

Fourth North Business Improvement District

Financial Statements

Year Ended December 31, 2023

with

Independent Auditor's Report

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Board of Directors
Fourth North Business Improvement District
Summit County, Colorado

Independent Auditor's Report

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Fourth North Business Improvement District (the "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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Fourth North Business Improvement District as of December 31, 2023, and the respective changes in financial position and the respective 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Exercise professional judgment and maintain professional skepticism throughout the audit.

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

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplemental Information

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

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplemental information as listed in the table of contents is presented for the purposes of legal compliance and additional analysis and is not a required part of the financial statements. The supplemental 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. In our opinion, such information is fairly stated in all material respects in relation to the financial statements as a whole.

Wipfli LLP

Wipfli LLP

Denver, Colorado
September 27, 2024

Fourth North Business Improvement District

BALANCE SHEET/STATEMENT OF NET POSITION GOVERNMENTAL FUNDS December 31, 2023

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS						
Cash and investments - restricted	\$ -	\$ 266,222	\$ 3,494,264	\$ 3,760,486	\$ -	\$ 3,760,486
Receivable County Treasurer	58	-	-	58	-	58
Receivable from Fourth Street Crossing Metro District	2,106	-	593	2,699	-	2,699
Receivable from Fourth Street BID	19,244	-	563,865	583,109	-	583,109
Property taxes receivable	9,244	-	-	9,244	-	9,244
Developer receivable	71,097	-	-	71,097	(71,097)	-
Capital assets not being depreciated	-	-	-	-	23,665,326	23,665,326
Total Assets	<u>\$ 101,749</u>	<u>\$ 266,222</u>	<u>\$ 4,058,722</u>	<u>\$ 4,426,693</u>	<u>23,594,229</u>	<u>28,020,922</u>
LIABILITIES						
Accounts payable	\$ 34,321	\$ -	\$ 344,374	\$ 378,695	-	378,695
Payable to Fourth Street Crossing BID	58,184	39,458	-	97,642	-	97,642
Accrued interest on bonds	-	-	-	-	1,409,029	1,409,029
Long-term liabilities						
Due in more than one year	-	-	-	-	52,066,000	52,066,000
Total Liabilities	<u>92,505</u>	<u>39,458</u>	<u>344,374</u>	<u>476,337</u>	<u>53,475,029</u>	<u>53,951,366</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred property taxes	9,244	-	-	9,244	-	9,244
Total Deferred Inflows of Resources	<u>9,244</u>	<u>-</u>	<u>-</u>	<u>9,244</u>	<u>-</u>	<u>9,244</u>
FUND BALANCES/NET POSITION						
Fund Balances:						
Restricted						
Emergencies	1,500	-	-	1,500	(1,500)	-
Capital projects	-	226,764	-	226,764	(226,764)	-
Debt Service	-	-	3,714,348	3,714,348	(3,714,348)	-
Unassigned	(1,500)	-	-	(1,500)	1,500	-
Total Fund Balances	<u>-</u>	<u>226,764</u>	<u>3,714,348</u>	<u>3,941,112</u>	<u>(3,941,112)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 101,749</u>	<u>\$ 266,222</u>	<u>\$ 4,058,722</u>	<u>\$ 4,426,693</u>		
Net Position:						
Net Investment in Capital Assets					-	-
Restricted for:						
Emergencies					1,500	1,500
Debt service					2,305,319	2,305,319
Capital projects					226,764	226,764
Unrestricted					<u>(28,473,271)</u>	<u>(28,473,271)</u>
Total Net Position					<u>\$ (25,939,688)</u>	<u>\$ (25,939,688)</u>

