be fully collectible.

10. Inventory

Inventory consists of supplies and materials for the Water Fund. Inventory is recorded at cost using the first-in first-out method.

11. Compensated Absences

Full-time employees accrue twelve (12) to twenty-four (24) vacation days per year depending on years of service. Accrued and unpaid vacation earned is paid upon termination and is recognized as a current liability in all of the funds. Full-time employees accrue 24 days of sick leave per year and any unused sick leave is paid at 55% of the balance.

12. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

13. Seized Funds

The Town received \$0 in 2021 from the seizure of contraband (seized funds) under the Colorado Contraband Forfeiture Act. The act requires that seized funds be used for law enforcement activities.

14. Fund Equity and Fund Balances

GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions," provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. In the fund financial statements the following classifications describe the relative strength of the spending constraints. Note that not all of these classifications may be used in a given year.

- *Non-spendable fund balance* - The portion of fund balance that cannot be spent because it is either not in spendable form (such as inventory) or is legally or contractually required to be maintained intact.
- *Restricted fund balance* - The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.
- *Committed fund balance* - The portion of fund balance constrained for specific purposes according to limitations imposed by the Town's highest level of decision making authority, the Board of Trustees, prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Board.
- *Assigned fund balance* - The portion of fund balance set aside for planned or intended purposes. The intended use may be expressed by the Board or other individuals authorized to assign funds to be used for a specific purpose. Assigned fund balances in special revenue funds will also include any remaining fund balance that is not restricted or committed. This classification is necessary to indicate that those funds are, at a minimum intended to be used for the purpose of that particular fund.
- *Unassigned fund balance* - The residual portion of fund balance that does not meet any of the above criteria. The Town will only report a positive unassigned fund balance in the General Fund.

The Capital Projects Fund has a negative unassigned fund balance of \$79,739 at December 31, 2021.

15. Property Taxes

Property taxes are certified by the Board of Trustees and collected by Mesa County. Property taxes are remitted to the Town by the 10th day of the month following collection. Property taxes receivable represents 2021 taxes that will be collected in 2022.

Property taxes attach as an enforceable lien on property as of January 1 of the year in which they are payable. Taxes are payable either in full on or before April 30 or one half on or before February 28 and the remaining half on or before June 15.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

16. Pensions

The Town participates in the Statewide Defined Benefit Plan (SWDB), a cost-sharing multiple-employer defined benefit pension plan administered by the Fire & Police Pension Association of Colorado (FPPA). The Town also participates in the Palisade Volunteer Fire Department Pension Fund (PVFDP), an agent multiple-employer Public Employee Retirement System (PERS), also administered by FPPA, which represents the assets of numerous separate plans that have been pooled for investment purposes. The net pension liabilities or assets, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the pensions have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

17. Deferred Inflows and Deferred Outflows of Resources

In addition to assets, the statement of net 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 government only has one item that qualifies for reporting in this category. It is shown as pension amounts and includes items related to the Town's portion of the Statewide Defined Benefit Plan described in Footnote G.

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 Town reports deferred inflows related to property taxes in the governmental balance sheet and the statement of net position. The Town has deferred inflows related to pension liabilities reported on the government-wide statement of net position.

NOTE B – BUDGETS

Annual budgets are adopted for all funds, except fiduciary funds, of the Town. The Treasurer submits a proposed operating budget for the following calendar year to the Board of Trustees prior to October 15 of each year. The budget is prepared using the modified accrual basis of accounting. The operating budget includes proposed expenditures/expenses and the anticipated revenues. As required by statute, public hearings are conducted to obtain citizen's comments. Prior to the levy of property tax, the budget is legally adopted through the passage of a budget adoption and appropriation resolution no later than December 31. There were several supplemental appropriations approved for the 2021 budget. The Utility Fund and the Water Fund both have expenditures in excess of budgeted appropriations which may be a violation of State budget law.

NOTE C – CASH AND INVESTMENTS

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 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 uninsured deposits. At December 31,

Town of Palisade, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE C – CASH AND INVESTMENTS – CONTINUED

2021, the Town's cash deposits had a bank balance of \$5,395,241 of which \$275,917 was covered by federal depository insurance and \$5,119,324 was collateralized.

At December 31, 2021 the Town's cash and cash equivalents consisted of the following:

Cash on hand	\$	400
Demand accounts		<u>5,337,859</u>
Total cash and equivalents		<u>\$ 5,338,259</u>

Colorado state statutes authorize the Town to invest in U.S. Treasury bills, obligations of any other U.S. agencies, obligations of the World Bank, general obligation bonds of any state or any of their subdivisions, revenue bonds of any state or any of their subdivisions, bankers acceptance notes, commercial paper, repurchase agreements, money market funds and guaranteed investment contracts. All investments must be held by the Town in its name, or in custody of a third party on behalf of the local government.

The Town has adopted Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosure (GASB 40). GASB 40 establishes and modifies disclosure requirements related to investment risks including credit risk, custodial risk, interest rate risk and foreign currency risk.

Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligation.

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. The Town's deposits are either covered by depository insurance or are collateralized under the Colorado Public Deposits Protection Act and are therefore not deemed to be exposed to custodial credit risk. The Town's investments are not deemed to be exposed to custodial credit risk because they are held by the Town or by the Town's custody agent in the Town's name.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Town places no limit on the amount the Town may invest in any one issuer.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The Town also places money in public entity cash investment pools authorized by Colorado statutes. On December 31, 2021 the Town had \$7,487,718 and \$1,516,752, respectively, invested in the Colorado Government Liquid Asset Trust (COLOTRUST) and C-SAFE, investment vehicles established for local government entities in Colorado to pool surplus funds. COLOTRUST and C-SAFE consist of U.S. Treasury notes, U.S. Government Agency Securities, repurchase agreements collateralized by U.S. Treasury securities, and Commercial Paper. Designated custodial banks provide safekeeping and depository services to COLOTRUST and C-SAFE in connection with the direct investment and withdrawal

Town of Palisade, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE C – CASH AND INVESTMENTS – CONTINUED

functions of COLOTRUST and C-SAFE. Substantially all securities owned by COLOTRUST and C-SAFE are held by the Federal Reserve Bank in the account maintained for the custodial banks. The custodian’s internal records identify the investments owned by COLOTRUST and C-SAFE.

The State of Colorado’s Division of Securities is responsible for regulatory oversight for these pools. These pools are not required to and are not registered with the SEC. COLOTRUST funds carry a Standard & Poors AAAM rating. C-SAFE is also rated AAAM by Standard and Poors.

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles and GASB Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

COLOTRUST and C-SAFE each operate like a 2a-7 external investment pool and investments in the pool are valued at \$1 net asset value (NAV) per share. The underlying investments held by COLOTRUST are valued at fair market value. The underlying investments held by C-SAFE, and the Town’s investment in CSAFE, are valued at amortized cost which approximates fair value. There are no limitations on withdrawals.

