

Town of Palisade, Colorado

Financial Statements
with Independent Auditor's Report

December 31, 2022



Town of Palisade, Colorado

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December 31, 2022

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**HINKLE &
COMPANY**
Strategic ^{PC}
Business Advisors

Independent Auditor's Report

Honorable Mayor and Members of the Board of Trustees
Town of Palisade
Palisade, Colorado

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and each major fund of the Town of Palisade, Colorado (the Town) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Town, 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 business-type activities and each major fund of the Town as of December 31, 2022, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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

The Town's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government 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 GAAS and *Government 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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.



Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The supplementary information and the local highway finance report listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling the 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Hick & Company, PC

Englewood, Colorado
December 12, 2023



Town of Palisade, Colorado

Management's Discussion and Analysis

December 31, 2022

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, 2022.

Financial Highlights

The Town of Palisade's assets and deferred outflows of resources of \$47.5 million exceeded Town liabilities and deferred inflows of resources of \$5.8 million by \$41.7 million as of December 31, 2022. Of this amount, \$17.8 million is unrestricted, \$24.0 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 22% in 2022 due to increases in sales tax revenue and charges for service. Total expenses increased by 2.8% in 2022 as compared to 2021. This resulted in an increase in the Town's net position of \$6.8 million in 2022.

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 2022, the town has a government wide current ratio of 11.6. 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'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's 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.

Town of Palisade, Colorado
Management's Discussion and Analysis
December 31, 2022

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 occur. 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 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 collection.

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.

Town of Palisade, Colorado
Management's Discussion and Analysis
December 31, 2022

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 collection 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 collection 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, 2022, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$42.1 million. The Town's net position as of December 31, 2021 was \$35.1 million.

Town of Palisade, Colorado
Management's Discussion and Analysis
December 31, 2022

The following table provides a summary of the Town's governmental and business-type net position as of December 31, 2022 with comparison to December 31, 2021.

Net Position					
	Governmental Activities		Business-Type Activities		Total 2022
	2021	2022	2021	2022	
Assets					
Current Assets	\$11,445,430	\$13,596,081	\$4,806,381	\$5,005,179	\$18,601,260
Capital Assets	10,043,509	14,867,745	12,808,526	12,540,461	27,408,206
Net Pension Asset	1,019,575	1,486,872	-	-	1,486,872
Total Current Assets	22,508,514	29,950,698	17,614,907	17,545,640	47,496,338
Deferred Outflows of Resources	403,579	350,200	-	-	350,200
Total Assets and Deferred Outflows of Resources	22,912,093	30,300,898	17,614,907	17,545,640	47,846,538
Liabilities					
Current Liabilities	475,944	1,006,689	519,776	597,245	1,603,934
Long-Term Liabilities	-	-	3,423,422	3,007,658	3,007,658
Total Liabilities	475,944	1,006,689	3,943,198	3,604,903	4,611,592
Deferred Inflows of Resources	975,015	1,164,476	-	-	1,164,476
Total Liabilities and Deferred Inflows of Resources	1,450,959	2,171,165	3,943,198	3,604,903	5,776,068
Net Position					
Net Investment in Capital Assets	10,035,819	14,867,745	9,034,750	9,117,039	23,984,784
Restricted for Emergencies	256,895	256,895	-	-	256,895
Unrestricted	11,168,419	13,005,093	4,636,959	4,823,698	17,828,791
Total Net Position	\$21,461,133	\$28,129,733	\$13,671,709	\$13,940,737	\$42,070,470

Town of Palisade, Colorado
Management's Discussion and Analysis
December 31, 2022

The Town's assets and deferred outflows of resources were 8.28 times the Town's total liabilities and deferred inflows of resources at December 31, 2022. Total current assets were 11.6 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 57% 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 \$6,807,450 in 2022. The following table indicates the changes in net position for governmental and business-type activities for 2021 and 2022.

Town of Palisade, Colorado
Management's Discussion and Analysis
December 31, 2022

Changes in Net Position						
	Governmental		Business-Type		Total	
	Activities		Activities			
	2021	2022	2021	2022	2021	2022
Revenues						
Program Revenues						
Charges for Services	\$776,168	\$1,115,253	\$1,892,008	\$1,881,991	\$2,668,176	\$2,997,244
Operating Grants and Contributions	379,645	32,767	-	-	379,645	32,767
Capital Grants and Contributions	148,338	2,159,216	375,326	326,314	523,664	2,485,530
General Revenues						
Property Taxes	602,072	764,103	-	-	602,072	764,103
Other Taxes	6,653,340	6,733,901	-	-	6,653,340	6,733,901
Other Revenue	3,618	133,978	10,487	76,060	14,105	210,038
Total Revenues	8,563,181	10,939,218	2,277,821	2,284,365	10,841,002	13,223,583
Expenses						
General Government	1,783,199	1,046,948	-	-	1,783,199	1,046,948
Public Safety	1,615,645	1,881,855	-	-	1,615,645	1,881,855
Public Works	372,602	333,711	-	-	372,602	333,711
Culture & Recreation	637,329	1,039,224	-	-	637,329	1,039,224
Cemetery	38,588	85,028	-	-	38,588	85,028
Water	-	-	1,046,735	1,219,744	1,046,735	1,219,744
Sewer and Refuse	-	-	749,122	809,623	749,122	809,623
Total Expenses	4,447,363	4,386,766	1,795,857	2,029,367	6,243,220	6,416,133
Change in Net Position	4,115,818	6,552,452	481,964	254,998	4,597,782	6,807,450
Net Position						
Beginning of Year	17,345,316	21,461,134	13,189,745	13,671,709	30,535,061	35,132,843
Prior Period Adjustment	-	116,147	-	14,030	-	130,177
End of Year	\$21,461,134	\$28,129,733	\$13,671,709	\$13,940,737	\$35,132,843	\$42,070,470

Town of Palisade, Colorado
Management's Discussion and Analysis
December 31, 2022

Total revenues for combined governmental and business-type activities increased 22% for 2022 when compared to 2021 due mainly to increased revenue from capital grants. Total combined revenues were made up of 42% direct program revenues and 58% general revenues.

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

Charges for services and fees were 33.7% 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 66.3% of program revenues. These grants were received for public safety and public works and recreation.

The general revenues for governmental activities were 70% of total governmental revenues. The major governmental general revenue activities were as follows:

Property taxes were 6% of total revenues and 10% of general revenues.

Other taxes, which includes sales taxes, were 51% of total revenues and 87% of general revenues.

Other revenues were 1% of total revenues and 2% of general revenues.

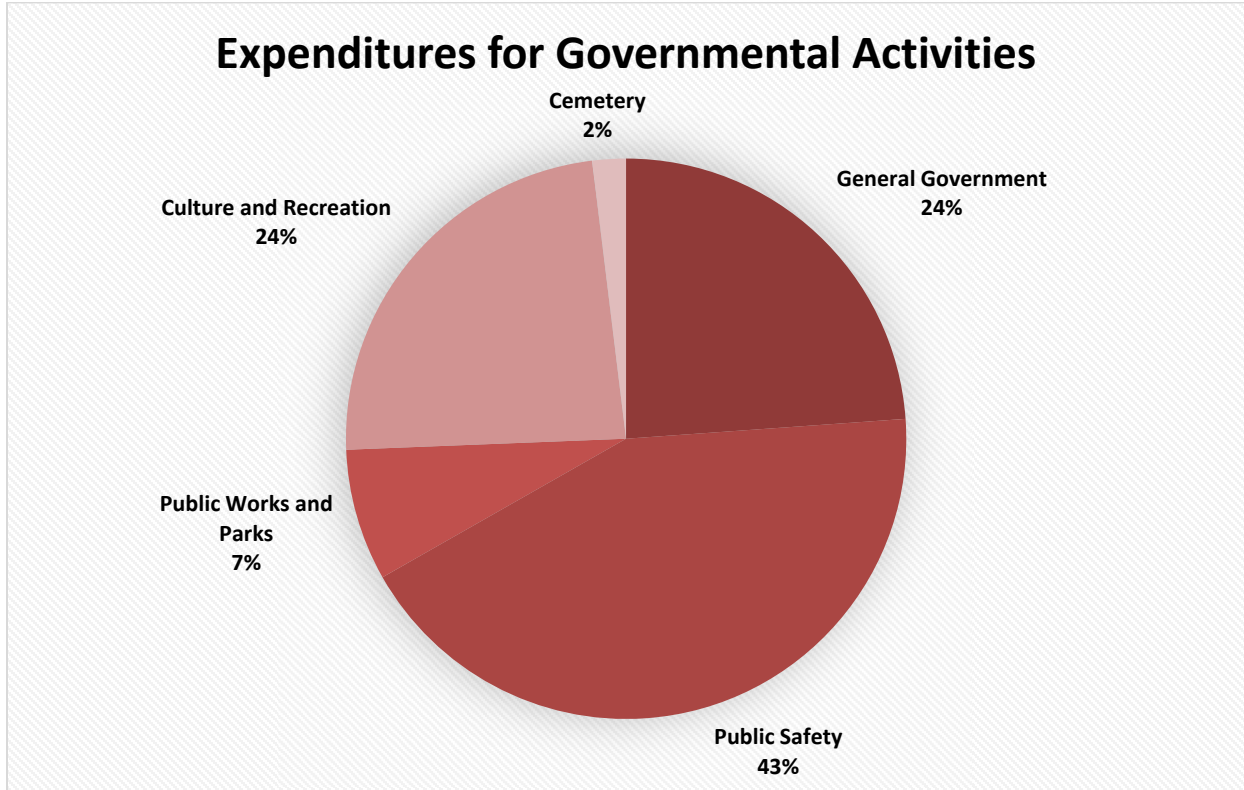
- The major program revenues for business-type activities were:

Charges for services were 82% 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 2022 were water service fees \$1,050,503 and sewer fees \$831,488.

