

HIGHLINE BUSINESS IMPROVEMENT DISTRICT

—
FINANCIAL STATEMENTS

December 31, 2017

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Office of the State Auditor

July 27, 2018

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Independent Auditor's Report

Board of Directors

Highline Business Improvement District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Highline Business Improvement District as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Highline Business Improvement District as of December 31, 2017, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

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

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

L. Paul Goedecke P.C.

L. Paul Goedecke, P.C.
July 2, 2018

Highline Business Improvement District

BALANCE SHEET/STATEMENT OF NET POSITION GOVERNMENTAL FUNDS December 31, 2017

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS					
Cash and investments	\$ 36,972	\$ -	\$ 36,972	\$ -	\$ 36,972
Cash and investments - restricted	1,100	294,382	295,482	-	295,482
Receivable - County Treasurer	520	3,944	4,464	-	4,464
Property taxes receivable	35,356	219,453	254,809	-	254,809
Prepaid expenses	<u>3,213</u>	<u>-</u>	<u>3,213</u>	<u>-</u>	<u>3,213</u>
Total Assets	<u>77,161</u>	<u>517,779</u>	<u>594,940</u>	<u>-</u>	<u>594,940</u>
LIABILITIES					
Accounts payable	\$ 5,151	\$ -	\$ 5,151	-	5,151
Accrued interest on loan	-	-	-	7,061	7,061
Long-term liabilities:					
Due within one year				225,000	225,000
Due in more than one year	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,044,135</u>	<u>2,044,135</u>
Total Liabilities	<u>5,151</u>	<u>-</u>	<u>5,151</u>	<u>2,276,196</u>	<u>2,281,347</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred property taxes	<u>35,356</u>	<u>219,453</u>	<u>254,809</u>	<u>-</u>	<u>254,809</u>
Total Deferred Inflows of Resources	<u>35,356</u>	<u>219,453</u>	<u>254,809</u>	<u>-</u>	<u>254,809</u>
FUND BALANCES/NET POSITION					
Fund Balances:					
Nonspendable:					
Prepays	3,213	-	3,213	(3,213)	-
Restricted:					
Emergencies	1,100	-	1,100	(1,100)	-
Debt service	-	298,326	298,326	(298,326)	-
Unassigned	<u>32,341</u>	<u>-</u>	<u>32,341</u>	<u>(32,341)</u>	<u>-</u>
Total Fund Balances	<u>36,654</u>	<u>298,326</u>	<u>334,980</u>	<u>(334,980)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 77,161</u>	<u>\$ 517,779</u>	<u>\$ 594,940</u>		
Net Position:					
Net investment in capital assets					
Restricted for:					
Emergencies				1,100	1,100
Debt service				298,326	298,326
Unrestricted				<u>(2,240,642)</u>	<u>(2,240,642)</u>
Total Net Position				<u>\$(1,941,216)</u>	<u>\$(1,941,216)</u>

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

Highline Business Improvement District

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2017

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES					
Accounting and audit	\$ 11,302	\$ -	\$ 11,302	\$ -	\$ 11,302
Management fees	6,794	-	6,794	-	6,794
Insurance	3,637	-	3,637	-	3,637
Legal	2,875	-	2,875	-	2,875
Miscellaneous expenses	601	90	691	-	691
Treasurer's fees	461	3,501	3,962	-	3,962
Loan principal	-	270,000	270,000	(270,000)	-
Loan interest	-	94,758	94,758	(836)	93,922
Total Expenditures	<u>25,670</u>	<u>368,349</u>	<u>394,019</u>	<u>(270,836)</u>	<u>123,183</u>
GENERAL REVENUES					
Property taxes	30,851	234,044	264,895	-	264,895
Specific ownership taxes	2,730	20,708	23,438	-	23,438
Interest income	226	(85)	141	-	141
Other income	31	-	31	-	31
Contract revenue	-	117,124	117,124	-	117,124
Total General Revenues	<u>33,838</u>	<u>371,791</u>	<u>405,629</u>	<u>-</u>	<u>405,629</u>
NET CHANGES IN FUND BALANCES	8,168	3,442	11,610	(11,610)	
CHANGE IN NET POSITION				282,446	282,446
FUND BALANCES/NET POSITION:					
BEGINNING OF YEAR	<u>28,486</u>	<u>294,884</u>	<u>323,370</u>	<u>(2,547,032)</u>	<u>(2,223,662)</u>
END OF YEAR	<u>\$ 36,654</u>	<u>\$ 298,326</u>	<u>\$ 334,980</u>	<u>\$ (2,276,196)</u>	<u>\$ (1,941,216)</u>