At December 31, 2021 the Town’s investments consisted of the following:

COLOTRUST	\$ 7,487,178
C-SAFE	<u>1,516,752</u>
Total investments	<u>\$ 9,004,470</u>

Reconciliation of cash and investments to statement of net position:

Cash and cash equivalents	\$ 5,338,259
Investments	<u>9,004,470</u>
Total cash and investments	<u>\$14,336,007</u>

NOTE D – CAPITAL ASSETS

The following is a summary of activity in the capital assets for the year ended December 31, 2021:

<i>Governmental activities:</i>	Balance Restated <u>01/01/21</u>	<u>Additions</u>	<u>Deletions/ Adjustments</u>	Balance <u>12/31/21</u>
Capital assets not being depreciated				
Land	\$ 1,999,617	\$ 40,309	\$ –	\$ 2,039,926
Construction in progress	<u>17,888</u>	<u>633,139</u>	<u>–</u>	<u>651,027</u>
Total capital assets not being depreciated	<u>2,017,505</u>	<u>673,448</u>	<u>–</u>	<u>2,690,953</u>
Capital assets being depreciated				
Infrastructure	4,519,916	–	–	4,519,916
Swimming pool	565,447	–	–	565,447
Community Center	684,645	–	–	684,645

Town of Palisade, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE D – CAPITAL ASSETS - CONTINUED

Buildings and improvements	8,957,829	22,465	(158,595)	8,821,699
Equipment and furniture (restated)	<u>2,310,838</u>	<u>339,021</u>	<u>(21,756)</u>	<u>2,628,103</u>
Total capital assets being depreciated	17,038,675	361,486	(180,351)	17,219,810
Less accumulated depreciation				
Infrastructure	1,600,218	202,666	–	1,802,884
Swimming pool	483,804	17,213	–	501,017
Community Center	613,747	3,972	–	617,719
Buildings and improvements	5,371,014	106,112	(158,595)	5,318,531
Equipment and furniture (restated)	<u>1,515,169</u>	<u>133,690</u>	<u>(21,756)</u>	<u>1,627,103</u>
Total accumulated depreciation	<u>9,583,952</u>	<u>463,653</u>	<u>(180,351)</u>	<u>9,867,254</u>
Total capital assets being depreciated, net	<u>7,454,723</u>	<u>(102,167)</u>	<u>–</u>	<u>7,352,556</u>
Governmental activities capital assets, net	<u>\$ 9,472,228</u>	<u>\$ 571,281</u>	<u>\$ –</u>	<u>\$ 10,043,509</u>
<i>Business-type activities:</i>	Balance		Deletions/ Adjustments	Balance
	<u>01/01/21</u>	<u>Additions</u>		<u>12/31/21</u>
Capital assets not being depreciated				
Land	\$ 226,126	\$ –	\$ –	\$ 226,126
Water rights	234,247	–	–	234,247
Construction in progress	<u>133,083</u>	<u>199,885</u>	<u>(160,150)</u>	<u>172,818</u>
Total capital assets not being depreciated	593,456	199,885	(160,150)	633,191
Capital assets being depreciated				
Water system	17,090,366	90,189	–	17,180,555
Utility system	5,724,860	243,700	–	5,968,560
Equipment and furniture – Utility	293,161	–	(33,265)	259,896
Equipment and furniture – Water	<u>420,127</u>	<u>–</u>	<u>(11,828)</u>	<u>408,299</u>
Total capital assets being depreciated	23,528,514	333,889	(45,093)	23,817,310
Less accumulated depreciation				
Water system	7,746,354	320,870	–	8,067,224
Utility system	2,857,806	145,370	–	3,003,176
Equipment and furniture – Utility	281,733	3,087	(32,284)	252,536
Equipment and furniture – Water	<u>316,308</u>	<u>14,565</u>	<u>(11,829)</u>	<u>319,044</u>
Total accumulated depreciation	<u>11,202,192</u>	<u>483,892</u>	<u>(44,113)</u>	<u>11,641,971</u>
Total capital assets being depreciated, net	<u>12,326,322</u>	<u>(150,003)</u>	<u>(980)</u>	<u>12,175,339</u>
Business-type activities capital assets, net	<u>\$ 12,919,778</u>	<u>\$ 49,882</u>	<u>\$ (161,130)</u>	<u>\$ 12,808,530</u>

Town of Palisade, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE D – CAPITAL ASSETS – CONTINUED

Depreciation expense was charged to functions/programs of the primary government as follows:

<i>Governmental activities:</i>	
General government	\$ 239,802
Public works and parks	17,213
Cemetery	3,972
Infrastructure	<u>202,666</u>
Total depreciation expense-governmental activities	<u>\$ 463,653</u>
 <i>Business-type activities:</i>	
Water utility	\$ 335,434
Sewer utility	<u>148,459</u>
Total depreciation expense-business-type activities	<u>\$ 483,893</u>

NOTE E – LONG-TERM DEBT

In 2006, the Town borrowed \$2,000,000 from the Colorado Water Resources and Power Development Authority Revolving Loan Fund as part of its disadvantaged Communities Program. The Note is interest free and requires annual payments of \$66,667 through 2036. The Town pledged Water revenues as collateral on this debt.

The following is a summary of note principal and interest requirements:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 66,667	\$ –	\$ 66,667
2023	66,667	–	66,667
2024	66,667	–	66,667
2025	66,667	–	66,667
2026	66,667	–	66,667
2027-2031	333,333	–	333,333
2032-2036	<u>333,333</u>	–	<u>333,333</u>
Total	<u>\$ 1,000,001</u>	<u>\$ –</u>	<u>\$ 1,000,001</u>

In 2006, the Town borrowed \$3,976,045 from the Colorado Water Resources and Power Development Authority Revolving Loan Fund (CWRPD). The note has an interest rate of 3.47% with annual payments due through 2028. The Town pledged Water revenues as collateral on this debt. In February 2019 the Town refunded certain bonds associated with this debt. The savings will be passed through as payment credits and will total \$192,261. Credits will apply first to loan interest and then principal.

Town of Palisade, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE E – LONG-TERM DEBT – CONTINUED

The following is a summary of note principal and interest requirements:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 208,687	\$ 48,552	\$ 257,239
2023	269,097	42,285	311,382
2024	280,081	36,041	316,122
2025	285,572	29,542	315,114
2026	291,064	22,591	313,655
2027-2028	637,046	23,293	660,439
Total	<u>\$ 1,971,547</u>	<u>\$ 202,404</u>	<u>\$ 2,173,951</u>

In 2012, the Town issued \$995,000 in water revenue bonds with interest rates ranging between 2.63% and 3.0%. The bonds are special revenue obligations of the Town, payable out of the net pledged water revenues derived from the Town's Water Activity Enterprise. The bonds constitute an irrevocable, non-exclusive first lien on the net pledged water revenues.