The total expenses for combined governmental and business-type activities were made up of \$4,386,766 of expenses for governmental activities and \$2,029,367 of expenses for business-type activities. Of the total expenses, 68% were for governmental activities and 32% for business-type activities.

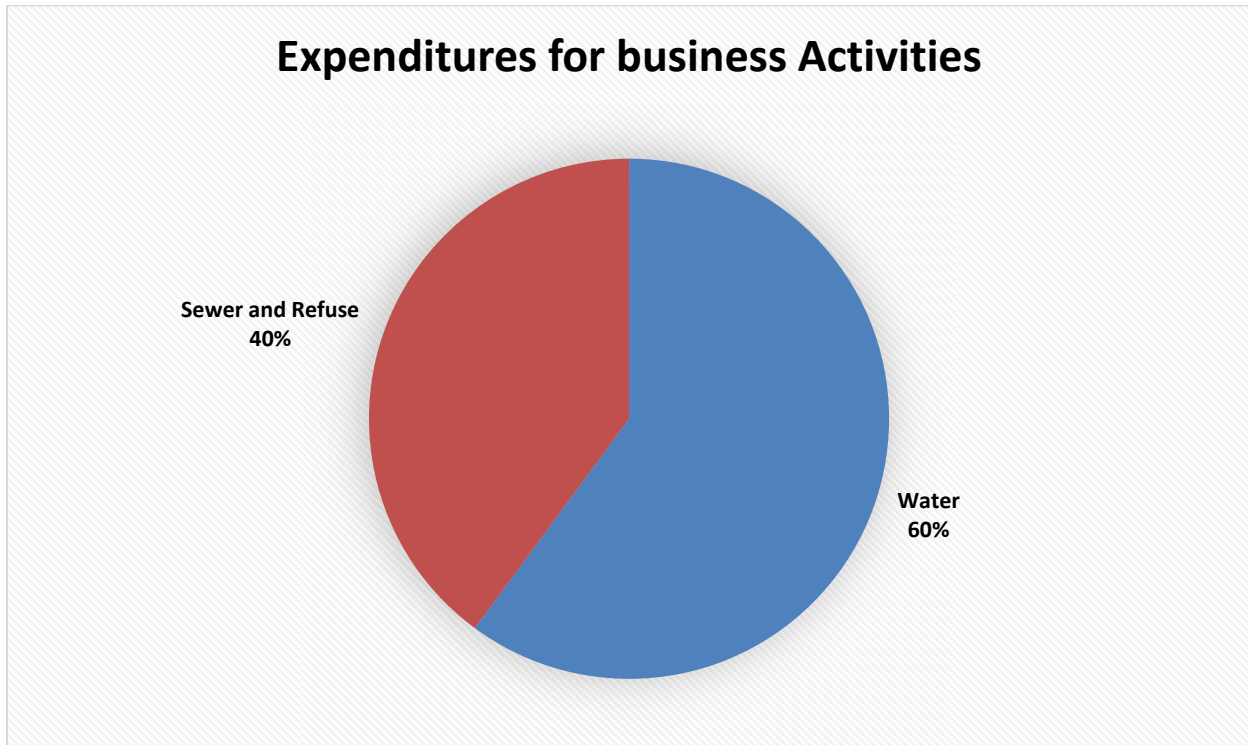
Town of Palisade, Colorado
Management's Discussion and Analysis
December 31, 2022

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



Town of Palisade, Colorado
Management's Discussion and Analysis
December 31, 2022

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 2022, the combined ending fund balances of the Town of Palisade's governmental funds were \$12,160,021. 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, \$553 are non-spendable funds, \$96,057 are restricted for park improvements, \$256,895 are restricted for emergencies and not available for new spending, \$58,350 are assigned for marketing and \$54,020 are assigned for public safety.

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

Town of Palisade, Colorado
Management's Discussion and Analysis
December 31, 2022

General Fund

The fund balance of the general fund was \$10,468,710 on December 31, 2022. Of this balance, 98% is unassigned. Of the remaining, \$553 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 on December 31, 2022:

- Working Capital (assets minus liabilities and deferred inflows of resources) of the General Fund was \$14,778,233. 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 \$14,520,785 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) 23.4:1.
- Modified Current Ratio (current assets less property tax accrual divided by current liabilities): 43.2:1. 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's 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 2022, the combined ending net position of the Town of Palisade's enterprise funds was \$13,940,737. Of this amount 35% is unrestricted net position, which is available as working capital and for current spending.

Town of Palisade, Colorado
 Management's Discussion and Analysis
 December 31, 2022

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, 2022, the *Water Fund, Utility Fund, and Solid Waste Fund* had total assets, which equaled 4.8 times the total liabilities. 71% of the funds' net position was invested in capital assets. 29% 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's Trustees budgeted \$5,480,733 for 2022 general fund revenues.

The Town's General Fund Budget is shown below:

	Original Budget	Final Budget	Actual
Beginning Balance	\$8,101,746	\$8,101,746	\$10,468,710
Revenues and Other Financing Sources	5,480,733	5,480,733	7,778,347
Expenditures and Other Financing Uses	8,024,345	8,024,345	4,899,782
Prior Period Adjustment	-	-	-
Ending Balance	\$5,558,134	\$5,558,134	\$13,347,275

Town of Palisade, Colorado
Management's Discussion and Analysis
December 31, 2022

CAPITAL ASSET AND DEBT ADMINISTRATION

The Town's capital assets net of depreciation on December 31, 2022 are presented in the following table. Also see Note 3 in the footnotes for further detail.

Capital Assets, Net of Depreciation			
December 31, 2022			
	Governmental	Business-Type	
	Activities	Activities	Total
Land	\$1,999,618	\$226,126	\$2,225,744
Water Rights	-	234,247	234,247
Construction in Progress	3,756,057	172,818	3,928,875
Swimming Pool/Community Center	107,623	-	107,623
Water/Sewer System	-	11,646,363	11,646,363
Building and Improvements	3,585,761	-	3,585,761
Equipment and Furniture	1,245,372	260,907	1,506,279
Infrastructure	4,173,314	-	4,173,314
Total	\$14,867,745	\$12,540,461	\$27,408,206

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, 2022 was \$3,423,422, which includes unamortized debt premiums of \$17,228. See Note 4 in the footnotes for further details.

Items of Interest for 2022

Government wide revenue increased by 22% when compared to government wide revenue in 2021. This increase is due to a combination of increasing property values driving increases in property taxes, strong consumer activity driving sales tax, seeking grant funding opportunities, 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.

Town of Palisade, Colorado
Management's Discussion and Analysis
December 31, 2022

ECONOMIC FACTORS AND CONDITIONS

The Town continues to pursue areas of capital improvement and economic development. The 2022 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 2021 staff levels.

Board Direction for 2022

The Palisade Board of Trustees continues to support the Town's 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 2023 budget has an expansion of revenues and expenditures when compared to 2022. This increase is largely due to grant funding opportunities for capital projects for the community clinic project. We believe sales tax and property tax revenues will show some growth in 2023 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 the 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, 2022

	Governmental Activities	Business-type Activities	Totals
Assets			
Cash and Investments	\$ 11,950,794	\$ 4,734,259	\$ 16,685,053
Accounts Receivable	122,486	189,793	312,279
Property Taxes Receivable	678,145	-	678,145
Due from Other Governments	841,850	-	841,850
Lodging Taxes Receivable	2,253	-	2,253
Prepaid Expenses	553	-	553
Inventory	-	81,127	81,127
Net Pension Asset	1,486,872	-	1,486,872
Capital Assets, <i>Not Being Depreciated</i>	5,755,675	633,191	6,388,866
Capital Assets, <i>Net of Accumulated Depreciation</i>	9,112,070	11,907,270	21,019,340
 Total Assets	 <u>29,950,698</u>	 <u>17,545,640</u>	 <u>47,496,338</u>
Deferred Outflows of Resources			
Deferred Outflows Related to Pensions	350,200	-	350,200
Liabilities			
Accounts Payable	585,849	91,269	677,118
Accrued Liabilities	144,055	-	144,055
Accrued Interest Payable	-	19,510	19,510
Unearned Revenue	28,011	-	28,011
Noncurrent Liabilities			
Due within one year	248,774	486,466	735,240
Due in More Than One Year	-	3,007,658	3,007,658
 Total Liabilities	 <u>1,006,689</u>	 <u>3,604,903</u>	 <u>4,611,592</u>
Deferred Inflows of Resources			
Deferred Property Taxes	678,145	-	678,145
Deferred Inflows Related to Pensions	486,331	-	486,331
 Deferred Inflows of Resources	 <u>1,164,476</u>	 <u>-</u>	 <u>1,164,476</u>
Net Positions			
Net Investment in Capital Assets Restricted for Emergencies	-	9,117,039	9,117,039
Unrestricted	28,129,733	4,823,698	32,953,431
 Total Net Position	 <u>\$ 28,129,733</u>	 <u>\$ 13,940,737</u>	 <u>\$ 42,070,470</u>

