

GOLD HILL MESA METROPOLITAN DISTRICT NO. 2

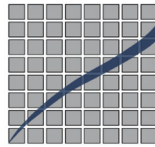
EL PASO COUNTY, COLORADO

FINANCIAL STATEMENTS

DECEMBER 31, 2023

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BiggsKofford

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors

Gold Hill Mesa Metropolitan District No. 2

El Paso County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Gold Hill Mesa Metropolitan District No. 2 ("District") as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2023, the respective changes in financial position, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 11, these financial statements have been restated to correct for an understatement of interest expense and accrued interest on noncurrent liabilities in the previously issued December 31, 2022 financial statements. Our opinions are not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

BiggsKofford, P.C.

Colorado Springs, Colorado
July 22, 2024

GOLD HILL MESA METROPOLITAN DISTRICT NO. 2

STATEMENT OF NET POSITION

DECEMBER 31, 2023

	Governmental Activities
<u>ASSETS</u>	
Cash and investments	\$ 922,511
Cash and investments - restricted	1,036,774
Receivable from County Treasurer	6,559
Property taxes receivable	15,371
Capital assets, net	80,823
Construction in progress	9,012,324
Total assets	<u>11,074,362</u>
<u>LIABILITIES</u>	
Intergovernmental payable - District No. 1	39,724
Accrued interest	48,569
Noncurrent liabilities:	
Due within one year	640,000
Due in more than one year	16,831,489
Total liabilities	<u>17,559,782</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred property taxes	15,371
Total deferred inflows of resources	<u>15,371</u>
<u>NET POSITION</u>	
Net investment in capital assets	(2,158)
Restricted for:	
Emergency reserve	100
Debt service	1,629,909
Unrestricted	(8,128,642)
Total net position	<u>\$ (6,500,791)</u>

The accompanying notes and independent auditor's report
should be read with these financial statements.

GOLD HILL MESA METROPOLITAN DISTRICT NO. 2
STATEMENT OF ACTIVITIES
DECEMBER 31, 2023

	Program Revenues				Net (Expenses)
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Revenues and Changes in Net Position
	Governmental Activities				Governmental Activities
<u>FUNCTIONS / PROGRAMS</u>					
Primary government					
Government activities:					
General government	\$ 5,482	\$ -	\$ -	\$	(5,482)
Interest and related costs on long-term debt	920,695	-	-		(920,695)
	\$ 926,177	\$ -	\$ -		(926,177)
Total government activities					
<u>GENERAL REVENUES</u>					
Urban renewal TIF					1,737,585
Property taxes					14,290
Specific ownership taxes					85,377
Investment income					48,721
Impact fees					1
Other income					1
					1,885,975
Total general revenues					
Capital assets received from Gold Hill Mesa Metropolitan District No. 1					9,095,305
Change in net position					10,055,103
Net position, beginning of year					(16,555,894)
Net position, end of year					\$ (6,500,791)

The accompanying notes and independent auditor's report
should be read with these financial statements.

GOLD HILL MESA METROPOLITAN DISTRICT NO. 2

BALANCE SHEETS - GOVERNMENTAL FUNDS

DECEMBER 31, 2023

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and investments	\$ 922,511	\$ -	\$ 922,511
Cash and investments - restricted	-	1,036,774	1,036,774
Receivable from County Treasurer	1,640	4,919	6,559
Property taxes receivable	3,843	11,528	15,371
Due from other funds	-	636,785	636,785
Total assets	\$ 927,994	\$ 1,690,006	\$ 2,618,000
<u>LIABILITIES</u>			
Intergovernmental payable - District No. 1	\$ 39,724	\$ -	\$ 39,724
Due to other funds	636,785	-	636,785
Total liabilities	676,509	-	676,509
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred property taxes	3,843	11,528	15,371
Total deferred inflows of resources	3,843	11,528	15,371
<u>FUND BALANCES</u>			
Restricted for:			
Emergency reserve	100	-	100
Debt service	-	1,678,478	1,678,478
Unassigned:			
Unrestricted	247,542	-	247,542
Total fund balances	247,642	1,678,478	1,926,120
Total liabilities, deferred inflows of resources, and fund balances	\$ 927,994	\$ 1,690,006	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Capital assets, net	80,823
Construction in progress	9,012,324

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Long term liabilities	(17,471,489)
Accrued interest on bonds payable	(48,569)

Net position of governmental activities **\$ (6,500,791)**

The accompanying notes and independent auditor's report should be read with these financial statements.