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

Highline Business Improvement District

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

For the Year Ended December 31, 2017

	Final <u>Budget</u>	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 31,877	\$ 30,851	\$ (1,026)
Specific ownership taxes	1,594	2,730	1,136
Interest income	100	226	126
Other income	<u>-</u>	<u>31</u>	<u>31</u>
Total Revenues	<u>33,571</u>	<u>33,838</u>	<u>267</u>
EXPENDITURES			
Accounting and audit	10,500	11,302	(802)
Management fees	4,000	6,794	(2,794)
Insurance	5,000	3,637	1,363
Legal	4,000	2,875	1,125
Miscellaneous expenses	600	601	(1)
Treasurer's fees	478	461	17
Contingency	5,000	-	5,000
Emergency reserve	<u>1,007</u>	<u>-</u>	<u>1,007</u>
Total Expenditures	<u>30,585</u>	<u>25,670</u>	<u>4,915</u>
NET CHANGE IN FUND BALANCE	2,986	8,168	5,182
FUND BALANCE:			
BEGINNING OF YEAR	<u>20,037</u>	<u>28,486</u>	<u>8,449</u>
END OF YEAR	<u>\$ 23,023</u>	<u>\$ 36,654</u>	<u>\$ 13,631</u>

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

HIGHLINE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 1 – DEFINITION OF REPORTING ENTITY

The District is a quasi-municipal corporation organized and created on August 18, 1998 which derives its revenue principally from general property taxes. It maintains its books on a modified accrual basis and prepares its financial statements in accordance with governmental accounting principles requiring segregated funds, and where appropriate, self balancing groups of accounts. The District was organized under Title 31 and all properties within the District are commercial properties.

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

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens, and fiscal dependency.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the District are described as follows:

Basis of Presentation

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

HIGHLINE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current period. The material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

The government reports the following major governmental funds:

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

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

Fund Balances

In the fund financial statements the following classifications describe the relative strength of the spending constraints.

Non-spendable fund balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as inventory) or is legally or contractually required to be maintained intact.

Restricted fund balance – The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.

Committed fund balance – The portion of fund balance constrained for specific purposes according to limitations imposed by the District’s highest level of decision making authority, the Board of Directors prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Board of Directors.

HIGHLINE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assigned fund balance – The portion of fund balance that is constrained by the government’s intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

Unassigned fund balance – The residual portion of fund balance that does not meet any of the above criteria.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District’s policy to use the most restrictive classification first.

Budgets

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

Cash

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

HIGHLINE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

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

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred revenue in the year they are levied and measurable. The deferred property tax revenues are recorded as revenue in the year they are available or collected.

Fund Equity

Fund Balance

The fund balances have been reserved for that portion of the fund balance that is legally segregated or is not subject to future appropriation. Designations of unreserved fund balances indicate management's intention for future utilization of such funds and are subject to change by management.

Restricted Fund Balance

Emergency reserves have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado. \$1,100 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Debt Service Fund is to be used exclusively for the payment of future general obligation debt principal, interest and related costs.