Town of Palisade, Colorado
Statement of Activities
For the Year Ended December 31, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Primary Government							
<i>Governmental Activities</i>							
General Government	\$ 1,046,948	\$ 125,240	\$ -	\$ 1,507,500	\$ 585,792	\$ -	\$ 585,792
Public Safety	1,881,855	340,916	-	651,716	(889,223)	-	(889,223)
Public Works and Parks	333,711	23,528	-	-	(310,183)	-	(310,183)
Culture and Recreation	1,039,224	569,969	32,767	-	(436,488)	-	(436,488)
Cemetery	85,028	55,600	-	-	(29,428)	-	(29,428)
Total Governmental Activities	4,386,766	1,115,253	32,767	2,159,216	(1,079,530)	-	(1,079,530)
<i>Business-Type Activities</i>							
Water	1,219,744	1,050,503	-	185,457	-	16,216	16,216
Sewer and Refuse	809,623	831,488	-	140,857	-	162,722	162,722
Total Business-Type	2,029,367	1,881,991	-	326,314	-	178,938	178,938
Total Primary Government	\$ 6,416,133	\$ 2,997,244	\$ 32,767	\$ 2,485,530	(1,079,530)	178,938	(900,592)
General Revenues							
Property Taxes					764,103	-	764,103
Sales and Use Taxes					6,268,344	-	6,268,344
Other Taxes					465,557	-	465,557
Grants and Contributions not Restricted to Specific Programs					-	-	-
Investment Income					132,978	74,535	207,513
Gain (Loss) on Disposal of Capital Assets					-	1,525	1,525
Miscellaneous					1,000	-	1,000
Total General Revenues and Transfers					7,631,982	76,060	7,708,042
Change in Net Position					6,552,452	254,998	6,807,450
Net Position, Beginning of year, As previously reported					21,461,134	13,671,709	35,132,843
Restatement					116,147	14,030	130,177
Net Position, Beginning of year, as restated					21,577,281	13,685,739	35,263,020
Net Position, End of year					\$ 28,129,733	\$ 13,940,737	\$ 42,070,470

Town of Palisade, Colorado

Balance Sheet Governmental Funds December 31, 2022

	General	Capital Projects	Nonmajor Governmental Funds	Totals
Assets				
Cash and Investments	\$ 11,735,570	\$ -	\$ 215,224	\$ 11,950,794
Accounts Receivable				
Due from Other Governments	841,850	-	-	841,850
Property Tax Receivable	535,879	-	142,266	678,145
Fire, Recuse and Other	121,061	-	-	121,061
Franchise Taxes Receivable	-	-	-	-
Lodging Tax and Other Receivable	-	-	3,678	3,678
Due to Other Funds	2,373,313	-	-	2,373,313
Prepaid Expenses	553	-	-	553
	<u>\$ 15,608,226</u>	<u>\$ -</u>	<u>\$ 361,168</u>	<u>\$ 15,969,394</u>
Liabilities				
Accounts Payable	\$ 122,048	\$ 453,326	\$ 10,475	\$ 585,849
Accrued Liabilities	144,055	-	-	144,055
Due to Other Funds	-	2,373,313	-	2,373,313
Unearned Revenue	28,011	-	-	28,011
	<u>294,114</u>	<u>2,826,639</u>	<u>10,475</u>	<u>3,131,228</u>
Deferred Inflows of Resources				
Deferred Property Taxes	535,879	-	142,266	678,145
	<u>535,879</u>	<u>-</u>	<u>142,266</u>	<u>678,145</u>
Fund Balances				
Nonspendable	553	-	-	553
Restricted for:				
Park Improvements	-	-	96,057	96,057
Emergencies	256,895	-	-	256,895
Assigned to:				
Marketing	-	-	58,350	58,350
Public Safety	-	-	54,020	54,020
Unrestricted, Unassigned	14,520,785	(2,826,639)	-	11,694,146
	<u>14,778,233</u>	<u>(2,826,639)</u>	<u>208,427</u>	<u>12,160,021</u>
Total Fund Balances	<u>14,778,233</u>	<u>(2,826,639)</u>	<u>208,427</u>	<u>12,160,021</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 15,608,226</u>	<u>\$ -</u>	<u>\$ 361,168</u>	<u>\$ 15,969,394</u>

Town of Palisade, Colorado
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Position
 December 31, 2022

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

Total Fund Balances of Governmental Funds	\$ 12,160,021
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds	14,867,745
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in governmental funds:	
Accrued Interest Payable	-
Compensated absences payable	(248,774)
Capital Lease Liability	-
Deferred Outflows related to Pensions	350,200
Pension Asset	1,486,872
Deferred Inflows related to Pension	(486,331)
	(486,331)
Total Net Position of Governmental Activities	\$ <u>28,129,733</u>

Town of Palisade, Colorado
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2022

	General	Capital Projects	Nonmajor Governmental Funds	Totals
Revenues				
Taxes	\$ 7,265,125	\$ -	\$ 232,879	\$ 7,498,004
Licenses and Permits	-	-	-	-
Intergovernmental	659,216	1,500,000	32,767	2,191,983
Grant Revenue	-	-	-	-
Charges for Services	1,115,253	-	-	1,115,253
Fines and Forfeitures	-	-	-	-
Investment Income	131,237	-	1,741	132,978
Miscellaneous	1,000	-	-	1,000
Total Revenues	<u>9,171,831</u>	<u>1,500,000</u>	<u>267,387</u>	<u>10,939,218</u>
Expenditures				
Current				
General Government	1,300,810	-	51,927	1,352,737
Public Safety	2,158,064	-	18,290	2,176,354
Public Works	314,325	-	-	314,325
Culture and Recreation	1,145,018	-	-	1,145,018
Cemetery	94,591	-	-	94,591
Capital Outlay				
General Government	-	4,246,900	-	4,246,900
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Total Expenditures	<u>5,012,808</u>	<u>4,246,900</u>	<u>70,217</u>	<u>9,329,925</u>
Excess of Revenues Over (Under) Expenditures	<u>4,159,023</u>	<u>(2,746,900)</u>	<u>197,170</u>	<u>1,609,293</u>
Other Financing Sources (Uses)				
Transfers In	150,500	-	-	150,500
Transfers Out	-	-	(150,500)	(150,500)
Total Other Financing Sources (Uses)	<u>150,500</u>	<u>-</u>	<u>(150,500)</u>	<u>-</u>
Net Change in Fund Balances	4,309,523	(2,746,900)	46,670	1,609,293
Fund Balances, Beginning of year	<u>10,468,710</u>	<u>(79,739)</u>	<u>161,757</u>	<u>10,550,728</u>
Fund Balances, End of year	<u>\$ 14,778,233</u>	<u>\$ (2,826,639)</u>	<u>\$ 208,427</u>	<u>\$ 12,160,021</u>

Town of Palisade, Colorado
 Reconciliation of the Statement of Revenues, Expenditures and Changes in
 Fund Balances of Governmental Funds to the Statement of Activities
 Governmental Funds
 For the Year Ended December 31, 2022

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Net Change in Fund Balances of Governmental Funds	\$ 1,609,293
<p>Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and are allocated over their estimated useful lives as annual depreciation expense in the statement of activities.</p>	
Capital outlay	5,206,495
Depreciation expense	(498,408)
<p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities. This is the net effect of these differences in the treatment of long-term debt and related items.</p>	
Payment of Lease Liability	7,690
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
Deferred Outflows Related to Pensions	(53,378)
Pension Asset	467,297
Deferred Inflows Related to Pension	(186,537)
	(186,537)
Change in Net Position of Governmental Activities	\$ <u>6,552,452</u>

Town of Palisade, Colorado
Statement of Net Position
Proprietary Funds
December 31, 2022

	Water	Utility	Totals
Assets			
<i>Current Assets</i>			
Cash and Investments	\$ 1,940,129	\$ 2,794,130	\$ 4,734,259
Accounts Receivable	105,196	84,597	189,793
Inventory	81,127	-	81,127
	2,126,452	2,878,727	5,005,179
Total Current Assets			
<i>Noncurrent Assets</i>			
Capital Assets, <i>Not Being Depreciated</i>	234,247	398,944	633,191
Capital Assets, <i>Net of Accumulated Depreciation</i>	8,998,484	2,908,786	11,907,270
	9,232,731	3,307,730	12,540,461
Total Noncurrent Assets			
Total Assets	11,359,183	6,186,457	17,545,640
Liabilities			
<i>Current Liabilities</i>			
Accounts Payable	32,435	58,834	91,269
Accrued Liabilities	-	-	-
Accrued Interest Payable	19,510	-	19,510
Current Portion of Noncurrent Liabilities	460,494	25,972	486,466
	512,439	84,806	597,245
Total Current Liabilities			
<i>Noncurrent Liabilities</i>			
Compensated Absences	-	-	-
Note Payable	3,007,658	-	3,007,658
	3,007,658	-	3,007,658
Total Noncurrent Liabilities			
Total Liabilities	3,520,097	84,806	3,604,903
Net Position			
Net Investment in Capital Assets	5,663,063	3,371,687	9,034,750
Unrestricted	2,176,023	2,729,964	4,905,987
	7,839,086	6,101,651	13,940,737
Total Net Position	\$ 7,839,086	\$ 6,101,651	\$ 13,940,737