GOLD HILL MESA METROPOLITAN DISTRICT NO. 2
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
DECEMBER 31, 2023

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>			
Property taxes	\$ 3,572	\$ 10,718	\$ 14,290
Specific ownership taxes	21,344	64,033	85,377
Investment income	1	48,720	48,721
Impact fees	1	-	1
Other income	1	-	1
Urban renewal TIF	225,886	1,511,699	1,737,585
Total revenues	250,805	1,635,170	1,885,975
<u>EXPENDITURES</u>			
Current:			
Bank charges	158	-	158
County Treasurer fees	54	161	215
Insurance	2,951	-	2,951
Debt service:			
Bond principal payments	-	605,000	605,000
Bond interest payments	-	613,075	613,075
Total expenditures	3,163	1,218,236	1,221,399
Net change in fund balances	247,642	416,934	664,576
Fund balances, beginning of year	-	1,261,544	1,261,544
Fund balances, end of year	\$ 247,642	\$ 1,678,478	\$ 1,926,120

The accompanying notes and independent auditor's report
should be read with these financial statements.

GOLD HILL MESA METROPOLITAN DISTRICT NO. 2
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2023

Net change in fund balances \$ 664,576

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

Governmental funds report capital outlays as expenditures. In the statement of activities capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable assets over the estimated useful lives of the assets. Capital outlay, the conveyance of capital assets to other governments and depreciation expense in the current period are as follows:

<u>Capital assets received from Gold Hill Mesa Metropolitan District No. 1</u>	9,095,305
<u>Depreciation</u>	(2,158)

The issuance of long-term debt (such as bonds, leases, and developer advances) provides current financial resources to governmental funds, while the repayment of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

<u>Bond principal payments</u>	605,000
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Some items in the statement of activities do not provide or require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

<u>Amortization of bond premium</u>	42,512
<u>Change in accrued interest on bonds payable</u>	(350,132)

<u>Change in net position</u>	<u>\$ 10,055,103</u>
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The accompanying notes and independent auditor's report
should be read with these financial statements.

GOLD HILL MESA METROPOLITAN DISTRICT NO. 2
GENERAL FUND - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
(BUDGET AND ACTUAL)
DECEMBER 31, 2023

	Original and Final Budget	Actual	Variance
<u>REVENUES</u>			
Property taxes	\$ 3,237	\$ 3,572	\$ 335
Specific ownership taxes	20,384	21,344	960
Investment income	5	1	(4)
Impact fees	-	1	1
Other income	1,200	1	(1,199)
Urban renewal TIF	223,691	225,886	2,195
Total revenues	248,517	250,805	2,288
<u>EXPENDITURES</u>			
Bank charges	-	158	(158)
Contingency	1,200	-	1,200
County Treasurer fees	49	54	(5)
Insurance	-	2,951	(2,951)
Intergovernmental	247,268	-	247,268
Total expenditures	248,517	3,163	245,354
Net change in fund balance	\$ -	247,642	\$ 247,642
Fund balance, beginning of year		-	
Fund balance, end of year		\$ 247,642	

The accompanying notes and independent auditor's report
should be read with these financial statements.

GOLD HILL MESA METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

1. DEFINITION OF REPORTING ENTITY

Gold Hill Mesa Metropolitan District No. 2 ("District"), a quasi-municipal corporation and political subdivision of the state of Colorado, was organized by order and decree of the District Court for the City of Colorado Springs ("City"), El Paso County, Colorado, on November 9, 2004, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The preliminary Consolidated Service Plan, approved by the City of Colorado Springs on September 14, 2004, formed Gold Hill Mesa Metropolitan District Nos. 1-3 ("Districts") as 'shell districts' which could not operate until an amended service plan was approved. The Amended Consolidated Service Plan was approved by the City on July 11, 2006. The Districts' service area is located entirely within the City. The District was organized in conjunction with two other related districts, Gold Hill Mesa Metropolitan District No. 1 ("District No. 1"), the operating District, and Gold Hill Mesa Metropolitan District No. 3 ("District No. 3"), the commercial and financing District. District No. 1 will own (subject to dedication of improvements to the City), operate, maintain, and construct facilities benefiting all three Districts, and the District and District No. 3 will contribute to the costs of construction, operation, and maintenance of such facilities. The District was established to provide the following services: parks and recreation, sanitary sewer, storm drainage, streets, traffic and safety protection, water, mosquito control, and television relay and transportation systems.