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

Fourth North Business Improvement District

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

For the Year Ended December 31, 2023

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	Statement of <u>Activities</u>
EXPENDITURES						
Accounting & audit	\$ 8,987	\$ -	\$ -	\$ 8,987	\$ -	\$ 8,987
Insurance	486	-	-	486	-	486
Legal	26,177	-	-	26,177	-	26,177
Elections	2,916	-	-	2,916	-	2,916
Property Tax Expense	12,919	-	-	12,919	-	12,919
Treasurer's fees	723	-	-	723	-	723
Bond interest expense	-	-	2,367,138	2,367,138	771,191	3,138,329
Paying agent fees	-	-	7,000	7,000	-	7,000
Capital improvements	-	8,998,420	-	8,998,420	(8,998,420)	-
Total Expenditures	<u>52,208</u>	<u>8,998,420</u>	<u>2,374,138</u>	<u>11,424,766</u>	<u>(8,227,229)</u>	<u>3,197,537</u>
GENERAL REVENUES						
Property taxes	9,071	-	-	9,071	-	9,071
Specific ownership taxes	741	-	-	741	-	741
Transfer from Fourth North MD No. 1 and 2	5,107	-	11,952	17,059	-	17,059
Transfer from Fourth Street BID	-	-	875,597	875,597	-	875,597
Interest and other income	80	230,179	181,342	411,601	-	411,601
Total General Revenues	<u>14,999</u>	<u>230,179</u>	<u>1,068,891</u>	<u>1,314,069</u>	<u>-</u>	<u>1,314,069</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
	(37,209)	(8,768,241)	(1,305,247)	(10,110,697)	8,227,229	(1,883,468)
OTHER FINANCING SOURCES						
Developer advance	<u>55,529</u>	<u>-</u>	<u>-</u>	<u>55,529</u>	<u>(55,529)</u>	<u>-</u>
Total Other Financing Sources	<u>55,529</u>	<u>-</u>	<u>-</u>	<u>55,529</u>	<u>(55,529)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES						
	18,320	(8,768,241)	(1,305,247)	(10,055,168)	10,055,168	
CHANGE IN NET POSITION						
					(1,883,468)	(1,883,468)
FUND BALANCE/NET ASSETS						
BEGINNING OF YEAR	<u>(18,320)</u>	<u>8,995,005</u>	<u>5,019,595</u>	<u>13,996,280</u>	<u>(38,052,500)</u>	<u>(24,056,220)</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 226,764</u>	<u>\$ 3,714,348</u>	<u>\$ 3,941,112</u>	<u>\$ (29,880,800)</u>	<u>\$ (25,939,688)</u>

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

Fourth North Business Improvement District

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

For the Year Ended December 31, 2023

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Property taxes	\$ 9,101	\$ 9,071	\$ (30)
Specific ownership taxes	455	741	286
TIF Revenue	5,274	-	(5,274)
Transfer from Fourth North MD No. 1 and 2	-	5,107	5,107
Interest and other income	<u>-</u>	<u>80</u>	<u>80</u>
Total Revenues	<u>14,830</u>	<u>14,999</u>	<u>169</u>
EXPENDITURES			
Accounting & audit	2,500	8,987	(6,487)
Management	1,500	-	1,500
Insurance	2,500	486	2,014
Legal	15,000	26,177	(11,177)
Property tax expense	-	12,919	(12,919)
Engineering	10,000	-	10,000
Elections	-	2,916	(2,916)
Miscellaneous expenses	2,000	-	2,000
Treasurer's fees	455	723	(268)
Contingency	15,000	-	15,000
Emergency Reserve	<u>1,500</u>	<u>-</u>	<u>1,500</u>
Total Expenditures	<u>50,455</u>	<u>52,208</u>	<u>(1,753)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(35,625)	(37,209)	(1,584)
OTHER FINANCING SOURCES			
Developer advance	<u>35,625</u>	<u>55,529</u>	<u>19,904</u>
Total Other Financing Sources	<u>35,625</u>	<u>55,529</u>	<u>19,904</u>
NET CHANGES IN FUND BALANCE	-	18,320	18,320
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>(18,320)</u>	<u>(18,320)</u>
FUND BALANCE - END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