Town of Palisade, Colorado
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2022

	Water	Utility	Totals
Operating Revenues			
Charges for Services	\$ 1,050,503	\$ 831,488	\$ 1,881,991
Total Operating Revenues	<u>1,050,503</u>	<u>831,488</u>	<u>1,881,991</u>
Operating Expenses			
Operations and Maintenance	805,986	659,964	1,465,950
Debt Service - Interest	75,578	-	75,578
Depreciation	338,180	149,659	487,839
Total Operating Expenses	<u>1,219,744</u>	<u>809,623</u>	<u>2,029,367</u>
Net Operating Income	<u>(169,241)</u>	<u>21,865</u>	<u>(147,376)</u>
Nonoperating Revenues (Expenses)			
Investment Income and Penalties	32,456	43,604	76,060
Tap Fees	185,457	140,857	326,314
Total Nonoperating Revenues (Expenses)	<u>217,913</u>	<u>184,461</u>	<u>402,374</u>
Change in Net Position	<u>48,672</u>	<u>206,326</u>	<u>254,998</u>
Net Position, Beginning of year	7,790,414	5,881,295	13,671,709
Restatement	<u>-</u>	<u>(14,030)</u>	<u>(14,030)</u>
Net Position, Beginning of year	<u>7,790,414</u>	<u>5,895,325</u>	<u>13,685,739</u>
Net Position, End of year	<u>\$ 7,839,086</u>	<u>\$ 6,101,651</u>	<u>\$ 13,940,737</u>

Town of Palisade, Colorado
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2022

	Water	Wastewater	Totals
Cash Flows From Operating Activities			
Cash Received from Customers	\$ 1,062,483	\$ 843,267	\$ 1,905,750
Cash Payments to Employees	(54,014)	(23,422)	(77,436)
Cash Payments to Vendors and Suppliers	(765,589)	(636,341)	(1,401,930)
Net Cash Provided by Operating Activities	242,880	183,504	426,384
Cash Flows From Noncapital Financing Activities			
Transfers to Other Funds	-	-	-
Net Cash Used in Noncapital Financing Activities	-	-	-
Cash Flows From Capital and Related Financing Activities			
Purchases of Capital Assets	(134,072)	(71,672)	(205,744)
Water Dedication Fees Received	-	-	-
System Investment Fees Received	185,457	140,857	326,314
Debt Principal Payments	(305,624)	25,972	(279,652)
Debt Interest Payments	(84,314)	-	(84,314)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(338,553)	95,157	(243,396)
Cash Flows From Investing Activities			
Interest Received	32,456	43,604	76,060
Net Increase In Cash	(63,217)	322,265	259,048
Cash, Beginning of Year	2,003,346	2,471,865	4,475,211
Cash, End of Year	\$ 1,940,129	\$ 2,794,130	\$ 4,734,259
Reconciliation of Net Operating Income to Net Cash Provided by (Used in) Operating Activities			
Net Operating Income	\$ (93,663)	\$ 21,865	\$ (71,798)
Adjustments to Reconcile Net Operating Income to Net Cash Provided by (Used in) Operating Activities			
Depreciation	338,180	149,659	487,839
Changes in Assets and Liabilities			
Accounts Receivable	11,980	11,779	23,759
Inventory	36,491	-	36,491
Accounts Payable	3,906	23,623	27,529
Accrued Liabilities	(8,205)	(4,429)	(12,634)
Compensated Absences Payable	(45,809)	(18,993)	(64,802)
Net Cash Provided by (Used in) Operating Activities	\$ 242,880	\$ 183,504	\$ 426,384

See Notes to the Financial Statements.

Town of Palisade, Colorado

Notes to Financial Statements

December 31, 2022

Note 1: Summary of Significant Accounting Policies

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

Reporting Entity

The financial reporting entity consists of the Town, organizations for which the Town is financially accountable and organizations that raise and hold economic resources for the direct benefit of the Town. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are part of the Town. Legally separate organizations for which the Town is financially accountable are considered part of the reporting entity. Financial accountability exists if the Town appoints a voting majority of the organization's governing board and is able to impose its will on the organization, or if there is a potential for the organization to provide benefits to, or impose financial burdens on, the Town.

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

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 activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. *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 charges for support.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual funds are reported as separate columns in the fund financial statements.

Town of Palisade, Colorado

Notes to Financial Statements

December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

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 financial statements. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all 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 collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current year.

Taxes, intergovernmental revenues, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered measurable and available only when cash is received by the Town.

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, are recorded only when payment is due.

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 fund's principal ongoing operations. 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 both restricted and unrestricted resources are available for a specific use, it is the Town's practice to use restricted resources first, then unrestricted resources as they are needed.

In the fund financial statements, the Town reports the following major governmental funds:

The *General Fund* is the Town's primary operating fund. It accounts for all financial resources of the Town, except those accounted for 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.

Town of Palisade, Colorado

Notes to Financial Statements

December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

(Continued)

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.

In addition, the Town reports the following major proprietary funds:

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

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

Assets, Liabilities and Net Position/Fund Balances

Cash Equivalents - For purposes of the statement of cash flows, cash equivalents include investment with original maturities of three months or less.

Receivables - Receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Prepaid Expenses - Certain payments to vendors reflect costs applicable to future years and are reported as prepaid expenses using the consumption method.

Capital Assets - Capital assets, which include land, buildings, utility systems, equipment, and all infrastructure owned by the Town, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary funds in the fund financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the acquisition value on the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Town of Palisade, Colorado

Notes to Financial Statements

December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Assets, Liabilities and Net Position/Fund Balances (Continued)

Capital assets are depreciated using the straight-line method over the following estimated useful lives.

Buildings, Improvements and Plants	10 - 100 years
Water Distribution and Collection Systems	10 - 60 years
Sewer Collection and Treatment Systems	10 - 60 years
Swimming Pool	15 - 40 years
Equipment and Furniture	5 - 20 years

Deferred Inflows of Resources - Property taxes earned but levied for a subsequent year are reported as deferred inflows of resources in the financial statements.

Compensated Absences - Employees of the Town are allowed to accumulate unused vacation and sick leave up to a maximum based on years of service. Upon termination of employment from the Town, employees with at least ten years of service will be paid for one-third of their accumulated sick leave up to a maximum of 320 hours, and for all accumulated vacation leave up to a maximum of 240 hours, at their current pay rate.

A liability for these compensated absences is reported when earned in the proprietary funds and when due in the governmental funds. A long-term liability has been reported in the government-wide financial statement for the accrued compensated absences.

Long-Term Debt - In the government-wide financial statements and the proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Debt premiums, discounts and accounting losses resulting from debt refunding's are deferred and amortized over the life of the debt using the straight-line method. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses.

Debt issuance costs, whether or not withheld from the debt proceeds, are reported as current expenses or expenditures.

Net Position/Fund Balances - In the government-wide and fund financial statements, net position and fund balances are restricted when constraints placed on the use of resources are externally imposed. In the fund financial statements, governmental funds report committed fund balances when the Board of Trustees approves an ordinance that places constraints on the use of resources for a specific purpose. Assigned fund balances arise from an informal action of the Board of Trustees.

The Town has not established a formal policy for its use of restricted and unrestricted fund balances. However, if both restricted and unrestricted fund balances are available for a specific purpose, the Town uses restricted fund balances first, followed by committed, assigned, and unassigned balances.

Town of Palisade, Colorado

Notes to Financial Statements

December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Property Taxes

Property taxes attach as an enforceable lien on property on January 1, are levied the following December, and collected in the subsequent calendar year. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The County Treasurer's Office collects property taxes and remits to the Town on a monthly basis. Since property tax revenues are collected in arrears during the succeeding year, receivables and corresponding deferred inflows of resources are reported at year end.

Subsequent Event

We have evaluated subsequent events through December 12, 2023. The date the financial statements were available to be issued.

Note 2: Cash and Investments

A summary of cash at December 31, 2022, follows:

	<u>Total</u>
Petty Cash	\$ 600
Deposits	2,446,711
Investments	<u>14,238,295</u>
Total	<u>\$ 16,685,606</u>

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all 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, 2022, the Town had bank deposits of \$2,274,864 collateralized with securities held by the financial institution's agent but not in the Town's name.

Town of Palisade, Colorado

Notes to Financial Statements

December 31, 2022

Note 2: Cash and Investments (Continued)

Investments

The Town is required to comply with State statutes which specify investment instruments meeting defined rating, maturity, and concentration risk criteria in which the Town may invest, which include the following. State statutes do not address custodial risk.

- Obligations of the United States and certain U.S. Agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts (GICs)

Interest Rate Risk - State statutes generally limit the maturity of investment securities to five years from the date of purchase unless the governing board authorizes the investment for a period in excess of five years.

Credit Risk - State statutes limit certain investments to those with specified ratings from nationally recognized statistical rating organizations, depending on the type of investment.

Concentration of Credit Risk - State statutes do not limit the amount the Town may invest in one issuer of investment securities, except for corporate securities.

Local Government Investment Pools - At December 31, 2022, the Town had \$7,570,251 and \$6,616,087 invested in the Colorado Local Government Liquid Asset Trust (Colotrust) and the Colorado Surplus Asset Fund Trust (CSAFE), respectively. The Trusts are investment vehicles established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating the Trusts. The Trusts operate in conformity with the Securities and Exchange Commission's Rule 2a-7, with each share valued at \$1. Both Trusts are rated AAAM by Standard and Poor's. Investments of the Trusts are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

Town of Palisade, Colorado
Notes to Financial Statements
December 31, 2022

Note 3: Capital Assets

Capital asset activity for the year ended December 31, 2022, is summarized below.