The following is a summary of revenue bonds principal and interest requirements:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 75,000	\$ 22,706	\$ 97,706
2023	80,000	20,737	100,737
2024	70,000	18,638	88,638
2025	10,000	16,800	26,800
2026	15,000	16,500	31,500
2027-2030	535,000	53,250	588,250
Total	<u>\$ 785,000</u>	<u>\$ 148,631</u>	<u>\$ 933,631</u>

Changes in long-term obligations for the year ended December 31, 2021 are as follows:

	<u>Balance</u> <u>01/01/21</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/21</u>
<i>Business-type Activities</i>				
Notes payable	\$ 3,235,918	\$ –	\$ (264,370)	\$ 2,971,547
Bonds payable	845,000	–	(60,000)	785,000
Notes premium	19,690	–	(2,462)	17,228
Total Business-type Activities	<u>\$ 4,100,608</u>	<u>\$ –</u>	<u>\$ (326,832)</u>	<u>\$ 3,773,775</u>

NOTE F – LEASES

Operating Leases

The Town entered a 10-year operating lease for solar panels for the water treatment facility. The lease requires monthly payments of \$1,812 beginning in June of 2013. The monthly payments are offset by solar credits the Town receives for using the solar panels. Total lease expense under this lease during 2020 was \$21,334, which was offset by \$7,520 in solar credits.

Town of Palisade, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE F – LEASES – CONTINUED

Future minimum lease payments under the operating lease for the years following December 31, 2021, without regard to future solar credits, are as follows:

<u>Year</u>	
2022	\$ 21,744
2023	<u>8,912</u>
Total	<u>\$ 30,656</u>

Capital Leases

In March of 2019, the Town entered into a three-year lease agreement as lessee for the acquisition and use of three police interceptors. The initial capital lease liability was \$129,132. As of December 31, 2021, the value of the lease liability was \$7,738. The Town is required to make monthly principal and interest payments of \$3,869. The lease has an interest rate of 4.98%. In addition, the Town can purchase the equipment for \$1 at the end of the lease term.

Future minimum lease payments under the capital lease for the years following December 31, 2021, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 7,690	\$ 48	\$ 7,738
Total	<u>\$ 7,690</u>	<u>\$ 48</u>	<u>\$ 7,738</u>

NOTE G – DEFINED BENEFIT PENSION PLAN – FIRE AND POLICE PENSION

General Information about the Pension Plan

Plan Description. The Town contributes to the Statewide Defined Benefit Plan (SWDB), a cost-sharing multiple-employer defined benefit pension plan administered by the Colorado Fire and Police Association. The Statewide Defined Benefit Plan provides retirement benefits for members and beneficiaries. Death and disability coverage is provided for members through the Statewide Death and Disability Plan which is also administered by the Colorado Fire and Police Pension Association. This is a non-contributory plan. All full-time, paid police officers/firefighters of the Town are members of the Statewide Defined Benefit Plan and the Statewide Death and Disability Plan. Title 31, Article 30 of the Colorado Revised Statutes (CRS), as amended, assigns the authority to establish benefit provision to the state legislature. FPPA issues a publicly available annual financial report that includes financial statements and required supplementary information for both the Statewide Defined Benefit Plan and the Statewide Death and Disability Plan. FPPA issues a publicly available comprehensive annual financial report that can be obtained on FPPA's website at <http://www.fppaco.org>.

Benefits Provided. A member is eligible for a normal retirement pension once the member has completed twenty-five years of credited service and has attained the age of 55. Effective January 1, 2021, a member

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE G – DEFINED BENEFIT PENSION PLAN – FIRE AND POLICE PENSION – CONTINUED

may also qualify for a normal retirement pension if the member's combined years of service and age equals at least 80, with a minimum age of 50 (Rule of 80). The annual normal retirement benefit is 2 percent of the average of the member's highest three years' base salary for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter. Benefits paid to retired members are evaluated and may be re-determined every October 1st. The amount of any increase is based on the FPPA Board's discretion and can range from 0 to the higher of 3 percent or the Consumer Price Index.

A member is eligible for an early retirement after completion of 30 years of service or attainment of age 50 with at least five years of credited service. The early retirement benefit equals the normal retirement benefit reduced on an actuarially equivalent basis. Upon termination, an employee may elect to have member contributions, along with 5 percent as interest, returned as a lump sum distribution. Alternatively, a member with at least five years of accredited service may leave contributions with the Plan and remain eligible for a retirement pension at age 55 equal to 2 percent of the member's average highest three years' base salary for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter.

Contributions. Contribution rates for the SWDB are set by state statute. Employer contribution rates can only be amended by state statute. Member contribution rates can be amended by state statute or election of the membership. Effective January 1, 2021, contribution rates for employers and members may be increased equally by the FPPA Board of Directors upon approval through an election by both the employers and members.

In 2014, the members elected to increase the member contribution rate to the SWDB plan beginning in 2015. Member contribution rates will increase 0.5 percent annually through 2022 to a total of 12 percent of pensionable earnings. Employer contributions are 10.5 percent in 2021. Employer contributions will increase 0.5 percent annually beginning in 2021 through 2030 to a total of 13 percent of pensionable earnings. In 2020, members of the SWDB plan and their employers are contributing at the rate of 11.0 percent and 8 percent, respectively, of pensionable earnings for a total contribution rate of 19.0 percent.

Contributions from members and employers of departments re-entering the system are established by resolution and approved by the FPPA Board of Directors. The re-entry group has a combined contribution rate of 23.0 and 23.5 percent of pensionable earnings in 2020 and 2021, respectively. It is a local decision as to whether the member or employer pays the additional 4 percent contribution. The member and employer contribution rates will increase through 2030 as described above for the non-reentering departments. Effective January 1, 2021, reentry departments may submit a resolution to the FPPA Board of Directors to reduce the additional 4 percent contribution, to reflect the actual cost of reentry by department, to the plan for reentry contributions. Each reentry department is responsible to remit contributions to the plan in accordance with their most recent FPPA Board of Directors approved resolution.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE G – DEFINED BENEFIT PENSION PLAN – FIRE AND POLICE PENSION – CONTINUED

The contribution rate for members and employers of affiliated social security employers is 5.5 percent and 4 percent, respectively, of pensionable earnings for a total contribution rate of 9.50 percent in 2020 and 9.75 percent in 2021. Per the 2014 member election, members of the affiliate social security group had their required contribution rate increase 0.25 percent annually beginning in 2015 through 2022 to a total of 6 percent of pensionable earnings. Employer contributions are 4 percent in 2019 and 2020. Employer contributions will increase 0.25 percent annually beginning in 2021 through 2030 to a total of 6.5 percent of pensionable earnings.