HIGHLINE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 3 – LONG-TERM DEBT

The following is an analysis of changes in general long-term debt for the year ended December 31, 2017:

	Balance at January 1, 2017	Additions	Retirements	Balance at December 31, 2017	Due in One Year(a)
2015 Limited Tax General Obligation Refunding note	\$ 2,539,135	\$ -	\$ 270,000	\$ 2,269,135	\$ 225,000

2015 Limited Tax General Obligation Refunding note

On March 12, 2015 the District issued \$3,000,000 as a Limited Tax General Obligation Refunding Note, Series 2015. The net proceeds of this note \$2,650,000 after reserve funds and issuance costs were used to repay the entire 2000B Limited Tax Bonds of \$3,725,000. This resulted in a forgiveness of debt in the principal amount of \$1,075,000 as well as unpaid accrued interest of \$224,525 as of December 31, 2015 plus any accrued interest from January 1, 2015 through March 12, 2015. The 2015 Note bears interest and principal annually at a rate of 3.716% maturing December 1, 2025. The annual debt service is as follows:

Year	Principal	Interest	Total
2018	\$ 225,000	\$ 84,725	\$ 309,725
2019	230,000	76,364	306,364
2020	240,000	67,817	307,817
2021	250,000	58,899	308,899
2022	260,000	49,609	309,609
2023	265,000	39,947	304,947
2024	275,000	30,100	305,100
2025	524,135	19,881	544,016
	<u>\$ 2,269,135</u>	<u>\$ 427,342</u>	<u>\$ 2,696,477</u>

The bonds constitute limited tax obligations of the District payable from a mill levy not to exceed 37 mills. During 2005, the District held an election to allow the District to assess 2.9 mills for operations adjusted for any changes in the state’s assessment calculation.

The District has no remaining authorized and unissued debt.

HIGHLINE BUSINESS IMPROVEMENT DISTRICT

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NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 4 – CASH AND INVESTMENTS

Cash and investments as of December 31, 2017 are classified in the accompanying financial statement as follows:

Statement of net assets:

Cash and investments - unrestricted	\$ 36,972
- restricted	295,482
	<u>\$ 332,454</u>

Cash and investments as of December 31, 2017 consist of the following:

Deposits with financial institutions	\$ 80,453
Investments – U.S. Treasury Obligations – held in bank trust account	252,001
	<u>\$ 332,454</u>

Money Market Mutual Fund

First American Treasury Obligations Class D Corporate Trust Fund invests in U.S. Treasury Obligations, which is rated AAAM by Standard and Poor's.

Deposits

Custodial Credit Risk

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

While the District does not have a formal policy for deposits, as of December 31, 2017, none of the District's deposits in the amount of \$ 80,453 were exposed to custodial credit risk.

HIGHLINE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 4 – CASH AND INVESTMENTS (CONTINUED)

Investments

Credit Risk

The District has not adopted a formal investment policy; however the District follows state statutes regarding investments. Colorado statutes specify types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. government agency entities, certain money market funds, and local government pools.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM funds Governmental Select series) and money market funds (generally held by Bank Trust Departments in their role as Paying Agent or Trustee), and Colotrust, which record their investments at amortized cost.

Custodial and Concentration of Credit Risk

None of the District's investments are subject to custodial or concentration of credit risk.

NOTE 5 – NET POSITION

The District has net position consisting of three components – invested in capital assets, net of related debt, restricted; and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

As of December 31, 2017, the District had no net investment in capital assets, as all capital assets have been funded by outstanding long-term obligations and have been dedicated to other governmental entities.

Restricted net position include net assets that are restricted for use either externally by creditors, grantors, contributors, or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position of \$1,100 for Emergency Reserves in the General Fund and \$298,326 for the Debt Service Fund.