During the year ended December 31, 2023, District No. 1's board of directors approved a resolution to begin the dissolution of District No. 1. As a result, District No. 1 has begun the process of dissolution, including transferring capital assets to the District, but has not completed the dissolution process as of December 31, 2023.

The District follows 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, and 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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-wide and fund financial statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. Material interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of net position reports all financial and capital resources of the District. The difference between the assets plus deferred outflows of resources and the liabilities plus deferred inflows of resources is reported as net position.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and grants and contributions that are restricted to meet the operational or capital requirements of a particular function or segment. Taxes and other items are properly excluded from program revenues and are reported as general revenues.

See independent auditor's report.

GOLD HILL MESA METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

Measurement focus, basis of accounting, and financial statement position

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.

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

The District reports the following major governmental funds:

The *general fund* accounts for all financial resources of the District except those required to be accounted for in another fund.

The *debt service fund* accounts for the servicing of general long-term debt and revenues generated and received by the District that are required to be used for repayment of debt.

Budgets

In accordance with state budget law, the District holds public hearings in the fall each year to approve the budget and appropriate funds for the ensuing year. The appropriation is at the total fund expenditures, fund balance remaining, and other financing uses level, and lapses at year end. The District's board of directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

Pooled cash and investments

The District follows the practice of pooling cash and investments of funds to maximize investment earnings. Except when required by trust or other agreements, 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 balance.

Property taxes

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

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

See independent auditor's report.

GOLD HILL MESA METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

Capital assets

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$1,000 and a useful life greater than two years. Such assets are recorded at cost or estimated cost if purchased or constructed. Contributed capital assets are recorded at estimated acquisition value at the date of contribution. For intangible assets such as leases, only those intangible lease assets that cost more than \$15,000 are reported as capital assets.

Depreciation expense has been computed using the straight-line method over the estimated economic useful lives of the assets, as follows:

Drainage improvements	15 years
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Maintenance and repairs are charged to expense as incurred. At the time of retirement or disposition of depreciable assets, the related cost and accumulated depreciation are removed from the accounts, and the resulting gain or loss, if any, is reflected in revenues or expenses.

Capital assets which are anticipated to be conveyed to other governmental entities are not depreciated or included in the calculation of net investment in capital assets component of the District's net position.

Deferred inflows of resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenues) until that time. Accordingly, property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

Bond premium

In the government-wide financial statements, bond premiums are deferred and amortized over the life of the bonds using the effective interest method.

Interfund balances and transactions

The District reports interfund balances and transfers that are representative of lending and borrowing arrangements between funds in the fund financial statements as due to other funds and due from other funds, respectively. The interfund balances have been eliminated in the government-wide statements.

Net position and fund balances

Net position

For government-wide presentation purposes, when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

Fund balances

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

See independent auditor's report.

GOLD HILL MESA METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

The *nonspendable fund balance* is the portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventories) or is legally or contractually required to be maintained intact.

The *restricted fund balance* is the portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

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

The *assigned fund balance* is 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.

The *unassigned fund balance* is the residual portion of fund balance that does not meet any of the criteria described above.

For fund presentation purposes, 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.

Use of estimates

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

Subsequent events

The District has evaluated subsequent events through the date of the attached independent auditor's report, the date of these financial statements were available to be issued.

3. CASH AND INVESTMENTS

Cash and investments as of December 31, 2023, are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 922,511
Cash and investments - restricted	<u>1,036,774</u>
	<u>\$ 1,959,285</u>

The carrying amounts of cash and investments, which equal estimated fair value, as of December 31, 2023, are as follows:

Deposits with financial institutions	\$ 922,511
Investments	<u>1,036,774</u>
	<u>\$ 1,959,285</u>

Deposits with financial institutions

The Colorado Public Deposit Protection Act ("PDPA") requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be 102% of the aggregate uninsured deposits.

See independent auditor's report.

GOLD HILL MESA METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

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.

As of December 31, 2023, the District's cash deposits had a bank balance of \$922,511 and a carrying balance of \$922,511.