Fourth North Business Improvement District

Notes to Financial Statements December 31, 2023

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Fourth North Business Improvement District (the “District”) located in Silverthorne, Summit County, Colorado, conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District is a quasi-municipal corporation organized and created on October 13, 2021 which derives its revenue principally from general property taxes and transfers from Fourth Street Crossing BID. The District was organized under Title 31 and all properties within the District are commercial properties. The District, also referred to as the Management District, was established along with Fourth North Metropolitan District (“Metro District”), referred to as the Financing District. The Financing District provides the tax base and funding needed to support ongoing operations while the Management District is responsible for managing, implementing, and coordinating the financing, construction, and operations and maintenance. The District has no employees and all operations and administrative functions are contracted.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB, Statement No. 61, *The Financial Reporting Entity: Omnibus, which amended* GASB Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, which provides guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets forth the financial accountability of a governmental organization’s elected governing body as the basic criterion for including a possible component governmental organization in a primary government’s legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization’s governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. The pronouncements also require including a possible component unit if it would be misleading to exclude it.

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

Fourth North Business Improvement District

Notes to Financial Statements December 31, 2023

Basis of Presentation

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

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

Fourth North Business Improvement District

Notes to Financial Statements December 31, 2023

The District reports the following major governmental funds:

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

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

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

Budgetary Accounting

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

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position

Fair Value of Financial Instruments

The District's financial instruments include cash and investments, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2023, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

The District's cash and short-term investments with maturities of three months or less from the date of acquisition are considered to be cash on hand. Investments for the government are reported at fair value. The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a minimum number of bank accounts. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Fourth North Business Improvement District

Notes to Financial Statements December 31, 2023

Estimates

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

Deferred Outflows/Inflows of Resources

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

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable, using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated. No depreciation expense was recognized during 2023.

Fourth North Business Improvement District

Notes to Financial Statements December 31, 2023

Property Taxes

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

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

Long-Term Obligations

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

Fund Equity

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

Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact.

Restricted Fund Balance

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

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$1,500 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Capital Projects Fund in the amount of \$226,764 is restricted for the payment of the costs for capital improvements benefiting the District.

Fourth North Business Improvement District

Notes to Financial Statements
December 31, 2023

The restricted fund balance in Debt Service Fun in the amount of \$3,714,348 is restricted for the payment of costs relating to the Series 2022 A Bonds.

Committed Fund Balance

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

Assigned Fund Balance

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

Unassigned Fund Balance

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

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

Net Position

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

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

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

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

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

Fourth North Business Improvement District

Notes to Financial Statements
December 31, 2023

Note 2: Cash and Investments

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

Statement of Net Position:

Cash and investments - Restricted	\$ 3,760,487
Total	\$ <u>3,760,487</u>

Cash and investments as of December 31, 2023 consist of the following:

Investments – Morgan Stanley	\$ 3,758,646
Investment – COLOTRUST	<u>1,841</u>
Total	\$ <u>3,760,487</u>

Deposits

Custodial Credit Risk

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

The District follows state statutes for deposits. The District had no deposit balance as of December 31, 2023

Investments

Credit Risk

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments. Colorado statutes specify the 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, guaranteed investment contracts, and local government investing pools.

Custodial and Concentration of Credit Risk

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

Fourth North Business Improvement District

Notes to Financial Statements December 31, 2023

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

Investment Valuation

Certain investments are measured at fair value 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. The District's investment is not required to be categorized within the fair value hierarchy. This investment's value is calculated using the net asset value method (NAV) per share.

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

Morgan Stanley Treasury Portfolio

The District's funds that were included in the trust accounts at UMB Bank were invested in the Morgan Stanley Treasury Portfolio ("Portfolio"). This Portfolio is a money market fund and each share is equal in value to \$1.00. All investments within the Portfolio are recorded at fair value and the District records its investment in the Portfolio at NAV. The Portfolio is AAAM rated and invests exclusively in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. The maturity of the underlying securities is 15 days or less. As of December 31, 2023, the District has \$3,758,646 invested in the fund.