Governmental Activities	(Restated) Balance 12/31/21	Additions	Transfers	Deletions	Balance 12/31/22
Capital Assets, Not Being Depreciated					
Land	\$ 2,039,927	\$ -	\$ (40,309)	\$ -	\$ 1,999,618
Construction in Progress	703,832	4,709,364	(1,657,139)	-	3,756,057
Total Capital Assets, Not Being Depreciated	2,743,759	4,709,364	(1,697,448)	-	5,755,675
Capital Assets, Being Depreciated					
Infrastructure	4,317,784	66,980	1,697,448	-	6,082,212
Swimming Pool	565,447	-	-	-	565,447
Community Center	684,645	-	-	-	684,645
Buildings and Improvements	8,980,294	187,186	-	-	9,167,480
Equipment and Furniture	2,737,660	242,965	-	(91,436)	2,889,189
Total Capital Assets, Being Depreciated	17,285,830	497,131	1,697,448	(91,436)	19,388,973
Less Accumulated Depreciation					
Infrastructure	(1,739,107)	(169,791)	-	-	(1,908,898)
Swimming Pool	(503,566)	(17,213)	-	-	(520,779)
Community Center	(617,718)	(3,972)	-	-	(621,690)
Buildings and Improvements	(5,477,127)	(104,592)	-	-	(5,581,719)
Equipment and Furniture	(1,532,413)	(202,840)	-	91,436	(1,643,817)
Total Accumulated Depreciation	(9,869,931)	(498,408)	-	91,436	(10,276,903)
Total Capital Assets, Being Depreciated, net	7,415,899	(1,277)	1,697,448	-	9,112,070
Governmental Activities Capital Assets, net	\$ 10,159,658	\$ 4,708,087	\$ -	\$ -	\$ 14,867,745
Business-Type Activities	(Restated) Balance 12/31/21	Additions	Deletions	Transfers	Balance 12/31/22
Capital Assets, Not Being Depreciated					
Land	\$ 226,126	\$ -	\$ -	\$ -	\$ 226,126
Water Rights	234,247	-	-	-	234,247
Construction in Progress	172,818	-	-	-	172,818
Total Capital Assets, not being Depreciated	633,191	-	-	-	633,191
Capital Assets, being depreciated					
Water System	17,090,368	112,183	-	-	17,202,551
Sewer System	5,724,858	257,730	-	-	5,982,588
Water	348,301	112,077	-	(25,000)	435,378
Utility	199,895	71,675	-	(25,000)	246,570
Total Capital Assets, Being Depreciated	23,363,422	553,665	-	(50,000)	23,867,087
Less Accumulated Depreciation					
Buildings and Plants	(8,067,218)	(321,874)	-	-	(8,389,092)
Collection and Distribution Systems	(3,003,174)	(146,510)	-	-	(3,149,684)
Drainage Systems	(259,049)	(16,306)	-	25,000	(250,355)
Equipment	(192,537)	(3,149)	-	25,000	(170,686)
Total Accumulated Depreciation	(11,521,978)	(487,839)	-	50,000	(11,959,817)
Total Capital Assets, Being Depreciated, net	11,841,444	65,826	-	-	11,907,270
Business - Type Activities Capital Assets, net	\$ 12,474,635	\$ 65,826	\$ -	\$ -	\$ 12,540,461

Town of Palisade, Colorado
Notes to Financial Statements
December 31, 2022

Note 3: Capital Assets (Continued)

Depreciation expense was charged to programs of the Town as follows:

	Total
Governmental Activities	
General Government	\$ 199,575
Public Safety	134,303
Public Works	51,344
Parks and Recreation	113,186
 Total	 \$ 498,408

Note 4: Long-Term Debt

Governmental Activities

Following is a summary of long-term debt transactions of the governmental activities for the year ended December 31, 2022:

	Balance 12/31/21	Additions	Payments	Balance 12/31/22	Due Within One Year
Lease Liability	\$ 7,690	\$ -	\$ (7,690)	\$ -	\$ -
Compensated Absences	248,774	248,774	(248,774)	248,774	248,774
 Total	 \$ 256,464	\$ 248,774	\$ (256,464)	\$ 248,774	\$ 248,774

In March 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, 2022, the value of the lease liability was \$0. The Town was making monthly principal and interest payments of \$3,869, and the computed interest rate was 4.98%. During the year ended December 31, 2022, the Town purchased the vehicles for \$1 each.

Compensated absences are expected to be liquidated primarily with revenues of the General.

Town of Palisade, Colorado

Notes to Financial Statements

December 31, 2022

Note 4: Long-Term Debt

Business-Type Activities

Following is a summary of long-term debt transactions of the Business-type activities for the year ended December 31, 2022:

	<u>Balance 12/31/21</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 12/31/22</u>	<u>Due Within One Year</u>
CWRPD, Series 2006	\$ 1,000,001	\$ -	\$ (66,667)	\$ 933,334	\$ 66,667
-Premium	19,690	-	(2,462)	17,228	-
CWRPD, Series 2006	1,971,547	-	(208,687)	1,762,860	269,097
Bonds Payable	785,000	-	(75,000)	710,000	80,000
Compensated Absences	64,802	70,702	(64,802)	70,702	70,702
Total	<u>\$ 3,841,040</u>	<u>\$ 70,702</u>	<u>\$ (417,618)</u>	<u>\$ 3,494,124</u>	<u>\$ 486,466</u>

In 2006, the Town borrowed \$2,000,000 from the Colorado Water Resource and Power Development Authority Revolving Loan Fund (CWRPD) 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 Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 66,667	\$ -	\$ 66,667
2024	66,666	-	66,666
2025	66,667	-	66,667
2026	66,666	-	66,666
2027	66,667	-	66,667
2028-2031	333,335	-	333,335
2032-2036	266,666	-	266,666
Total	<u>\$ 933,334</u>	<u>\$ -</u>	<u>\$ 933,334</u>

In 2006, the Town borrowed \$2,976,045 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, 2022

Note 4: Long-Term Debt (Continued)

Business-Type Activities (Continued)

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

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 269,097	\$ 42,285	\$ 67,456
2024	280,081	36,041	316,122
2025	285,572	29,542	315,114
2026	291,064	22,591	313,655
2027	313,031	15,506	328,537
2028	324,015	7,887	331,902
Total	<u>\$ 1,762,860</u>	<u>\$ 153,852</u>	<u>\$ 1,672,786</u>

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 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 Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 80,000	\$ 20,737	\$ 67,456
2024	70,000	18,638	88,638
2025	10,000	16,800	26,800
2026	15,000	16,500	31,500
2027	25,000	16,050	41,050
2028-2030	510,000	45,900	555,900
Total	<u>\$ 710,000</u>	<u>\$ 134,625</u>	<u>\$ 811,344</u>

Note 5: Employee Retirement Plans

FPPA Statewide Defined Benefit Plan

Plan Description - The Statewide Defined Benefit Plan (SWDB) is a cost-sharing multiple-employer defined benefit pension plan. The plan is administered by the Fire & Police Pension Association of Colorado (FPPA). FPPA issues a publicly available comprehensive annual financial report that can be obtained on FPPA's website at <http://www.fppaco.org>.

Town of Palisade, Colorado
Notes to Financial Statements
December 31, 2022

Note 5: Employee Retirement Plans (Continued)

FPPA Statewide Defined Benefit Plan (Continued)

Description of Benefits - 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.

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. The benefit earned prior to January 1, 2007 for members of affiliated Social Security employers will be reduced by the amount of Social Security income payable to the member annually. Effective January 1, 2007, members currently covered under Social Security will receive half the benefit when compared to the Statewide Defined Benefit Plan. Benefits paid to retired members are evaluated and may be re-determined every October 1. The amount of any increase is based on the 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 at age 50 or after 30 years of 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 - The Plan sets contribution rates at a level that enables all benefits to be fully funded at the retirement date of all members. Contribution rates for the SWDB plan 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.

Members of the SWDB plan and their employers are contributing at the rate of 8 percent of base salary for a total contribution rate of 16 percent through 2014. 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 base salary. Employer contributions will remain at 8 percent resulting in a combined contribution rate of 20 percent in 2022.

Town of Palisade, Colorado

Notes to Financial Statements

December 31, 2022

Note 5: Employee Retirement Plans (Continued)

FPPA Statewide Defined Benefit Plan (Continued)

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 20 percent of base salary through 2014. It is a local decision as to whether the member or employer pays the additional 4 percent contribution. Per the 2014-member election, the re-entry group will also have their required member contribution rate increase 0.5 percent annually beginning in 2015 through 2022 for a total combined member and employer contribution rate of 24 percent in 2022.

The contribution rate for members and employers of affiliated social security employers is 4 percent of base salary for a total contribution rate of 8 percent through 2014. Per the 2014 member election, members of the affiliate social security group will have their required contribution rate increase 0.25 percent annually beginning in 2015 through 2022 to a total of 6 percent of base salary. Employer contributions will remain at 4 percent resulting in a combined contribution rate of 10 percent in 2022.