Investments

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

The District generally limits its concentration of investments to those below which are believed to have minimal credit risk, minimal interest rate risk, and no foreign currency risk. The District is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless otherwise formally approved by the board of directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- Obligations of the US and certain US government agency securities
- Certain international agency securities
- General obligation and revenue bonds of US local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certificates of deposit in Colorado PDPA approved banks or savings banks
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

As of December 31, 2023, the District had the following in investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Morgan Stanley Institutional Liquidity Funds Treasury Portfolio	Weighted average under 50 days	<u>\$ 1,036,774</u>
Total investments		<u>\$ 1,036,774</u>

The Morgan Stanley Institutional Liquidity Funds Treasury Portfolio is a money market fund that is managed by Morgan Stanley, and each share is equal in value to \$1. The fund is rated AAAM and invests in high-quality, short-term US government securities. The average maturity of the underlying securities is 50 days or less.

See independent auditor's report.

GOLD HILL MESA METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023, is as follows:

	Balance 01-01-23	Additions	Dispositions	Reclassifications	Balance 12-31-23
<u>Governmental activities</u>					
Capital assets, depreciable:					
Underdrainage improvements	\$ -	\$ 82,981	\$ -	\$ -	\$ 82,981
Total capital assets, depreciable	-	82,981	-	-	82,981
Less accumulated depreciation for:					
Underdrainage improvements	-	2,158	-	-	2,158
Total accumulated depreciation	-	2,158	-	-	2,158
Capital assets, net	<u>\$ -</u>	<u>\$ 80,823</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,823</u>
Capital assets, not depreciable:					
Construction in progress	\$ -	\$ 9,012,324	\$ -	\$ -	\$ 9,012,324
Capital assets, not depreciable	<u>\$ -</u>	<u>\$ 9,012,324</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,012,324</u>

Depreciation expense for the year ended December 31, 2023, totaled \$2,158.

During the year ended December 31, 2023, the District received capital assets conveyed from District No. 1 in the amount of \$9,095,305.

5. LONG-TERM OBLIGATIONS

The following is a summary of long-term debt of the District during the year ended December 31, 2023:

	Balance 01-01-23	Additions	Repayments / Amortization	Balance 12-31-23	Due Within One Year
<u>Governmental activities</u>					
Bonds payable:					
Series 2022A Senior Bonds	\$ 11,730,000	\$ -	\$ 605,000	\$ 11,125,000	\$ 640,000
Series 2022A Senior Bonds - Premium	998,455	-	42,512	955,943	-
Series 2022B(3) Subordinate Bonds	4,847,000	-	-	4,847,000	-
Accrued interest on Series 2022B(3) Subordinate Bonds	190,893	352,653	-	543,546	-
Total bonds	<u>17,766,348</u>	<u>352,653</u>	<u>647,512</u>	<u>17,471,489</u>	<u>640,000</u>
Total long-term obligations	<u>\$ 17,766,348</u>	<u>\$ 352,653</u>	<u>\$ 647,512</u>	<u>\$ 17,471,489</u>	<u>\$ 640,000</u>

See independent auditor's report.

GOLD HILL MESA METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

Series 2022A Limited Tax General Obligation and Special Revenue Refunding and Improvement Bonds

On June 8, 2022, the District issued Series 2022A Limited Tax General Obligation and Special Revenue Refunding and Improvement Bonds ("Series 2022A Bonds") for the purpose of: (i) refunding (a) the District's subordinate tax-supported revenue bonds, Series 2011C in the aggregate principal amount of \$2,160,000 ("Series 2011C Bonds"), (b) the District's second subordinate tax-supported revenue bonds, Series 2011D in the aggregate principal amount of \$3,157,000 ("Series 2011D Bonds"), and (c) the District's loan incurred pursuant to a loan agreement as dated December 16, 2015 in the aggregate principal amount of \$6,360,000 ("2015 Loan"); (ii) funding the reserve fund in an amount equal to the reserve requirement; (iii) financing or reimbursing a portion of the costs of certain public improvements related to the development; and (iv) paying the costs of issuing the Series 2022A Bonds.

The Series 2022A Bonds were issued in the amount of \$12,525,000, plus a bond premium of \$1,040,967. The bonds bear interest at a rate of 5-5.50% per annum, payable to the extent of pledged revenue available therefor on each December 1, and mature on December 1, 2047. On December 2, 2048 the Series 2022A Bonds will be deemed to be paid, satisfied, and discharged regardless of the amount of principal and interest paid prior to that date.