Employer contributions are recognized by the SWDB in the period in which the compensation becomes payable to the member and the Town is statutorily committed to pay the contributions to the SWDB.

Employer contributions recognized by the SWDB from the Town were \$64,002 for the year ended December 31, 2021.

Pension Liability/(Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

At December 31, 2021, the Town reported an asset of \$171,716, for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2020, and the collective total pension liability used to calculate the net pension asset is based upon an actuarial valuation as of January 1, 2021 which was unchanged from December 31, 2020. The Town’s portion of the net pension asset was based on the Town’s contributions to the SWDB for the calendar year 2020 relative to the total contributions of participating employers to the SWDB.

At December 31, 2020, the Town’s proportion was .07909%, which was a decrease of .00638% from its proportion measured as of December 31, 2019.

For the year ended December 31, 2021, the Town recognized pension expense of \$44,096. At December 31, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 145,632	\$ 683
Net difference between projected and actual earnings on pension plan investments	–	–
Changes of assumptions or other inputs	73,033	176,377
Changes in proportion and differences between contributions recognized and proportionate share of contributions	51,758	6,396
Contributions subsequent to the measurement date	64,002	–
Total	<u>\$ 334,425</u>	<u>\$ 183,456</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE G – DEFINED BENEFIT PENSION PLAN – FIRE AND POLICE PENSION – CONTINUED

\$64,002 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2022	(12,692)
2023	10,185
2024	(19,849)
2025	10,272
2026	37,666
Thereafter	61,385

Actuarial Assumptions. The actuarial valuations for the SWDB were used to determine the total pension asset and actuarially determined contributions for the fiscal year ending December 31, 2020. The valuations used the following actuarial assumptions and other inputs:

Actuarial Method	Entry Age Normal
Amortization Method	Level % of Payroll, Open
Amortization Period	30 Years
Long-term investment Rate of Return*	7.0 percent
Projected Salary Increases*	4.25% - 11.25%
Cost of Living Adjustments (COLA)	0.0%
*Includes Inflation at	2.5%

For determining the total pension liability, the post-retirement mortality tables for non-disabled retirees uses the 2006 central rates from the RP-2014 Annuitant Mortality Tables projected to 2018 using the MP-2017 projection scales, and the projected prospectively using the ultimate rates of the scale for all years. The pre-retirement off-duty mortality tables are adjusted to 50% of the RP-2014 mortality tables for active employees. The on-duty mortality rate is 0.00015.

Changes in Assumptions. No changes in assumptions occurred since the prior valuation.

Changes in Benefit Terms. No changes to benefit terms occurred since the prior valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of

Town of Palisade, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE G – DEFINED BENEFIT PENSION PLAN – FIRE AND POLICE PENSION – CONTINUED

arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of December 31, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	39%	8.23%
Equity Long/Short	8%	6.87%
Private Markets	26%	10.63%
Fixed Income Rates	10%	4.01%
Fixed Income Credit	5%	5.25%
Absolute Return	10%	5.60%
Cash	2%	2.32%
Total	100%	

Discount Rate. The discount rate used to measure the total pension liability was 7.00 percent. This discount rate was based on the expected rate of return on pension plan investments of 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the Board's funding policy, which establishes the contractually required rates under Colorado statutes. Based on those assumptions, the SWDB plan fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the Town's proportionate share of the net pension liability (asset), calculated using a discount rate of 7.00%, as well as what the town's proportionate share of the plan's net pension liability (asset) would be if it were calculated using a discount rate that is one percent lower or one percent higher:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability/(asset)	\$172,805	\$(171,716)	\$(457,023)

Pension Plan Fiduciary Net Position. Detailed information about the SWDB's fiduciary net position is available in FPPA's comprehensive annual financial report which can be obtained at http://www.fppaco.org/toc_frames.html.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE H – DEFINED BENEFIT PENSION PLAN – VOLUNTEER PENSION

General Information about the Pension Plan

Plan Description. The Town contributes to the Palisade Volunteer Fire Department Pension Fund (PVFDP), an agent multiple-employer Public Employee Retirement System (PERS) administered by the Fire & Police Pension Association (FPPA). The PERS represents the assets of numerous separate plans that have been pooled for investment purposes. The pension plans have elected to affiliate with FPPA for plan administration and investment only. FPPA issues a publicly available comprehensive annual financial report that can be obtained on FPPA's website at <http://www.fppaco.org>. For the measurement period ending December 31, 2019, the PVFDP included membership of 16 retirees and beneficiaries, 4 inactive, non-retired members, and 26 active members for a total of 46 members.

Benefits Provided.

Normal Retirement

A member is eligible for a normal retirement pension once the member has completed twenty years of credited service and has attained the age of 50. The monthly regular retirement benefit is \$300. A supplemental monthly pension payment to a volunteer who has attained the age of 50 years and who has been in active service in excess of 20 years can receive an extended service amount up to 5% of the monthly pension amount per additional year of service. The amount cannot exceed a maximum of ten additional years.

Vested Retirement

A member with 10 or more but less than 20 years of service is eligible to receive a benefit of \$15 per month times the number of vesting years.

Disability Retirement Benefit

A member is eligible for short and long term disability for injuries in the line of duty. Short term payments of \$150 per month last for a maximum of one year. Long term disability is a lifetime amount after one year of service of \$300 per month.

Survivor Benefits

Survivor benefits are available at one-half of the amount of the normal retirement pension, or \$150 per month. This amount is available to a survivor following death after normal retirement, following death in the line of duty as a volunteer firefighter before retirement eligible, and following death after disability retirement. An additional amount of \$7.50 per month is available following death after normal retirement with extended service amount per year of service and following death after vested retirement with 10 to 20 years of service per year of service. Survivors may include spouse, child under 18 years of age, or dependent parent. This annuity shall cease if the surviving spouse or dependent parent remarries and dissolution of a subsequent marriage does not reinstate the annuity.

Whenever the pension board increases the retirement pension payable to volunteer firefighters, that increase will also be applied to the pension benefits of survivors of firefighters killed in the line of duty.

Funeral Benefits

A one-time funeral benefit is paid of \$100 in the event of a death of a member.

Town of Palisade, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE H – DEFINED BENEFIT PENSION PLAN – VOLUNTEER PENSION – CONTINUED

Contributions. The Town contributes from proceeds of a property tax mill levy. The Plan is construed and enforced in accordance with Colorado Revised Statute Title 31, Article 30. Per CRS 31-30-1112, State contributions to any municipality or district must equal ninety percent of all amounts contributed by the municipality or district under section 31-30-1110 in the previous year, but, notwithstanding any other provision of this part 11, the state contribution shall not exceed one-half mill on the previous net valuation for assessment of the municipality or district assuming one hundred percent collection. For 2021 the Town contributed \$20,814 and the state’s matching contribution was \$37,080.