The Town's contributions to the SWDB Plan for the year ended December 31, 2022, were \$55,186, equal to the required contributions.

The Town and eligible employees are required to contribute to the SWH Plan at rates established by the Town Council. However, the amount allocated to the defined benefit component is set annually by the FPPA Board of Directors, which currently must be at least 8% of base salary for the employee and the employer.

The Town no longer has active participants in the SWH Plan.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2022, the Town reported a net pension liability (asset) of \$(437,067) representing its proportionate share of the net pension asset of the SWDB.

The net pension liability was measured at December 31, 2021, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation at January 1, 2022. The Town's proportion of the net pension asset was based on a projection of the Town's contributions to the plans for the calendar year ended December 31, 2022, relative to the projected contributions of all participating employers.

At December 31, 2021, the Town's proportion of the SWDB Plan was 0.08064957%, which was an increase of 0.00154957% from its proportion measured at December 31, 2020.

For the year ended December 31, 2022, the Town recognized pension expense (Benefit) for the SWDB plan of \$(46,928).

Town of Palisade, Colorado

Notes to Financial Statements

December 31, 2022

Note 5: Employee Retirement Plans (Continued)

FPPA Statewide Defined Benefit Plan (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Statewide Defined Benefit Plan		
Differences between expected and actual experience	\$ 125,155	\$ 10,196
Net difference between projected and actual earnings on plan investments	-	292,513
Changes in assumptions and other inputs	62,329	-
Changes in proportion	34,715	11,193
Contributions subsequent to the measurement date	103,692	-
 Total	 \$ 325,891	 \$ 313,902

At December 31, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Town contributions to the SWDB plan subsequent to the measurement date were \$103,692 and will be recognized as an increase or decrease to the net pension (asset) liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows.

Year Ended December 31,	SWDB
2023	\$ (54,550)
2024	12,849
2025	48,847
2026	54,280
2027	22,213
Thereafter	(175,332)
 Total	 \$ (91,693)

Town of Palisade, Colorado

Notes to Financial Statements

December 31, 2022

Note 5: Employee Retirement Plans (Continued)

FPPA Statewide Defined Benefit Plan (Continued)

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

Actuarial Assumptions - The actuarial valuation at January 1, 2022, determined the total pension liability using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

Actuarial Method	Entry Age Normal
Amortization Method	Level % of Payroll, Open
Amortization Period	30 Years
Asset Valuation Method	5-Year Smoothed Fair Value
Long-term Investment Rate of Return*	7.5%
Projected Salary Increases	4.25% - 11.25%
Cost of Living Adjustments (COLA)	0.0%
Includes Inflation at	2.5%

Mortality rates were based on the RP-2014 Mortality Table for Blue Collar Employees projected with Scale BB, using a 55% multiplier for off-duty mortality. The RP-2014 Mortality Table for Blue Collar Employees was used in the projection of post-retirement benefits for members under age 55. For post-retirement members ages 65 and older, the RP-2014 Mortality Tables for Blue Collar Healthy Annuitants were used. For post-retirement members ages 55 through 64, a blend of the previous tables was used.

The current actuarial methods and assumptions were adopted by the FPPA Board of Directors for first use in the actuarial valuation as of January 1, 2016, based upon the actuary's unchanged analysis and recommendations from the 2015 Experience Study.

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 real rates of return for each major asset class included in the target asset allocation as of December 31, 2021, are summarized in the following table:

Town of Palisade, Colorado

Notes to Financial Statements

December 31, 2022

Note 5: Employee Retirement Plans (Continued)

FPPA Statewide Defined Benefit Plan (Continued)

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

Asset Class	Target Allocation	Long-Term Expected 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%
	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.0%. 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 in the FPPA Board of Director's funding policy, which establishes the contractually required rates under State statutes. Based on this assumption, the Plans' fiduciary net position was projected to be available to make all projected future benefit payments to current members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate at the prior measurement date was 7.5%.

Sensitivity of the Net Pension (Asset) Liability to Changes in the Discount Rate - The following presents the Town's proportionate share of the net pension (asset) liability calculated using the discount rate of 7.0%, as well as the Town's proportionate share of the net pension (asset) liability if it were calculated using a discount that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate, as follows:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Town's proportionate share of the SWDB net pension (asset) liability	\$ (60,274)	\$ (437,067)	\$ (749,219)

Pension Plan Fiduciary Net Position - Detailed information about the Plans' fiduciary net position is available in FPPA's separately issued financial report, which may be obtained at www.fppaco.org.

Town of Palisade, Colorado

Notes to Financial Statements

December 31, 2022

Note 5: Employee Retirement Plans (Continued)

FPPA Palisade Volunteer Fire Pension Plan - Defined Benefit Plan

Plan Description - The Palisade Volunteer Fire Pension Plan (Volunteer Plan) is an agent multiple-employer Public Employee Retirement System (PERS). 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 can be obtained on FPPA's website at <http://www.fppaco.org>.

Description of Benefits - The Plan, as established and amended by the Plan's Board of Trustees through the Bylaws, provides for a monthly pension of \$250 for volunteers who have satisfied the normal age and service requirements and pro rata pensions for volunteers who have satisfied the normal age but only a portion of the service requirement. It further provides death benefits and a partial pension (50% of the amount the volunteer has earned) for surviving spouses. The normal age and service requirement is the date a volunteer reaches 50 years of age and completes 20 years of service. Pro-rata pensions would apply to volunteers who reached 50 years of age and had between 10 and 20 years of service. A one-time \$100 funeral benefit lump sum is also provided.

Contributions - The Town and eligible employees are required to contribute to the Volunteer Plan at rates established by State statutes. Employer contribution rates can only be amended by the State Legislature. Employee contribution rates can be amended by the State Legislature or by election of the membership. The Town and eligible employees each contributed 8% and 11% of base salary, respectively, for the year ended December 31, 2022.

The Town's contributions to the Volunteer Plan for the year ended December 31, 2022, were \$20,814, equal to the required contributions.

At December 31, 2022, the Town reported a net pension liability (asset) of \$(1,049,805) representing its proportionate share of the net pension asset.

The net pension liability was measured at December 31, 2021, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation at January 1, 2022. The Town's proportion of the net pension asset was based on a projection of the Town's contributions to the plans for the calendar year ended December 31, 2021, relative to the projected contributions of all participating employers.

For the year ended December 31, 2022, the Town recognized pension expense (Benefit) for the Volunteer Plan of \$(123,953).

Town of Palisade, Colorado

Notes to Financial Statements

December 31, 2022

Note 5: Employee Retirement Plans (Continued)

FPPA Palisade Volunteer Fire Pension Plan - Defined Benefit Plan (Continued)

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

At December 31, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Volunteer		
Differences between expected and actual experience	\$ 1,262	\$ 16,742
Net difference between projected and actual earnings on plan investments	15,676	155,687
Changes in assumptions and other inputs	7,371	-
Changes in proportion	-	-
Contributions subsequent to the measurement date	-	-
 Total	 \$ 24,309	 \$ 172,429

Town contributions to the Volunteer Plan subsequent to the measurement date of \$0 will be recognized as an increase or decrease to the net pension (asset) liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows.

Year Ended December 31,	Volunteer Plan
2023	\$ (37,182)
2024	(52,860)
2025	(37,516)
2026	(20,562)
2027	-
Thereafter	-
 Total	 \$ (148,120)

Town of Palisade, Colorado

Notes to Financial Statements

December 31, 2022

Note 5: Employee Retirement Plans (Continued)

FPPA Palisade Volunteer Fire Pension Plan - Defined Benefit Plan (Continued)

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

Actuarial Assumptions - The actuarial valuation at January 1, 2022, determined the total pension liability using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

Actuarial Method	Entry Age
Amortization Method	Level dollar - open
Remaining Amortization Period	20 years
Asset Valuation Method	5-Year Smoothed Fair Value
Long-term Investment Rate of Return*	7.0%
Projected Salary Increases	N/A
Cost of Living Adjustments (COLA)	None
*Includes Inflation at	2.5%

Mortality rates were based on the RP-2014 Mortality Table for Blue Collar Employees projected with Scale BB, using a 55% multiplier for off-duty mortality. The RP-2014 Mortality Table for Blue Collar Employees was used in the projection of post-retirement benefits for members under age 55. For post-retirement members ages 65 and older, the RP-2014 Mortality Tables for Blue Collar Healthy Annuitants were used. For post-retirement members ages 55 through 64, a blend of the previous tables was used.

The current actuarial methods and assumptions were adopted by the FPPA Board of Directors for first use in the actuarial valuation as of January 1, 2016, based upon the actuary's unchanged analysis and recommendations from the 2015 Experience Study.

Inputs to the Single 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 7.50%; the municipal bond rate is 3.65% (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 7.50%.

Town of Palisade, Colorado

Notes to Financial Statements

December 31, 2022

Note 5: Employee Retirement Plans (Continued)

FPPA Palisade Volunteer Fire Pension Plan - Defined Benefit Plan (Continued)

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

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 real rates of return for each major asset class included in the target asset allocation as of December 31, 2021, are summarized in the following table.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
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%
	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.0%. 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 in the FPPA Board of Director's funding policy, which establishes the contractually required rates under State statutes. Based on this assumption, the plans' fiduciary net position was projected to be available to make all projected future benefit payments to current members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate at the prior measurement date was 7.5%.