Senior pledged revenue

The Series 2022A Bonds are secured by and payable from the pledged revenue consisting of monies derived by the District from the following sources, net of any collection costs: (i) senior property tax revenues; (ii) the portion of the specific ownership taxes which are collected as a result of the imposition of the senior required mill levy; (iii) senior pledged tax revenue; (iv) capital fees, and (v) any other legally available monies which the District determines to credit the bond fund. The Series 2022A Bonds are also secured by amounts held by the trustee in the reserve fund.

Senior required mill levy

The senior required mill levy is an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient to pay the Series 2022A Bonds as they come due, and if necessary, an amount sufficient to replenish the reserve fund to the amount of the required reserve, but not in excess of 30 mills (as adjusted for changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut, or abatement on or after January 1, 2006) or such lesser mill levy which will pay the Series 2022A Bonds as they come due and will replenish the reserve fund to the amount of the required reserve, if necessary.

Pledged tax revenue

Through tax collection year 2029, all property taxes resulting from the imposition of ad valorem property taxes by all taxing entities, including the District, on the assessed valuation of all taxable property in the Amended Gold Hill Mesa Urban Renewal Area in excess of the base assessed valuation thereof (i.e., the incremental assessed valuation) are payable to the Colorado Springs Urban Renewal Authority ("CSURA") pursuant to the Urban Renewal Plan and the Urban Renewal Law. Pledged tax revenue refers to the revenues resulting from the imposition by all taxing entities, including the District, of their tax levies against the district property, net of certain deductions. CSURA has agreed to remit the pledged tax revenue attributable to the property in the District to be used by the District to pay for debt service on bonds issued to pay for public improvements, including the Series 2022A Bonds.

Reserve fund

The Series 2022A Bonds are additionally secured by the reserve fund, which will initially be funded with proceeds of the Series 2022A Senior Bonds in the amount of the reserve requirement of \$1,005,976. Amounts on deposit in the reserve fund on the final maturity date of the Series 2022A Bonds are to be applied to the payment of the bonds on such date. As of year end, the District held sufficient reserves to meet this requirement.

Monies in the reserve fund shall be used by the trustee, if necessary, only to prevent a default in the payment of the principal of, premium if any, or interest on the bonds, and the reserve fund is pledged to the payment of the Series 2022A Bonds.

See independent auditor's report.

GOLD HILL MESA METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

Optional redemption

The Series 2022A Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, on June 1, 2032, and on any date thereafter, upon payment of par and accrued interest.

<u>Date of Redemption</u>	<u>Redemption Premium</u>
June 1, 2027 to May 31, 2028	3.00%
June 1, 2028 to May 31, 2029	2.00%
June 1, 2029 to May 31, 2030	1.00%
June 1, 2030 and thereafter	0.00%

It is acknowledged that, due to the limited nature of the pledged revenue, the failure to pay the principal of or interest on the bonds when due does not, in itself, constitute an event of default under the indenture.

The District's long-term obligations on the Series 2022A Bonds mature as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 640,000	\$ 582,825	\$ 1,222,825
2025	675,000	550,825	1,225,825
2026	730,000	517,075	1,247,075
2027	770,000	480,575	1,250,575
2028	830,000	442,075	1,272,075
2029 - 2033	1,715,000	1,768,375	3,483,375
2034 - 2038	1,470,000	1,427,926	2,897,926
2039 - 2043	2,070,000	969,100	3,039,100
2044 - 2048	2,225,000	315,700	2,540,700
Total	<u>\$ 11,125,000</u>	<u>\$ 7,054,476</u>	<u>\$ 18,179,476</u>

Events of default

The occurrence of any one or more of the following events or the existence of any one or more of the following conditions constitutes an event of default under the indenture:

- i. The District fails or refuses to impose the senior required mill levy.
- ii. The District fails or refuses to collect and apply the senior pledged revenue as required by the senior indenture.
- iii. The District fails or refuses to comply with the provisions applicable to it in the CSURA Agreement, and such failure has a materially adverse effect on the collection by the District of senior pledged tax revenue.
- iv. The District defaults in the performance or observance of any of the other covenants, agreements, duties, or conditions on the part of the District in the senior indenture or the bond resolution, other than as described in paragraph (i), (ii), or (iii) above, and fails to remedy the same after notice thereof pursuant to the senior indenture.
- v. The District files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the 2022A Bonds.