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust ("COLOTRUST") is rated AAAM by Standard & Poor's with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the COLOTRUST. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. COLOTRUST operates similarly to a money market fund with each share maintaining a value of \$1.00. COLOTRUST offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to COLOTRUST. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians' internal records identify the investments owned by COLOTRUST. At December 31, 2023, the District had \$1,841 invested in COLOTRUST.

Fourth North Business Improvement District

Notes to Financial Statements
December 31, 2023

Note 3: Capital Assets

An analysis for the changes in capital assets for the year ended December 31, 2023, follows:

<u>Governmental Type Activities:</u>	<u>Balance 1/1/2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2023</u>
<u>Capital assets not being depreciated:</u>				
Construction in progress	\$ 14,666,906	\$ 8,998,420	\$ -	\$ 23,665,326
Total capital assets not being depreciated:	<u>14,666,906</u>	<u>8,998,420</u>	<u>-</u>	<u>23,665,326</u>
Government type assets, net	<u>\$ 14,666,906</u>	<u>\$ 8,998,420</u>	<u>\$ -</u>	<u>\$ 23,665,326</u>

Upon completion and acceptance, certain capital assets will be conveyed by the District to other local governments. The District will only be responsible for maintenance on capital assets not conveyed to other entities.

Note 4: Long Term Debt

A description of the long-term obligations as of December 31, 2023, is as follows:

Special Revenue and Tax Supported Senior Bonds Series 2022A

On May 25, 2022 the District issued \$43,015,000 of Special Revenue and Tax Supported Refunding and Improvement Bonds, Series 2022A (“2022A Bonds”) and \$9,051,000 of Special Revenue and Tax Supported Subordinate Bonds (“2022B Bonds”) for the purposes of (a) paying or reimbursing Project Costs; (b) funding a portion of the interest to accrue on the Series 2022A Senior Bonds; (c) funding the Senior Reserve Fund; (d) paying costs incidental to the issuance of the Series 2022A Senior Bonds and the Series 2022B Subordinate Bonds (e) transferring funds to Fourth Street Crossing BID to refund their outstanding bonds . The Series 2022A Bonds bear interest ranging from 5.250% and 5.750%. Interest payments are payable semiannually on each June 1 and December 1, commencing June 1, 2022 and mature on December 1, 2052. The 2022A Bonds are subject to mandatory sinking fund redemption beginning December 1, 2025. The Series 2022B Bonds bear interest at the rate of 8.125%, payable annually on December 1, commencing on December 15, 2022, to the extent that Pledged Revenue is available, and matures on December 15, 2052.

The Series 2022A Bonds will be secured by a required maximum debt service mill levy of 50.000 mills (subject to adjustment) from Fourth North MD No. 1 and Fourth Street Crossing MD, the Specific Ownership Taxes attributable to the Debt Service Fund mill levies imposed by Fourth North MD No. 1 and Fourth Street Crossing MD, the Forth North PFRA and Fourth Street Crossing PFRA URA Revenues, and the Parking Structure Fees.

Fourth North Business Improvement District

Notes to Financial Statements
December 31, 2023

Optional redemption

The Series 2022A Bonds and 2022B 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, beginning December 1, 2030, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium of a percentage of the principal amount so redeemed, ranging from 2% to 1%.