Town of Palisade, Colorado

Notes to Financial Statements

December 31, 2022

Note 5: Employee Retirement Plans (Continued)

FPPA Palisade Volunteer Fire Pension Plan - Defined Benefit Plan (Continued)

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

Sensitivity of the Net Pension (Asset) Liability to Changes in the Discount Rate - The following presents the Town's proportionate share of the net pension (asset) liability calculated using the discount rate of 7.0%, as well as the Town's proportionate share of the net pension (asset) liability if it were calculated using a discount that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate, as follows:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Town's proportionate share of the net pension (asset)	\$ <u>(126,555)</u>	\$ <u>(173,075)</u>	\$ <u>(212,138)</u>

Pension Plan Fiduciary Net Position - Detailed information about the Plans' fiduciary net position is available in FPPA's separately issued financial report, which may be obtained at www.fppaco.org.

Note 6: Risk Management

Public Entity Risk Pool

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For these risks of loss, the Town participates in the Colorado Intergovernmental Risk Sharing Agency (CIRSA), a separate and independent governmental and legal entity formed by intergovernmental agreement by member municipalities pursuant to the provisions of 24-10-115.5, Colorado Revised Statutes, and the Colorado Constitution, Article XIV, Section 18(2).

The purposes of CIRSA are to provide members defined liability, property, and workers compensation coverages and to assist members to prevent and reduce losses and injuries to municipal property and to persons or property which might result in claims being made against members of CIRSA, their employees and officers.

It is the intent of the members of CIRSA to create an entity in perpetuity which will administer and use funds contributed by the members to defend and indemnify, in accordance with the bylaws, any member of CIRSA against stated liability of loss, to the limit of the financial resources of CIRSA. It is also the intent of the members to have CIRSA provide continuing stability and availability of needed coverages at reasonable costs. All income and assets of CIRSA shall be at all times dedicated to the exclusive benefit of its members.

Town of Palisade, Colorado
Notes to Financial Statements
December 31, 2022

Note 7: Commitments and Contingencies

Litigation

The Town is from time to time involved in various threatened and pending litigation. However, the outcome of this litigation cannot be determined at this time.

TABOR Amendment

In November 1992, Colorado voters passed the TABOR Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The Town is subject to the TABOR Amendment. Fiscal year 1992 provides the basis for limits in future years, to which may be applied allowable increases for inflation and property valuation. Revenue received in excess of the limitations may be required to be refunded unless the Town's electorate vote to retain the revenue. The TABOR Amendment is subject to many interpretations, but the Town believes it is in substantial compliance with the Amendment.

In November 1994, voters permitted the Town, without increasing or adding any taxes of any kind, to collect, retain or expend revenues generated from all sources during 1994 and each subsequent year for trails, parks, and open space, storm water facilities and drainage, street, curb and sidewalk construction, repair and maintenance, police services, and for other basic municipal services and lawful purposes, without limitation.

The Town has established an emergency reserve, representing 3% of qualifying expenditures, as required by the Amendment. At December 31, 2022, the emergency reserve was reported as restricted fund balance in the General Fund, in the amount of \$137,500.

Required Supplementary Information

Town of Palisade, Colorado
 Required Supplementary Information
 Schedule of Proportionate Share of the Net Pension Asset (Liability) and Contributions
 Fire & Police Pension Association of Colorado Statewide Defined Benefit Plan
 For the Year Ended December 31, 2022

	<u>12/31/21</u>	<u>12/31/20</u>	<u>12/31/19</u>	<u>12/31/18</u>	<u>12/31/17</u>
Proportionate Share of the Net Pension Asset					
City's Proportion of the Net Pension Assets	0.23951838%	0.07910000%	0.08548000%	0.09299000%	0.09025000%
City's Proportion Share of the Net Pension Asset (Liability)	\$ -	\$ 171,716	\$ 48,343	\$ (117,565)	\$ 129,845
City's Covered Payroll	\$ 650,731	\$ 635,305	\$ 629,883	\$ 605,513	\$ 548,988
City's Proportionate Share of the Net Pension Asset (liability) as a Percentage of Covered Payroll	0.0%	27.0%	7.7%	(19.9)%	23.7%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	116.2%	106.7%	101.9%	95.2%	106.3%
City Contribution					
Statutorily Required Contribution	\$ 209,261	\$ 64,002	\$ 52,848	\$ 50,391	\$ 48,441
Contributions in Relation to the Statutorily Required Contribution	<u>(209,261)</u>	<u>(64,002)</u>	<u>(52,848)</u>	<u>(50,391)</u>	<u>(48,441)</u>
Contribution Deficiency (Excess)	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 2,341,822	\$ 650,731	\$ 635,305	\$ 629,883	\$ 605,513
Contributions as a Percentage of Covered Payroll	8.94%	9.84%	8.32%	8.00%	8.00%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years information is available.

(Continued)

Town of Palisade, Colorado
 Required Supplementary Information
 Schedule of Proportionate Share of the Net Pension Asset (Liability) and Contributions
 Fire & Police Pension Association of Colorado Statewide Hybrid Defined Benefit Plan
 For the Year Ended December 31, 2022

(Continued)

	12/31/16	12/31/15	12/31/14	12/31/13
Proportionate Share of the Net Pension Asset				
City's Proportion of the Net Pension Assets	10.30100000%	11.28700000%	10.99900000%	0.21431916%
City's Proportion Share of the Net Pension Asset (Liability)	\$ (37,221)	\$ 1,990	\$ 124,129	\$ 191,641
City's Covered Payroll	\$ 549,963	\$ 521,562	\$ 494,615	\$ 850,045
City's Proportionate Share of the Net Pension Asset (liability) as a Percentage of Covered Payroll	-6.8%	0.4%	25.1%	22.5%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	98.2%	100.1%	107.0%	106.0%
	12/31/17	12/31/16	12/31/15	12/31/14
City Contribution				
Statutorily Required Contribution	\$ 43,919	\$ 43,997	\$ 41,725	\$ 84,621
Contributions in Relation to the Statutorily Required Contribution	<u>(43,919)</u>	<u>(43,997)</u>	<u>(41,725)</u>	<u>(84,621)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 548,988	\$ 549,963	\$ 521,562	\$ 998,713
Contributions as a Percentage of Covered Payroll	8.00%	8.00%	8.00%	8.47%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years information is available.

Town of Palisade, Colorado
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2022

Revenues	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Taxes				
Taxes - Property	\$ 460,000	\$ 460,000	\$ 529,471	\$ 69,471
Taxes - Other	3,436,825	3,436,825	6,735,654	3,298,829
Cemetery	38,500	38,500	55,600	17,100
Swimming pool	36,625	36,625	39,251	2,626
Community Center	5,000	5,000	7,162	2,162
Licenses and permits	33,500	33,500	50,902	17,402
Intergovernmental	748,200	748,200	659,216	(88,984)
Fines and Forfeitures	14,718	14,718	14,937	219
Charges for services	343,038	343,038	947,401	604,363
Interest income	3,000	3,000	131,237	128,237
Miscellaneous	361,327	361,327	1,000	(360,327)
Total Revenues	<u>5,480,733</u>	<u>5,480,733</u>	<u>9,171,831</u>	<u>3,691,098</u>
Expenditures				
Current				
General Government	\$ 3,786,888	\$ 3,786,888	\$ 1,300,810	\$ 2,486,078
Public Safety	2,151,210	2,151,210	2,158,064	(6,854)
Public works and parks	1,128,069	1,128,069	314,325	813,744
Culture and recreation	601,208	601,208	1,145,018	(543,810)
Cemetery	104,812	104,812	94,591	10,221
Capital Outlay:	252,158	252,158	-	252,158
Total Expenditures	<u>8,024,345</u>	<u>8,024,345</u>	<u>5,012,808</u>	<u>3,011,537</u>
Excess of Revenues Over (Under) Expenditures	<u>(2,543,612)</u>	<u>(2,543,612)</u>	<u>4,159,023</u>	<u>6,702,635</u>
Other Financing Sources (Uses)				
Transfers In	-	-	-	-
Transfers Out	-	-	150,500	150,500
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>150,500</u>	<u>150,500</u>
Net Change in Fund Balance	<u>(2,543,612)</u>	<u>(2,543,612)</u>	<u>4,309,523</u>	<u>6,853,135</u>
Fund Balance, Beginning of year	<u>5,548,588</u>	<u>5,548,588</u>	<u>10,468,710</u>	<u>4,920,122</u>
Fund Balance, End of year	<u>\$ 3,004,976</u>	<u>\$ 3,004,976</u>	<u>\$ 14,778,233</u>	<u>\$ 11,773,257</u>

Town of Palisade, Colorado
 Budgetary Comparison Schedule
 Capital Projects Fund
 For the Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Grants	3,947,636	3,947,636	1,500,000	(2,447,636)
Total Revenues	3,947,636	3,947,636	1,500,000	(2,447,636)
Expenditures				
Repair and Maintenance	2,260,000	2,260,000	-	2,260,000
Capital Outlay	4,500,000	4,500,000	4,246,900	253,100
Total Expenditures	6,760,000	6,760,000	4,246,900	2,513,100
Excess Revenues Over Net change in fund balance	(2,812,364)	(2,812,364)	(2,746,900)	(4,960,736)
Fund Balance, Beginning of year	-	-	(79,739)	(79,739)
Fund Balance, End of year	\$ (2,812,364)	\$ (2,812,364)	\$ (2,826,639)	\$ (14,275)

Town of Palisade, Colorado
Notes to Required Supplementary Information
December 31, 2022

Note 1: Stewardship, Compliance and Accountability

Budgets and Budgetary Accounting

Budgets are adopted for all funds of the Town in accordance with State statutes. Budgets for the governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgetary comparisons for the enterprise funds are presented on a non-GAAP budgetary basis. Capital outlay and debt principal are budgeted as expenditures, but depreciation is not budgeted.