Pension Liabilities/(Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2021, the Town reported a net pension liability/(asset) of \$(847,859). The net pension liability/(asset) was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability/(asset) was determined by an actuarial valuation as of January 1, 2020.

For the year ended December 31, 2021, the Town recognized pension expense of \$(86,631). At December 31, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 5,290	\$ –
Changes of assumptions or other inputs	11,699	–
Net difference between projected and actual earnings on pension plan investments	31,350	116,337
Contributions subsequent to the measurement date	20,814	–
Total	<u>\$ 69,153</u>	<u>\$ 116,337</u>

\$20,814 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2022	(25,109)
2023	(16,610)
2024	(9,335)
2025	(16,944)
2026	-
Thereafter	–

Actuarial Assumptions. Actuarially determined contribution rates are calculated as of January 1 of odd numbered years. The contribution rates have a one-year lag, so the actuarial valuation as of January 1,

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE H – DEFINED BENEFIT PENSION PLAN – VOLUNTEER PENSION – CONTINUED

2021 determines the contribution amounts for 2020 and 2021. The valuation used the following actuarial assumptions and other inputs:

Actuarial Method	Entry Age Normal
Amortization Method	Level Dollar, Open*
Amortization Period	20 Years*
Asset Valuation Method	5-Year Smoothed fair value
Inflation	2.5%
Investment Rate of Return	7.0%
Projected Salary Increases	N/A
Retirement Age	50% per year of eligibility until 100% at age 65
Mortality	Pre-retirement: 2006 central rates from the RP-2014 Employee Mortality Table for males and females projected to 2018 using the MP-2017 projection scales, and then projected prospectively using the ultimate rates of the scale for all years, 50% multiplier for off-duty mortality. Post retirement: 2006 central rates from the RP-2014 Annuitant Mortality Tables for males and females projected to 2018 using the MP-2017 projection scales, and then projected prospectively using the ultimate rates of scale for all years. Disabled: 2006 central rates form RP-2014 Disabled Mortality Tables for males and females projected to 2018 using the MP-2017 projection scales, and then projected prospectively using the ultimate rates of the scale for all years.

** Plans that are heavily weighted with retiree liabilities use an amortization period based on the expected remaining lifetime of the participants.*

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic nominal rates of return for each major asset class included in the Fund's target asset allocation as of December 31, 2020 are summarized in the following table:

Town of Palisade, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE H – DEFINED BENEFIT PENSION PLAN – VOLUNTEER PENSION – CONTINUED

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.0%	2.32%*
Fixed Income - Rates	10.0%	4.01%
Fixed Income - Credit	5.0%	5.25%
Absolute Return	10.0%	5.60%
Long Short	8.0%	6.87%
Global Equity	39.0%	8.23%
Private Markets	26.0%	10.63%
Total	100.0%	

Discount Rate. Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the plan's projected fiduciary net position is not sufficient to pay benefits).

For the purpose of this valuation, the long-term expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 2.75% (based on the weekly rate closest to but not later than the measurement date of the "state & local bonds" rate from Federal Reserve statistical release (H.15)); and the resulting Single Discount Rate is 7.00%.

Regarding the sensitivity of the net pension liability/(asset) to changes in the Single Discount Rate, the following presents the PVFDP's net pension liability/(asset), calculated using a Single Discount Rate of 7.00%, as well as what the PVFDP's net pension liability/(asset) would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Proportionate share of the net pension liability/(asset)	\$(788,167)	\$(847,859)	\$(895,781)

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE H – DEFINED BENEFIT PENSION PLAN – VOLUNTEER PENSION – CONTINUED**Schedule of Changes in Net Pension Liability/(Asset) and Related Ratios Current Period – Measurement Period Ended December 31, 2020**

A. Total pension liability	
1. Service Cost	\$ 12,372
2. Interest on the Total Pension Liability	32,703
3. Benefit changes	–
4. Difference between expected and actual experience of the Total Pension Liability	(29,164)
5. Changes of assumptions	–
Benefit payments	<u>(37,861)</u>
6. Net change in total pension liability	(21,950)
7. Total pension liability – beginning	<u>479,716</u>
8. Total pension liability – ending	<u>\$ 457,766</u>
B. Plan fiduciary net position	
1. Contributions – employer	\$ 30,700
2. Net investment income	152,254
3. Benefit payments	(37,861)
4. Pension plan administrative expense	(7,251)
5. State of Colorado supplemental discretionary payment	<u>17,798</u>
6. Net change in plan fiduciary net position	155,640
7. Plan fiduciary net position – beginning (Market value of assets at beginning of year)	<u>1,149,985</u>
8. Plan fiduciary net position – ending (Market value of assets at end of year)	<u>\$1,305,625</u>
C. Net pension liability/(asset)	<u>\$(847,859)</u>
D. Plan fiduciary net position as a percentage of the total pension liability	285.22%
E. Covered payroll	N/A
F. Net pension liability/(asset) as a percentage of covered payroll	N/A

NOTE I – DEFINED CONTRIBUTION PLAN

The Town participates in a defined contribution plan administered by the International City Manager's Association Retirement Corporation (ICMA Retirement.) Plan provisions are established or amended by Town Council resolution. The Town and participants are required to contribute 5% each of annual covered payroll. For the year ended December 31, 2021, actual contributions by the Town and plan participants were \$42,639 each.

ICMA Retirement includes all full time employees after one year of service, except police and fire employees. Participants vest at 20% per year and are entitled to 100 percent of vested contributions. The plan is a money purchase plan qualified under section 401(a) of the Internal Revenue Code.

Town of Palisade, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE J – CUSTOMER ACCOUNTS RECEIVABLE

The total accounts receivable for rescue fees at December 31, 2021 was \$79,993 with an allowance for doubtful accounts of \$25,691 for a net receivable of \$54,302. The allowance is estimated based on the past collection rate of the rescue fee revenue.

NOTE K – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damages to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town pays an annual premium to CIRSA Property/Casualty and Workers' Compensation for its general and workmen's' compensation insurance coverage.

The agreement with CIRSA members provides that CIRSA will be self-sustaining through member premiums. CIRSA rate-setting policies are established by the Board of Directors, in consultation with independent actuaries. The Board of Directors may credit member municipalities' future contributions in the event of a surplus. Although it has never occurred, CIRSA member municipalities are subject to a supplemental assessment in the event of a deficiency.

NOTE L – TAX, SPENDING AND DEBT LIMITATIONS

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The Town believes it is in compliance with the requirements of the amendment. However, the Town has made certain interpretations of the amendments language in order to determine its compliance. The amendment also requires 3% emergency reserve to be set up on all Town expenditures covered by the amendment. The Town has set this required emergency reserve for all amendment expenditures in the General Fund Balance under Emergency Reserve.