The following is a summary of the annual long-term debt principal and interest requirements for the 2022A Bonds:

Year	Principal	Interest	Total
2024	\$ -	\$ 2,367,138	\$ 2,367,138
2025	365,000	2,367,138	2,732,138
2026	1,020,000	2,347,975	3,367,975
2027	1,530,000	2,294,425	3,824,425
2028	1,690,000	2,214,100	3,904,100
2029-2033	10,855,000	9,578,975	20,433,975
2034-2038	11,915,000	6,219,625	18,134,625
2039-2043	2,855,000	4,183,525	7,038,525
2044-2048	4,390,000	3,212,525	7,602,525
2049-2052	8,395,000	1,527,200	9,922,200
Total	<u>\$ 43,015,000</u>	<u>\$ 36,312,625</u>	<u>\$ 79,327,625</u>

Because of the uncertainty of timing of payments under the Series 2022B Bonds, no related schedule of expected principal and interest payments is presented.

The following is an analysis of changes in long-term debt for the year ending December 31, 2023:

	Balance 1/1/2023	Additions	Deletions	Balance 12/31/2023	Current Portion
General Obligation Bonds					
Series 2022A Bonds	\$ 43,015,000	\$ -	\$ -	\$ 43,015,000	\$ -
Series 2022B Bonds - Subordinate Bonds	<u>9,051,000</u>	<u>-</u>	<u>-</u>	<u>9,051,000</u>	<u>-</u>
Total	<u>\$ 52,066,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,066,000</u>	<u>\$ -</u>

Debt Authorization

As of December 31, 2023, the District has \$827,934,000 remaining voted debt authorized and unissued. The District has not budgeted to issue any new debt during 2024.

Fourth North Business Improvement District

Notes to Financial Statements December 31, 2023

Note 5: Related Party

Some members of the Board of Directors are owners, officers, employees, or otherwise associated with the Developer and may have conflicts of interest in dealing with the District. Management believes that all potential conflicts, if any, have been disclosed to the Board (See Note 8).

Note 6: Tax, Spending and Debt Limitations

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

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

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

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

Note 7: Risk Management

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

Fourth North Business Improvement District

Notes to Financial Statements December 31, 2023

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

Note 8: Other Agreements

Operations Reimbursement Agreement

On November 30, 2021, the District entered into an Operations Reimbursement Agreement with MW Hudson, LLC (the "Developer") for the purpose of paying the operating expenses of the District until December 31, 2023 and shall be automatically renewed for additional one year periods unless either party provides written notice to the other party at least 30 days prior to December 31 of the then effective term. The District agreed to reimburse such advances, respectively, together with interest thereon at a rate equal to 8%, subject to annual appropriation and budget approval, from legally available funds within any fiscal year and not otherwise required for operations, capital improvement, and debt service costs and expenses of the District. Any amounts due to the Developer are subordinate to all bonded indebtedness of the District.

As of December 31, 2023, no amounts were owed under this agreement. respectively.

Capital Pledge Agreement

On May 1, 2022 the District entered into a Capital Pledge Agreement with the Metro District and the Trustee pursuant to which the Metro District agrees to pledge certain revenues to the Trustee, on behalf of the District, to provide for a portion of the payment of debt service on the Series 2022 Bonds.

Public Finance Agreement (Fourth Street Crossing BID)

The Fourth Street Crossing Business Improvement District, the Developer, Silverthorne Urban Renewal Authority ("SURA"), and the Fourth Street Crossing Metropolitan District have entered into a Public Finance & Redevelopment Agreement, dated June 7, 2019, pursuant to which SURA agreed to contribute certain revenue for the purpose of financing costs of PFRA Public Improvements and other Eligible Costs, including the payment of debt service on the 2019 Bonds and other District obligations issued to finance such improvements. Subsequent to year end the revenues related to the Public Finance & Redevelopment Agreement were assigned to the District.

On April 13, 2022, the Fourth Street Crossing Business Improvement District approved a resolution concerning the Assignment of Public Finance and Redevelopment Agreement Revenues and Assignment of Property Tax Revenues. Pursuant to this Resolution the Fourth Street Crossing Business Improvement District agreed to assign its property tax revenue and redevelopment revenue to the District in exchange for the payment in full of the Districts Series 2019A Bonds and Series 2019B Bonds.