The Town follows these procedures to establish the budgetary information reflected in the financial statements:

- Management submits to the Board of Trustees a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to December 31, the budget is legally adopted through passage of a resolution.
- Town management is authorized to transfer budgeted amounts between departments within any fund. However, revisions that alter the total expenditures of any fund must be approved by the Board of Trustees. State statutes stipulate that expenditures may not exceed budget appropriations at the fund level.
- All appropriations lapse at year end.

Supplementary Information

Town of Palisade, Colorado
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2022

	Tourism	Conservation Trust Fund	Palisade Rural Fire Protection District	Totals
Assets				
Cash	\$ 66,302.0	\$ 96,057	\$ 52,865	\$ 215,224
Accounts Receivable				
Property Tax Receivable	-	-	142,266	142,266
Lodging Tax and Other Receivable	2,253.0	-	1,425	3,678
	<u>68,555.0</u>	<u>96,057.0</u>	<u>196,556</u>	<u>361,168</u>
Total Assets	<u>\$ 68,555.0</u>	<u>\$ 96,057.0</u>	<u>\$ 196,556</u>	<u>\$ 361,168</u>
Liabilities				
Accounts Payable	\$ 10,205.0	\$ -	\$ 270	\$ 10,475
Accrued Liabilities	-	-	-	-
	<u>10,205.0</u>	<u>-</u>	<u>270</u>	<u>10,475</u>
Total Liabilities	<u>10,205.0</u>	<u>-</u>	<u>270</u>	<u>10,475</u>
Deferred Inflows of Resources				
Deferred Property Taxes	-	-	142,266	142,266
	<u>-</u>	<u>-</u>	<u>142,266</u>	<u>142,266</u>
Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>142,266</u>	<u>142,266</u>
Fund Balances				
Restricted for Park Improvements	-	96,057.0	-	96,057
Assigned for:				
Marketing	58,350.0	-	-	58,350
Public Safety	-	-	54,020	54,020
	<u>58,350.0</u>	<u>96,057.0</u>	<u>54,020</u>	<u>208,427</u>
Total Fund Balances	<u>58,350.0</u>	<u>96,057.0</u>	<u>54,020</u>	<u>208,427</u>
Total Liabilities and Fund Balances	<u>\$ 68,555.0</u>	<u>\$ 96,057.0</u>	<u>\$ 196,556</u>	<u>\$ 361,168</u>

Town of Palisade, Colorado

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds For the Year Ended December 31, 2022

	Tourism	Conservation Trust Fund	Palisade Rural Fire Protection District	Totals
Revenues				
Taxes	\$ 65,946	\$ -	\$ 166,933	\$ 232,879
Intergovernmental	-	32,767	-	32,767
Investment Income	-	-	1,741	1,741
Miscellaneous	-	-	-	-
Total Revenues	<u>65,946</u>	<u>32,767</u>	<u>168,674</u>	<u>267,387</u>
Expenditures				
Current				
General Government	51,927	-	-	51,927
Public Safety	-	-	18,290	18,290
Capital Outlay	-	-	-	-
Total Expenditures	<u>51,927</u>	<u>-</u>	<u>18,290</u>	<u>70,217</u>
Excess of Revenues Over (Under) Expenditures	<u>14,019</u>	<u>32,767</u>	<u>150,384</u>	<u>197,170</u>
Other Financing Sources (Uses)				
Transfers In	-	-	-	-
Transfers Out	-	-	(150,500)	(150,500)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(150,500)</u>	<u>(150,500)</u>
Net Change in Fund Balances	14,019	32,767	(116)	46,670
Fund Balances, Beginning of year	<u>44,331</u>	<u>63,290</u>	<u>54,136</u>	<u>161,757</u>
Fund Balances, End of year	<u>\$ 58,350</u>	<u>\$ 96,057</u>	<u>\$ 54,020</u>	<u>\$ 208,427</u>

Town of Palisade, Colorado
 Budgetary Comparison Schedule
 Tourism Fund
 For the Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Lodging Taxes	\$ 55,000	\$ 55,000	\$ 65,946	\$ 10,946
Total Revenues	<u>55,000</u>	<u>55,000</u>	<u>65,946</u>	<u>10,946</u>
Expenditures				
Marketing	<u>55,000</u>	<u>55,000</u>	<u>51,927</u>	<u>3,073</u>
Total Expenditures	<u>55,000</u>	<u>55,000</u>	<u>51,927</u>	<u>3,073</u>
Net Change in Fund Balance	-	-	14,019	7,873
Fund Balance, Beginning of year	<u>43,415</u>	<u>43,415</u>	<u>44,331</u>	<u>916</u>
Fund Balance, End of year	<u><u>\$ 43,415</u></u>	<u><u>\$ 43,415</u></u>	<u><u>\$ 58,350</u></u>	<u><u>\$ 8,789</u></u>

Town of Palisade, Colorado
 Budgetary Comparison Schedule
 Conservation Trust Fund
 For the Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Lottery Funds	\$ 20,000	\$ 20,000	\$ 32,767	\$ 12,767
Total Revenues	<u>20,000</u>	<u>20,000</u>	<u>32,767</u>	<u>12,767</u>
Expenditures				
Park Improvements	10,000	10,000	-	10,000
Total Expenditures	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Net Change in Fund Balance	10,000	10,000	32,767	22,767
Fund Balance, Beginning of year	<u>46,000</u>	<u>46,000</u>	<u>63,290</u>	<u>17,290</u>
Fund Balance, End of year	<u>\$ 56,000</u>	<u>\$ 56,000</u>	<u>\$ 96,057</u>	<u>\$ 40,057</u>

Town of Palisade, Colorado
 Budgetary Comparison Schedule
 Palisade Rural Fire Protection District
 For the Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Taxes - Property	\$ 135,001	\$ 135,001	\$ 147,974	\$ 12,973
Taxes - Other	18,500	18,500	18,959	459
Investment Income	650	650	1,741	1,091
Miscellaneous Income	50,750	50,750	-	(50,750)
Total Revenues	<u>204,901</u>	<u>204,901</u>	<u>168,674</u>	<u>(36,227)</u>
Expenditures				
Public Safety	21,514	21,514	18,290	3,224
Capital Outlay	50,000	50,000	-	50,000
Total Expenditures	<u>71,514</u>	<u>71,514</u>	<u>18,290</u>	<u>53,224</u>
Excess Revenues Over (Under) Expenditures	133,387	133,387	150,384	16,997
Other Financing Sources (Uses)				
Transfers Out	(133,300)	(133,300)	(150,500)	(17,200)
Net Change in Fund Balance	87	87	(116)	(203)
Fund Balance, Beginning of year	<u>51,373</u>	<u>51,373</u>	<u>54,136</u>	<u>2,763</u>
Fund Balance, End of year	<u>\$ 51,460</u>	<u>\$ 51,460</u>	<u>\$ 54,020</u>	<u>\$ 2,560</u>

Town of Palisade, Colorado
 Budgetary Comparison Schedule
 Water Fund
 For the Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Charges for Services	\$ 1,060,000	\$ 1,060,000	\$ 1,050,503	\$ (9,497)
Tap Fees	15,000	15,000	185,457	170,457
Interest Income, penalties and miscellaneous	5,000	5,000	32,456	27,456
	1,080,000	1,080,000	1,268,416	188,416
Expenditures				
Operating Expenses	1,019,528	1,019,528	777,032	242,496
Capital Outlay	30,500	30,500	253,214	(222,714)
Debt Principal	421,612	421,612	425,932	(4,320)
	1,471,640	1,471,640	1,456,178	15,462
Change in Net Position, Budgetary Basis	\$ (391,640)	\$ (391,640)	(187,762)	\$ 203,878
Adjustments to GAAP Basis				
Depreciation			(338,180)	
Capital Outlay			224,260	
Debt Principal			350,354	
			48,672	
Change in Net Position, GAAP Basis			\$ 48,672	

Town of Palisade, Colorado
 Budgetary Comparison Schedule
 Utility Fund
 For the Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Charges for Services	\$ 815,000	\$ 590,000	\$ 831,488	\$ 241,488
Tap Fees	15,000	15,000	140,857	125,857
Investment Income and miscellaneous	4,000	4,000	43,604	39,604
	<u>834,000</u>	<u>609,000</u>	<u>1,015,949</u>	<u>406,949</u>
Expenditures				
Operating Expenses	677,999	677,999	659,964	18,035
Capital Outlay	33,500	33,500	329,405	(295,905)
	<u>711,499</u>	<u>711,499</u>	<u>989,369</u>	<u>(277,870)</u>
Change in Net Position, Budgetary Basis	<u>\$ 122,501</u>	<u>\$ (102,499)</u>	26,580	<u>\$ 129,079</u>
Adjustments to GAAP Basis				
Depreciation			(149,659)	
Capital Outlay			<u>329,405</u>	
Change in Net Position, GAAP Basis			<u>\$ 206,326</u>	

Compliance Section