See independent auditor's report.

GOLD HILL MESA METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

Upon the occurrence and continuance of an event of default, the trustee will have the following rights and remedies which may be pursued:

- i. Receivership - Upon the filing of a bill in equity or other commencement of judicial proceedings to enforce the rights of the trustee and of the owners, the trustee is entitled as a matter of right to the appointment of receiver or receivers of the trust estate, and of the revenues, income, product, and profits thereof pending such proceedings, subject however, to constitutional limitation inherent in the sovereignty of the District; but notwithstanding the appointment of any receiver or other custodian, the trustee will be entitled to the possession and control of any cash, securities, or other instruments at the time held by, or payable or deliverable under the provisions of the senior indenture to the trustee.
- ii. Suit for judgment - The trustee may proceed to protect and enforce its rights and the rights of the owners under the Colorado Special District Act, the 2022A Bonds, the bond resolution, the senior indenture, and any provision of law by such suit, action, or special proceedings as the trustee, being advised by counsel, deems appropriate.
- iii. Mandamus or other suit - The owner may proceed by mandamus or any other suit, action, or proceeding at law or in equity, to enforce all rights of the owners.

Notwithstanding the foregoing, acceleration will not be an available remedy for an event of default.

Series 2022B(3) Limited Tax General Obligation and Special Revenue Subordinate Bonds

On June 8, 2022, the District issued Series 2022B(3) Limited Tax General Obligation and Special Revenue Subordinate Bonds ("Series 2022B(3) Bonds") for the purpose of: (i) financing or reimbursing a portion of the costs of designing, acquiring, constructing, relocating, installing, completing, and providing certain public improvements related to the development; and (ii) paying the cost of issuing the 2022B(3) Subordinate Bonds. The Series 2022B(3) Bonds were issued in the amount of \$4,847,000. The bonds bear interest at a rate of 7.00% per annum, payable to the extent of pledged revenue available therefor on each December 1, and mature on December 15, 2039. On December 16, 2048, the Series 2022B(3) Bonds will be deemed to be paid, satisfied, and discharged regardless of the amount of principal and interest paid prior to that date. Accordingly, the timing of repayment is uncertain and a maturity schedule is not included in these financial statements.

Subordinate pledged revenue

The Series 2022B(3) Bonds are secured by and payable from the subordinate pledged revenue consisting of monies derived by the District from the following sources, net of any collection costs: (i) subordinate property tax revenues; (ii) the portion of the specific ownership taxes which are collected as a result of the imposition of the subordinate bond mill levy; (iii) subordinate pledged tax revenue; (iv) capital fees after deduction of all amounts applied to the payment of Series 2022A Bonds, and (v) any other legally available monies which the District determines to transfer to the trustee for application as subordinate pledge revenue.

Subordinate pledged tax revenue means the pledged tax revenue pledged to the payment of the principal of and interest on the Series 2022B(3) Bonds on a basis subordinate to the Series 2022A Bonds in accordance with terms and provisions of the subordinate indenture.

Subordinate required mill levy

The subordinate required mill levy is an ad valorem mill levy imposed upon all taxable property of the District each year in the amount sufficient to replenish the reserve fund, but not to exceed 30 mills (subject to adjustment) less the amount of the senior bond mill levy. It is the intent that if the amount of the senior bond mill levy equals or exceeds 30 mills (subject to adjustment) in any year, the subordinate required mill levy for that year shall be zero.

See independent auditor's report.

GOLD HILL MESA METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

Optional redemption

The Series 2022B(3) Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, on June 1, 2027, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium on the principal amount redeemed, as follows:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
June 1, 2027 to May 31, 2028	3.00%
June 1, 2028 to May 31, 2029	2.00%
June 1, 2029 to May 31, 2030	1.00%
June 1, 2030 and thereafter	0.00%

It is acknowledged that, due to the limited nature of the pledged revenue, the failure to pay the principal of or interest on the bonds when due does not, in itself, constitute an event of default under the indenture.

Notwithstanding the foregoing, acceleration will not be an available remedy for an event of default.