NOTE M – LAND TRANSFER

In 2016 the Town purchased land for the Cameo Shooting Sports Complex for \$1.3 million using grant funds received from the State of Colorado Department of Local Affairs (DOLA). The Town subsequently entered a lease agreement to lease the land to the State of Colorado Department of Natural Resources who built and operates the Shooting Complex on the land. The lease agreement states that when the State has spent \$1.5 million on the project, the land ownership will transfer to the State. However, the DOLA grant requires that the land be held by the Town for 10 years from the purchase date. Therefore, \$1.3 million in land currently showing as a Town asset will transfer to the State of Colorado in the future, although the timing of the transfer is uncertain.

NOTE N – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 27, 2022, which is the date the financial statements were available to be issued. No material events have occurred through that date.

Town of Palisade, Colorado

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

Year ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Taxes - property	\$ 451,500	\$ 451,500	\$ 466,922	\$ 15,422
Taxes - other	3,442,000	3,442,000	6,551,265	3,109,265
Cemetery revenue	41,000	41,000	86,250	45,250
Swimming pool	42,000	42,000	36,837	(5,163)
Community Center	310,000	310,000	15,583	(294,417)
Licenses and permits	28,500	28,500	48,576	20,076
Intergovernmental	75,500	75,500	483,109	407,609
Fines and forfeitures	18,000	18,000	16,904	(1,096)
Charges for services	208,700	208,700	380,836	172,136
Interest income	28,000	28,000	3,577	(24,423)
Miscellaneous	57,500	57,500	104,061	46,561
Total revenues	4,702,700	4,702,700	8,193,920	3,491,220
Expenditures				
Current:				
General government	1,273,306	1,273,306	1,262,177	11,129
Public safety	1,711,657	1,711,657	1,770,819	(59,162)
Public works and parks	533,219	533,219	355,389	177,830
Culture and recreation	796,788	796,788	637,329	159,459
Cemetery	38,021	38,021	34,616	3,405
Capital outlay:				
General government	-	-	-	-
Public works and parks	65,000	65,000	25,411	39,589
Culture and recreation	64,200	64,200	222,987	(158,787)
Total expenditures	4,482,191	4,482,191	4,308,728	173,463
Excess (deficiency) of revenues over expenditures	220,509	220,509	3,885,192	3,664,683
Other financing sources (uses)				
Transfers (out)	(1,852,364)	(1,852,364)	(610,825)	1,241,539
Transfers in	125,000	125,000	138,900	13,900
Total other financing sources (uses)	(1,727,364)	(1,727,364)	(471,925)	1,255,439
Net change in fund balance	(1,506,855)	(1,506,855)	3,413,267	4,920,122
Fund balance, January 1	7,055,443	7,055,443	7,055,443	-
Fund balance, December 31	\$ 5,548,588	\$ 5,548,588	\$ 10,468,710	\$ 4,920,122

Town of Palisade, Colorado

SCHEDULE OF NET PENSION LIABILITY/(ASSET) -
FPPA STATEWIDE DEFINED BENEFIT PLAN

December 31, 2021

Measurement date:	Employer proportion of NPL/NPA	Employer proportionate share of NPL (NPA)	Covered payroll	Employer proportionate share of NPL (NPA) as a percentage of covered payroll	Pension plan's fiduciary net position as a percentage of total pension liability
December 31, 2020	0.07910%	\$ (171,716)	\$ 635,305	-27%	-5%
December 31, 2019	0.08548%	(48,343)	629,883	-8%	-5%
December 31, 2018	0.09299%	117,565	605,513	19%	95%
December 31, 2017	0.09025%	(129,845)	548,988	-24%	106%
December 31, 2016	0.10301%	37,221	549,963	7%	98%
December 31, 2015	0.11287%	(1,990)	521,562	0%	100%
December 31, 2014	0.10999%	(124,129)	494,615	-25%	107%

Town of Palisade, Colorado

SCHEDULE OF PENSION CONTRIBUTIONS -
FPPA STATEWIDE DEFINED BENEFIT PLAN

December 31, 2021

	Required employer contribution	Employer contributions recognized by the plan	Difference	Covered payroll	Contributions as a percentage of covered payroll
December 31, 2021	\$ 64,002	\$ 64,002	\$ -	\$ 650,731	10%
December 31, 2020	52,848	52,848	-	635,305	8%
December 31, 2019	50,391	50,391	-	629,883	8%
December 31, 2018	48,441	48,441	-	605,513	8%
December 31, 2017	43,919	43,919	-	548,988	8%
December 31, 2016	43,997	43,997	-	549,963	8%
December 31, 2015	41,725	41,725	-	521,562	8%

Town of Palisade, Colorado

SCHEDULE OF NET PENSION LIABILITY/(ASSET) -
VOLUNTEER FIRE DEPARTMENT PENSION FUND

December 31, 2021

	Total pension liability	Plan fiduciary net position	Net pension liability/ (asset)	Plans fiduciary net position as a percentage of the total pension liability	Covered payroll	Net pension liability as a percentage of covered payroll
<u>Measurement date:</u>						
December 31, 2020	\$ 457,766	\$ 1,305,625	\$ (847,859)	285%	N/A	N/A
December 31, 2019	479,716	1,149,985	(1,027,551)	240%	N/A	N/A
December 31, 2018	474,134	1,027,551	(553,417)	217%	N/A	N/A
December 31, 2017	456,764	1,074,117	(617,353)	235%	N/A	N/A
December 31, 2016	462,686	970,837	(508,151)	210%	N/A	N/A
December 31, 2015	405,419	910,862	(505,443)	225%	N/A	N/A
December 31, 2014	418,045	929,006	(510,961)	222%	N/A	N/A