Fourth North Business Improvement District

Notes to Financial Statements December 31, 2023

Public Finance Agreement (Fourth North BID)

The District, the Developer, Silverthorne Urban Renewal Authority (“SURA”), and the Metro Districts have entered into a Public Finance & Redevelopment Agreement, dated May 25, 2022, pursuant to which SURA agreed to contribute certain revenue for the purpose of financing costs of PFRA Public Improvements and other Eligible Costs, including the payment of debt service on the 2022 Bonds and other District obligations issued to finance such improvements.

Facilities Funding and Acquisition Agreement

On May 16, 2022, the District had entered into a Facilities Funding and Acquisition Agreement with the Developer providing the Developer may (a) construct Public Improvements within the District on behalf of the District, subject to future acquisition and reimbursement by the District, or (b) maybe provide advances up to the amount of the certified construction related expenses to the District so that the District is able to construct Public Improvements. The District agreed to reimburse such advances, together with 8% interest, to repay such costs. In the event that the District is unable to reimburse the Developer for any such advance of the Public Improvements within thirty years from the date of the advance, any amount of principal and accrued interest outstanding shall be deemed to be forever discharged and satisfied in full. The agreement terminates on December 31, 2048, unless terminated earlier by mutual written agreement of both parties. As of December 31, 2023, no amount is due to the Developer under this agreement.

Note 9: 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 may have the following elements:

- 1) capital improvements used in governmental activities are not financial resources and, therefore are not reported in the funds; and
- 2) long-term liabilities such as bonds payable and accrued bond interest payable are not due and payable in the current period and, therefore, are not in the funds.

The Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities includes an adjustments column. The adjustments may have the following elements:

- 1) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities;
- 2) governmental funds report developer advances and/or bond proceeds as revenue; and
- 3) governmental funds report long-term debt payments as expenditures, however, in the Statement of Activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.

SUPPLEMENTAL INFORMATION

Fourth North Business Improvement District

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
CAPITAL PROJECTS FUND
For the Year Ended December 31, 2023

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Interest and other income	\$ -	\$ 230,179	\$ (230,179)
Total Revenues	<u>-</u>	<u>230,179</u>	<u>(230,179)</u>
EXPENDITURES			
Capital improvements	<u>18,537,002</u>	<u>8,998,420</u>	<u>9,538,582</u>
Total Expenditures	<u>18,537,002</u>	<u>8,998,420</u>	<u>9,538,582</u>
NET CHANGE IN FUND BALANCE	(18,537,002)	(8,768,241)	(9,768,761)
FUND BALANCE - BEGINNING OF YEAR	<u>18,537,002</u>	<u>8,995,005</u>	<u>9,541,997</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 226,764</u>	<u>\$ (226,764)</u>

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

Fourth North Business Improvement District

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

For the Year Ended December 31, 2023

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Transfer from Fourth North MD No. 1 and 2	\$ -	\$ 11,952	11,952
Transfer from Fourth Street BID	2,074,315	875,597	(1,198,718)
Interest and other income	<u>-</u>	<u>181,342</u>	<u>181,342</u>
Total Revenues	<u>2,074,315</u>	<u>1,068,891</u>	<u>(1,005,424)</u>
EXPENDITURES			
Bond interest expense	2,367,138	2,367,138	-
Payment to Escrow	<u>7,000</u>	<u>7,000</u>	<u>-</u>
Total Expenditures	<u>2,374,138</u>	<u>2,374,138</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(299,823)	(1,305,247)	(1,005,424)
FUND BALANCE - BEGINNING OF YEAR	<u>5,704,336</u>	<u>5,019,595</u>	<u>(684,741)</u>
FUND BALANCE - END OF YEAR	<u>\$ 5,404,513</u>	<u>\$ 3,714,348</u>	<u>\$ (1,690,165)</u>

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