Events of default

The occurrence of any one or more of the following events or the existence of any one or more of the following conditions constitutes an event of default under the indenture:

- i. The District fails or refuses to impose the subordinate required mill levy.
- ii. The District fails or refuses to apply the subordinate pledged revenue as required under the subordinate indenture.
- iii. The District fails or refuses to comply with the provisions applicable to it in the CSURA Agreement, and such failure has a materially adverse effect on the collection by the District of subordinate pledged tax revenue.
- iv. The District fails to observe or perform any other of the material covenants, agreements, duties, or conditions on the part of the District in the subordinate indenture or the bond resolution, other than as described in paragraph (i), (ii), or (iii) above, and fails to remedy and such failure is not remedied to the satisfaction of the trustee after the District receives written notice from the trustee or the District of the occurrence of such failure.
- v. The District files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the 2022B(3) Bonds.

Upon the occurrence and continuance of an event of default, the trustee will have the following rights and remedies which may be pursued:

- i. Receivership - Upon the filing of a bill in equity or other commencement of judicial proceedings to enforce the rights of the trustee and of the owners, the trustee is entitled as a matter of right to the appointment of receiver or receivers of the trust estate, and of the revenues, income, product, and profits thereof pending such proceedings, subject however, to constitutional limitation inherent in the sovereignty of the District; but notwithstanding the appointment of any receiver or other custodian, the trustee will be entitled to the possession and control of any cash, securities, or other instruments at the time held by, or payable or deliverable under the provisions of the subordinate indenture to the trustee.
- ii. Suit for judgment - The trustee may proceed to protect and enforce its rights and the rights of the owners under the Colorado Special District Act, the 2022B(3) Bonds, the bond resolution, the subordinate indenture, and any provision of law by such suit, action, or special proceedings as the trustee, being advised by counsel, deems appropriate.
- iii. Mandamus or other suit - The owner may proceed by mandamus or any other suit, action, or proceeding at law or in equity, to enforce all rights of the owners.

See independent auditor's report.

GOLD HILL MESA METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

Debt authorization

As of December 31, 2023, the Districts' debt authorized, authorization used, and amounts authorized but unissued are as follows:

	<u>Electoral Authorization</u>	<u>Service Plan Authorization</u>
Amount authorized	\$ 113,000,000	\$ 57,000,000
Authorization used:		
Series 2011A Senior Loan	(2,640,000)	(2,640,000)
Series 2011B Senior Loan	(1,720,000)	(1,720,000)
Series 2011C Bonds	(2,160,000)	(2,160,000)
Series 2011D Bonds	(3,157,000)	(3,157,000)
2011 Loan Refunding	-	4,360,000
Series 2011C Refunding	-	2,160,000
Series 2011D Refunding	-	3,157,000
2015 Loan	(6,360,000)	(6,360,000)
2015 Loan Refunding	-	6,360,000
Series 2022A Bonds	(12,525,000)	(12,525,000)
Series 2022B(3) Bonds	(4,847,000)	(4,847,000)
	<u>\$ 79,591,000</u>	<u>\$ 39,628,000</u>
Authorized but unissued indebtedness	<u>\$ 79,591,000</u>	<u>\$ 39,628,000</u>

On November 2, 2004, the Districts' voters authorized the issuance of indebtedness at an interest rate not to exceed 18%. The amended consolidated service plan set the maximum mill levy at 30 mills as adjusted for changes in the ratio of actual value to assessed value of property within the District.

6. NET POSITION

The District has net position consisting of: net investment in capital assets; restricted; and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balance of debt that is attributable to the acquisition, construction, or improvement of those assets.

As of December 31, 2023, the District's net investment in capital assets was as follows:

Net investment in capital assets:	
Capital assets	\$ 80,823
Related long-term obligations	(82,981)
	<u>\$ (2,158)</u>

Restricted net position includes balances with external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position as of December 31, 2023 as follows:

Restricted net position:	
Debt service (Note 5)	\$ 1,629,909
	<u>\$ 1,629,909</u>

See independent auditor's report.

GOLD HILL MESA METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

The District has a deficit in unrestricted net position as of December 31, 2023. This deficit is due to the beginning net position starting with a significant deficit. As the District's regular general revenues are sufficient to cover the District's current year expenses, it is anticipated this deficit will clear over time.