Town of Palisade, Colorado

SCHEDULE OF CHANGES IN NET PENSION LIABILITY/(ASSET) -
VOLUNTEER FIRE DEPARTMENT PENSION FUND

December 31, 2021

Measurement period ending December 31,	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service cost	\$ 12,372	\$ 12,372	\$ 19,995	\$ 19,995	\$ 16,840	\$ 16,840	\$ 4,715
Interest on the total pension liability	32,703	32,271	32,859	33,259	29,667	29,791	7,906
Benefit changes	-	-	-	-	-	-	284,549
Difference between expected and actual experience	(29,164)	-	3,286	-	34,342	-	37,526
Changes of assumptions	-	-	19,207	-	13,344	-	-
Benefit payments	(37,861)	(39,061)	(57,977)	(59,176)	(36,926)	(59,257)	(38,794)
Net change in total pension liability	(21,950)	5,582	17,370	(5,922)	57,267	(12,626)	295,902
Total pension liability - beginning	479,716	474,134	456,764	462,686	405,419	418,045	122,143
Total pension liability - ending	<u>\$ 457,766</u>	<u>\$ 479,716</u>	<u>\$ 474,134</u>	<u>\$ 456,764</u>	<u>\$ 462,686</u>	<u>\$ 405,419</u>	<u>\$ 418,045</u>
Plan Fiduciary Net Position							
Employer contributions	\$ 30,700	\$ 10,500	\$ 19,775	\$ 17,804	\$ 30,597	\$ 10,465	\$ 19,399
Pension plan net investment income	152,254	147,140	455	138,461	49,455	16,931	58,804
Benefit payments	(37,861)	(39,061)	(57,977)	(59,176)	(36,926)	(59,257)	(38,794)
Pension plan administrative expense	(7,251)	(12,169)	(8,819)	(12,188)	(1,728)	(3,743)	(1,739)
State of Colorado supplemental discretionary payment	17,798	16,024	-	18,379	18,577	17,460	17,754
Net change in plan fiduciary net position	155,640	122,434	(46,566)	103,280	59,975	(18,144)	55,424
Plan fiduciary net position - beginning	1,149,985	1,027,551	1,074,117	970,837	910,862	929,006	873,582
Plan fiduciary net position - ending	<u>\$ 1,305,625</u>	<u>\$ 1,149,985</u>	<u>\$ 1,027,551</u>	<u>\$ 1,074,117</u>	<u>\$ 970,837</u>	<u>\$ 910,862</u>	<u>\$ 929,006</u>
Net Pension Liability/(Asset) - Ending	<u>\$ (847,859)</u>	<u>\$ (670,269)</u>	<u>\$ (553,417)</u>	<u>\$ (617,353)</u>	<u>\$ (508,151)</u>	<u>\$ (505,443)</u>	<u>\$ (510,961)</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	285%	240%	217%	235%	210%	225%	222%
Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net Pension Liability as a Percentage of Covered Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Town of Palisade, Colorado

SCHEDULE OF PENSION CONTRIBUTIONS -
VOLUNTEER FIRE DEPARTMENT PENSION FUND

December 31, 2021

	Actuarially determined contribution	Employer contributions recognized by the plan	Contribution Deficiency (Excess)	Covered payroll	Contributions as a percentage of covered payroll
December 31, 2021	\$ -	\$ 20,814	(20,814)	N/A	N/A
December 31, 2020	-	30,700	(30,700)	N/A	N/A
December 31, 2019	-	10,500	(10,500)	N/A	N/A
December 31, 2018	-	19,775	(19,775)	N/A	N/A
December 31, 2017	-	17,804	(17,804)	N/A	N/A
December 31, 2016	-	30,597	(30,597)	N/A	N/A
December 31, 2015	-	10,465	(10,465)	N/A	N/A

Town of Palisade, Colorado

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS

December 31, 2021

	Tourism Fund	Conservation Trust Fund	Palisade Rural Fire Protection District	Total
Assets				
Cash and investments	\$ 51,252	\$ 63,290	\$ 52,852	\$ 167,394
Due from treasurer	-	-	-	-
Property tax receivable	-	-	147,486	147,486
Lodging and other tax receivable	3,249	-	1,469	4,718
Prepaid expense	-	-	-	-
Total assets	<u>54,501</u>	<u>63,290</u>	<u>201,807</u>	<u>319,598</u>
Liabilities				
Due to treasurer	-	-	-	-
Accounts payable	10,170	-	185	10,355
Total liabilities	<u>10,170</u>	<u>-</u>	<u>185</u>	<u>10,355</u>
Deferred inflows of resources				
Property taxes	-	-	147,486	147,486
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>147,486</u>	<u>147,486</u>
Total liabilities and deferred inflows of resources	<u>10,170</u>	<u>-</u>	<u>147,671</u>	<u>157,841</u>
Fund balances				
Restricted for park improvements	-	63,290	-	63,290
Assigned for marketing	44,331	-	-	44,331
Assigned for capital projects	-	-	-	-
Assigned for public safety	-	-	54,136	54,136
Total fund balances	<u>\$ 44,331</u>	<u>\$ 63,290</u>	<u>\$ 54,136</u>	<u>\$ 161,757</u>

Town of Palisade, Colorado

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS

Year ended December 31, 2021

	Tourism Fund	Conservation Trust Fund	Palisade Rural Fire Protection District	Total
Revenues				
Taxes and special assessments	\$ 73,047	\$ -	\$ 154,292	\$ 227,339
Intergovernmental	-	33,849	-	33,849
Grant revenue	-	-	-	-
Interest income	-	-	40	40
Miscellaneous	-	-	750	750
Total revenues	<u>73,047</u>	<u>33,849</u>	<u>155,082</u>	<u>261,978</u>
Expenditures				
Current:				
General government	65,531	-	-	65,531
Public safety	-	-	16,784	16,784
Capital outlay:				
Improvements and infrastructure	-	-	-	-
Total expenditures	<u>65,531</u>	<u>-</u>	<u>16,784</u>	<u>82,315</u>
Excess of revenues over (under) expenditures	7,516	33,849	138,298	179,663
Other financing sources (uses)				
Transfers in (out)	-	-	(138,900)	(138,900)
Total Other Financing Sources(Uses)	<u>-</u>	<u>-</u>	<u>(138,900)</u>	<u>(138,900)</u>
Net change in fund balance	7,516	33,849	(602)	40,763
Fund balance, January 1	<u>36,815</u>	<u>29,441</u>	<u>54,738</u>	<u>120,994</u>
Fund balance, December 31	<u>\$ 44,331</u>	<u>\$ 63,290</u>	<u>\$ 54,136</u>	<u>\$ 161,757</u>

Town of Palisade, Colorado

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CAPITAL PROJECTS FUND

Year ended December 31, 2021

	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Grant revenue	\$ 1,897,636	\$ 107,289	\$ (1,790,347)
Total revenue	<u>1,897,636</u>	<u>107,289</u>	<u>(1,790,347)</u>
Expenditures			
Operating expenses	-	129,831	(129,831)
Repair and maintenace	2,750,000	616,191	2,133,809
Capitall Outlay	1,000,000	51,830	948,170
Total expenditure	<u>3,750,000</u>	<u>797,852</u>	<u>2,952,148</u>
Excess (deficiency) of revenues over (under) expenditures	(1,852,364)	(690,563)	1,161,801
Other financing sources (uses)			
Transfers in	<u>1,852,364</u>	<u>610,825</u>	<u>(1,241,539)</u>
Net change in fund balance	-	(79,738)	(79,738)
Fund balance, January 1	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, December 31	<u>\$ -</u>	<u>\$ (79,738)</u>	<u>\$ (79,738)</u>

Town of Palisade, Colorado

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - TOURISM SPECIAL REVENUE FUND