HIGHLINE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 6 – RELATED PARTY TRANSACTIONS

Some members of the Board of Directors are owners, officers or employees of property owners within the District. These members may have conflicts of interest with respect to certain transactions which come before the Board. (See Note 8 and 9)

NOTE 7 – RISK MANAGEMENT COLORADO SPECIAL DISTRICTS PROPERTY AND LIABILITY POOL

The District is exposed to various risks of loss related to thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2017. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property and public officials liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 8 – ADVANCE REIMBURSEMENT AGREEMENT

In 2001, the District had entered into an Advance Reimbursement Agreement with owners of property within the District to fund on a semi-annual basis, shortfalls of the District. The advances are to be used to pay for either debt service or operations costs of the District. These advances are to be repaid by the District together with interest at a rate of 10% from the date of the advance. The District will make such reimbursements from annual funds available within the District not otherwise required for debt service and operations costs of the District. This reimbursement is and shall be subordinate to any bonded indebtedness and shall not be considered to be multiple fiscal year debt beyond the current fiscal year. This agreement does not create a lien on any class or source of District funds and does not restrict the future issuance of the Bonds or obligations payable. The District's ability to operate was dependent on the agreements. In 2003 the property owners agreed to only fund the operating shortfalls. No outstanding balance is due from the District at December 31, 2017.

The District anticipates being able to fund the 2018 operating costs from existing funds and specific ownership taxes.

HIGHLINE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 9 – TAX, SPENDING AND DEBT LIMITATIONS

In November 1992, the voters of Colorado approved Amendment 1, commonly known as the Taxpayer's Bill of Rights (TABOR), which added a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations, which apply to the State of Colorado and all local governments.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR.

The initial base for local government spending and revenue limits is 1992 Fiscal Year Spending. Future spending and revenue limits are determined based on the prior year's Fiscal Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 1% of Fiscal Year Spending (excluding bonded debt service) in 1993, 2% in 1994 and 3% thereafter. Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

TABOR requires, with certain exceptions, voter approval prior to imposing new taxes, increasing a tax rate, increasing a mill levy above that for the prior year, extending an expiring tax, or implementing a tax policy change directly causing a net tax revenue gain to any local government.

Except for bond refinancing at lower interest rates or adding employees to existing pension plans, TABOR specifically prohibits the creation of multiple-fiscal year debt or other financial obligations without voter approval or without irrevocably pledging present cash reserves for all future payments.

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

HIGHLINE BUSINESS IMPROVEMENT DISTRICT

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NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 10 – RECONCILIATION OF *GOVERNMENT-WIDE* FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS

The Governmental Funds Balance Sheet/Statement of Net Position includes an adjustments column. The adjustments have the following elements: 1) long term liabilities are not due and payable in the current period and therefore are not reported in the funds; 2) amounts reported as fund balance have been reclassified for inclusion in Net Position; and 3) interest payable of \$7,061 has been accrued and reported in the Statement of Net Position, as well as an accrual of the outstanding debt of \$ 2,269,135.

The Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities includes an adjustments column comprised of the following adjustments: 1) interest expense accrual change for \$(836) which represents unpaid interest accrued in 2017, net of amount paid in 2017 and payments on loan in the amount of \$(270,000).

SUPPLEMENTAL INFORMATION

Highline Business Improvement District

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

For the Year Ended December 31, 2017

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 241,828	\$ 234,044	\$ (7,784)
Specific ownership taxes	12,091	20,708	8,617
Interest income	505	(85)	(590)
Contract revenue	<u>117,124</u>	<u>117,124</u>	<u>-</u>
Total Revenues	<u>371,548</u>	<u>371,791</u>	<u>243</u>
EXPENDITURES			
Loan principal	270,000	270,000	-
Loan interest	94,758	94,758	-
Miscellaneous expenses	-	90	(90)
Paying agent fees	2,200	-	2,200
Treasurer's fees	<u>3,627</u>	<u>3,501</u>	<u>126</u>
Total Expenditures	<u>370,585</u>	<u>368,349</u>	<u>2,236</u>
NET CHANGE IN FUND BALANCE	963	3,442	2,479
FUND BALANCE:			
BEGINNING OF YEAR	<u>282,573</u>	<u>294,884</u>	<u>12,311</u>
END OF YEAR	<u>\$ 283,536</u>	<u>\$ 298,326</u>	<u>\$ 14,790</u>

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