7. AGREEMENTS

Intergovernmental agreement

On May 31, 2006 and November 30, 2006, the District entered into an Intergovernmental Agreement ("IGA") with District No. 1 ("Operating District") and District No. 3 (together with the District the "Financing Districts"), respectively. The IGA provides that the Operating District is to operate, maintain, finance and construct facilities benefitting the three Districts, and that the Financing Districts will contribute to the costs of construction, operation, and maintenance of such facilities. The Districts have agreed to finance such activities by either issuing debt and/or pledging certain revenues collected within the boundaries of the Financing Districts. On September 16, 2011, the District issued loans and bonds and transferred the proceeds to District No. 1. District No. 1 used those proceeds to repay the developer for capital construction paid directly by the developer as part of the restated reimbursement agreement entered into as part of the District's issuance of the Series 2011 Loan and Bonds.

Intergovernmental tax sharing agreement

Effective January 20, 2011 and as amended May 25, 2022, the District entered into an intergovernmental tax sharing agreement with CSURA. The IGA provides a tax sharing agreement for a period of 25 years on taxes levied by the District beginning on May 25, 2004. Under the agreement, all property tax revenues generated by the assessed valuation in excess of the base assessed valuation as of May 25, 2004, will be paid to the CSURA for the purposes of paying debt incurred during the development of the urban renewal project. The gross tax revenues generated by this agreement will be deposited by the CSURA into a pledged tax revenue fund. The tax revenue will remain in that fund until the District requests payment from that fund for the purposes of making an interest or principal payment on the District's outstanding bonds. During the year ended December 31, 2023, the District received \$1,737,585 in TIF revenue from the Authority as a part of the agreement.

8. RELATED PARTIES

The developers of the property within the District include Gold Hill Mesa Township, LLC; Gold Hill Mesa Partners, LLC; and Gold Hill Neighborhood, LLC. The members of the board of directors are officers, employees, or associated with the developers and may have conflicts of interest in dealing with the District.

9. RISK MANAGEMENT

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

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

The District pays annual premiums to the Pool for liability, property, 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.

10. TAX, SPENDING, AND DEBT LIMITATIONS

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

See independent auditor's report.

GOLD HILL MESA METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

Spending and revenue limits are determined based on the prior fiscal year spending adjusted for allowable increases based upon inflation and local growth. Fiscal year spending is generally defined as expenditures plus reserve increases with certain exceptions.

On November 2, 2004, the District's voters authorized the District to increase property taxes \$1,000,000 annually, without limitation of rate and without regard to any spending, revenue raising or other limitations contained within Article X, Section 20 of the Colorado Constitution (TABOR) or Section 29-1-301, C.R.S., to pay the District's operations, maintenance, and other expenses. Additionally, the District's electors authorized the District to collect, spend or retain all revenue without regard to any limitations under TABOR.

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

District management believes the District 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 likely require judicial interpretation.

11. CORRECTION OF ERROR ON PREVIOUSLY ISSUED FINANCIAL STATEMENTS

The District discovered that interest accrued on noncurrent liabilities had been understated in the previously issued financial statements. The error has been corrected by restating the affected financial statement line items as follows:

	<u>As Previously Reported</u>	<u>Adjustment</u>	<u>As Restated</u>
Government-wide financial statements:			
Governmental activities net position	\$ (16,365,001)	\$ (190,893)	\$ (16,555,894)

* * * * *

See independent auditor's report.

SUPPLEMENTARY INFORMATION

GOLD HILL MESA METROPOLITAN DISTRICT NO. 2
DEBT SERVICE FUND - SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE (BUDGET AND ACTUAL)
DECEMBER 31, 2023

	Original and Final Budget	Actual	Variance
<u>REVENUES</u>			
Property taxes	\$ 9,712	\$ 10,718	\$ 1,006
Specific ownership taxes	61,152	64,033	2,881
Investment income	-	48,720	48,720
Urban renewal TIF	1,497,010	1,511,699	14,689
Total revenues	1,567,874	1,635,170	67,296
<u>EXPENDITURES</u>			
Bank charges	200	-	200
County Treasurer fees	146	161	(15)
Bond principal payments	640,000	605,000	35,000
Bond interest payments	942,425	613,075	329,350
Paying agent fees	7,000	-	7,000
Total expenditures	1,589,771	1,218,236	371,535
Net change in fund balance	\$ (21,897)	416,934	\$ 438,831
Fund balance, beginning of year		1,261,544	
Fund balance, end of year		\$ 1,678,478	

The accompanying notes and independent auditor's report
should be read with these financial statements.