Year ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Lodging taxes	\$ 50,000	\$ 73,048	\$ 73,047	\$ (1)
Intergovernmental	-	-	-	-
Total revenue	<u>50,000</u>	<u>73,048</u>	<u>73,047</u>	<u>(1)</u>
Expenditures				
Marketing	<u>43,400</u>	<u>65,532</u>	<u>65,531</u>	<u>1</u>
Excess (deficiency) of revenues over (under) expenditures	6,600	7,516	7,516	-
Fund balance, January 1	<u>36,815</u>	<u>36,815</u>	<u>36,815</u>	-
Fund balance, December 31	<u><u>\$ 43,415</u></u>	<u><u>\$ 44,331</u></u>	<u><u>\$ 44,331</u></u>	<u><u>\$ -</u></u>

Town of Palisade, Colorado

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CONSERVATION TRUST FUND

Year ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Lottery funds	\$ 20,000	\$ 28,833	\$ 33,849	\$ 5,016
Total revenues	<u>20,000</u>	<u>28,833</u>	<u>33,849</u>	<u>5,016</u>
Expenditures				
Park improvements	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	20,000	28,833	33,849	5,016
Fund balance, January 1	<u>26,000</u>	<u>32,441</u>	<u>29,441</u>	<u>(3,000)</u>
Fund balance, Decembert 31	<u><u>\$ 46,000</u></u>	<u><u>\$ 61,274</u></u>	<u><u>\$ 63,290</u></u>	<u><u>\$ 2,016</u></u>

Town of Palisade, Colorado

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - PALISADE RURAL FIRE PROTECTION DISTRICT

Year ended December 31, 2021

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes - property	\$ 135,001	\$ 135,157	\$ 156
Taxes - other	18,500	19,135	635
Interest income	650	40	(610)
Miscellaneous income	50,750	750	(50,000)
Total revenues	<u>204,901</u>	<u>155,082</u>	<u>(49,819)</u>
Expenditures			
Public safety	21,514	16,784	4,730
Capital outlay	50,000	-	50,000
Total expenditures	<u>71,514</u>	<u>16,784</u>	<u>54,730</u>
Excess (deficiency) of revenues over expenditures	133,387	138,298	4,911
Other financing sources (uses)			
Transfers out	(133,300)	(138,900)	(5,600)
Net change in fund balance	87	(602)	(689)
Fund balance, January 1	<u>51,286</u>	<u>54,738</u>	<u>3,452</u>
Fund balance, December 31	<u>\$ 51,373</u>	<u>\$ 54,136</u>	<u>\$ 2,763</u>

Town of Palisade, Colorado

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS) - WATER FUND

Year ended December 31, 2021

	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Charges for service	\$ 1,150,500	\$ 1,084,100	\$ (66,400)
Tap fees	38,000	215,091	177,091
Interest income, penalties, and miscellaneous	10,000	1,750	(8,250)
Total revenues	<u>1,198,500</u>	<u>1,300,941</u>	<u>102,441</u>
Expenses			
Operating expenses	709,470	609,562	99,908
Debt service payments	403,366	413,398	(10,032)
Capital outlay	48,000	302,784	(254,784)
Total expenditures	<u>1,160,836</u>	<u>1,325,744</u>	<u>(164,908)</u>
Excess (deficit) of revenues over expenditures	<u>\$ 37,664</u>	(24,803)	<u>\$ (62,467)</u>
Reconciliation of change in net position			
Adjustments to GAAP basis:			
Depreciation		(335,435)	
Capitalized capital outlay		290,074	
Debt service principal payments		<u>324,370</u>	
Change in net position		<u>\$ 254,206</u>	

Town of Palisade, Colorado

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS) - UTILITY FUNG

Year ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Charges for service	\$ 800,000	\$ 992,811	\$ 807,908	\$ (184,903)
Tap fees	33,000	33,000	160,235	127,235
Interest income and miscellaneous	14,000	14,000	8,737	(5,263)
Total revenues	<u>847,000</u>	<u>1,039,811</u>	<u>976,880</u>	<u>(62,931)</u>
Expenses				
Operating expenses	621,054	822,685	584,445	238,240
Capital outlay	16,000	16,000	258,937	(242,937)
Total expenditures	<u>637,054</u>	<u>838,685</u>	<u>843,382</u>	<u>(4,697)</u>
Excess (deficit) of revenues over expenditures	<u>\$ 209,946</u>	<u>\$ 201,126</u>	133,498	<u>\$ (67,628)</u>
Reconciliation of change in net position				
Adjustments to GAAP basis:				
Capitalized capital outlay			243,700	
Depreciation			<u>(149,440)</u>	
Change in net position			<u>\$ 227,758</u>	

The public report burden for this information collection is estimated to average 380 hours annually.

LOCAL HIGHWAY FINANCE REPORT	City or County: Palisade
	YEAR ENDING : December 2021
This Information From The Records Of (example - City of _ or County of _)	Prepared By: Travis Boyd Phone: 970-417-4858

I. DISPOSITION OF HIGHWAY-USER REVENUES AVAILABLE FOR LOCAL GOVERNMENT EXPENDITURE

ITEM	A. Local Motor-Fuel Taxes	B. Local Motor-Vehicle Taxes	C. Receipts from State Highway-User Taxes	D. Receipts from Federal Highway Administration
1. Total receipts available				
2. Minus amount used for collection expenses				
3. Minus amount used for nonhighway purposes				
4. Minus amount used for mass transit				
5. Remainder used for highway purposes				

II. RECEIPTS FOR ROAD AND STREET PURPOSES

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	0
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	332,108
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	
2. General fund appropriations	345,820	b. Snow and ice removal	
3. Other local imposts (from page 2)	86,532	c. Other	
4. Miscellaneous local receipts (from page 2)	14,957	d. Total (a. through c.)	0
5. Transfers from toll facilities		4. General administration & miscellaneous	
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	190,657
a. Bonds - Original Issues		6. Total (1 through 5)	522,765
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	447,309	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	75,456	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	
E. Total receipts (A.7 + B + C + D)	522,764	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	522,765

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

	Opening Debt	Amount Issued	Redemptions	Closing Debt
A. Bonds (Total)				0
1. Bonds (Refunding Portion)				
B. Notes (Total)				0

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
		522,764	522,765		(0)

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

STATE:
Colorado
YEAR ENDING (mm/yy):
December 2021

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments		a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	14,957
1. Sales Taxes		c. Parking Garage Fees	
2. Infrastructure & Impact Fees	20,871	d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other	65,661	g. Other Misc. Receipts	
6. Total (1. through 5.)	86,532	h. Other	
c. Total (a. + b.)	86,532	i. Total (a. through h.)	14,957
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	75,456	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations		d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant		e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	
f. Total (a. through e.)	0	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	75,456	3. Total (1. + 2.g)	
			(Carry forward to page 1)

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs			0
b. Engineering Costs			0
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation			0
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	0	0
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	0	0
			(Carry forward to page 1)

Notes and Comments: