

**TRUE NORTH COMMONS BUSINESS IMPROVEMENT DISTRICT
EL PASO COUNTY, COLORADO**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2023

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YEAR ENDED DECEMBER 31, 2023**

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BiggsKofford

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
True North Commons Business Improvement District
El Paso County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of True North Commons Business Improvement District ("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.

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 within one year after the date that the financial statements are available to be issued.

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.

Other Information

Management is responsible for the other information, as identified in the table of contents. The other information does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or provide any assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

BiggsKofford, P.C.

Colorado Springs, Colorado
April 15, 2024

BASIC FINANCIAL STATEMENTS

**TRUE NORTH COMMONS BUSINESS IMPROVEMENT DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2023**

| | Governmental Activities |
|--------------------------------------|----------------------------|
| ASSETS | |
| Cash and Investments | \$ 15,871 |
| Cash and Investments - Restricted | 33,846,388 |
| Capital Assets: | |
| Capital Assets Not Being Depreciated | 57,967,860 |
| Total Assets | 91,830,119 |
| LIABILITIES | |
| Accounts Payable | 5,067,548 |
| Retainage Payable | 1,820,600 |
| Accrued Interest | 341,227 |
| Noncurrent Liabilities: | |
| Due in More Than One Year | 90,226,099 |
| Total Liabilities | 97,455,474 |
| NET POSITION | |
| Debt Service | 5,312,127 |
| Unrestricted | (10,937,482) |
| Total Net Position | \$ (5,625,355) |

See accompanying Notes to Basic Financial Statements.

**TRUE NORTH COMMONS BUSINESS IMPROVEMENT DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023**

| FUNCTIONS/PROGRAMS | Program Revenues | | Capital Grants and Contributions | Net Revenues (Expenses) and Changes in Net Position |
|---|--------------------------------------|--|--|--|
| Primary Government: Governmental Activities: | Charges for Services | Operating Grants and Contributions | Governmental Activities | Governmental Activities |
| General Government Interest on Long-Term Debt and Related Costs | Expenses | - | - | - |
| Total Governmental Activities | \$ 164,318 | \$ - | \$ 1,000,000 | \$ 835,682 |
| | 7,911,256 | - | - | (7,911,256) |
| | \$ 8,075,574 | \$ - | \$ 1,000,000 | (7,075,574) |
| | GENERAL REVENUES | | | |
| | Interest Income | | | 543,891 |
| | RTA Funds | | | 1,194,774 |
| | Total General Revenues and Transfers | | | 1,738,665 |
| | CHANGES IN NET POSITION | | | |
| | Net Position - Beginning of Year | | | (5,336,909) |
| | NET POSITION - END OF YEAR | | | (288,446) |
| | | | | \$ (5,625,355) |

See accompanying Notes to Basic Financial Statements.

**TRUE NORTH COMMONS BUSINESS IMPROVEMENT DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2023**

| | General | Debt Service | Capital Projects | Total Governmental Funds |
|--|-----------|-----------------|---------------------|--------------------------------|
| ASSETS | | | | |
| Cash and Investments | \$ 15,871 | \$ - | \$ - | \$ 15,871 |
| Cash and Investments - Restricted | - | 14,028,190 | 19,818,198 | 33,846,388 |
| Total Assets | \$ 15,871 | \$ 14,028,190 | \$ 19,818,198 | \$ 33,862,259 |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts Payable | \$ 10,999 | \$ 64,751 | \$ 4,991,798 | \$ 5,067,548 |
| Retainage Payable | - | - | 1,820,600 | 1,820,600 |
| Total Liabilities | 10,999 | 64,751 | 6,812,398 | 6,888,148 |
| FUND BALANCES | | | | |
| Restricted for: | | | | |
| Debt Service | - | 13,963,439 | - | 13,963,439 |
| Capital Projects | - | - | 13,005,800 | 13,005,800 |
| Unassigned | 4,872 | - | - | 4,872 |
| Total Fund Balances | 4,872 | 13,963,439 | 13,005,800 | 26,974,111 |
| Total Liabilities and Fund Balances | \$ 15,871 | \$ 14,028,190 | \$ 19,818,198 | |
| Amounts reported for 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, Not Being Depreciated | | | | 57,967,860 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. | | | | |
| Accrued Interest | | | | (3,915,523) |
| Bonds Payable - Series 2022A | | | | (7,695,000) |
| Bonds Payable - Series 2022B | | | | (54,370,000) |
| Bonds Payable - Series 2022C | | | | (24,275,000) |
| Developer Advance Payable | | | | (196,339) |
| Bond Premium - Series 2022A | | | | (115,464) |
| Net Position of Governmental Activities | | | | \$ (5,625,355) |

See accompanying Notes to Basic Financial Statements.

**TRUE NORTH COMMONS BUSINESS IMPROVEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2023**

| | General | Debt Service | Capital Projects | Total Governmental Funds |
|--|-----------------|----------------------|----------------------|--------------------------------|
| REVENUES | | | | |
| Interest Income | \$ - | \$ 273,788 | \$ 270,103 | \$ 543,891 |
| RTA Funds | - | 1,194,774 | - | 1,194,774 |
| Contributions | - | - | 1,000,000 | 1,000,000 |
| Total Revenues | <u>-</u> | <u>1,468,562</u> | <u>1,270,103</u> | <u>2,738,665</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Accounting | 30,136 | - | 35,394 | 65,530 |
| Auditing | 5,190 | - | - | 5,190 |
| URA Admin Fee | - | 63,673 | - | 63,673 |
| District Management | 30,886 | - | - | 30,886 |
| Dues and Membership | 356 | - | - | 356 |
| Insurance | 2,326 | - | - | 2,326 |
| Legal | 29,320 | 1,078 | 26,307 | 56,705 |
| Miscellaneous | 3,325 | - | - | 3,325 |
| Debt Service: | | | | |
| Bond Interest | - | 4,265,107 | - | 4,265,107 |
| Paying Agent Fees | - | 3,500 | - | 3,500 |
| Capital Projects: | | | | |
| Capital Outlay | - | - | 39,928,128 | 39,928,128 |
| Total Expenditures | <u>101,539</u> | <u>4,333,358</u> | <u>39,989,829</u> | <u>44,424,726</u> |
| EXCESS OF REVENUES UNDER EXPENDITURES | (101,539) | (2,864,796) | (38,719,726) | (41,686,061) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Developer Advance | 100,000 | - | - | 100,000 |
| Total Other Financing Sources | <u>100,000</u> | <u>-</u> | <u>-</u> | <u>100,000</u> |
| NET CHANGE IN FUND BALANCES | (1,539) | (2,864,796) | (38,719,726) | (41,586,061) |
| Fund Balances - Beginning of Year | <u>6,411</u> | <u>16,828,235</u> | <u>51,725,526</u> | <u>68,560,172</u> |
| FUND BALANCES - END OF YEAR | <u>\$ 4,872</u> | <u>\$ 13,963,439</u> | <u>\$ 13,005,800</u> | <u>\$ 26,974,111</u> |

See accompanying Notes to Basic Financial Statements.

**TRUE NORTH COMMONS BUSINESS IMPROVEMENT DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023**

Net Change in Fund Balances - Total Governmental Funds \$ (41,586,061)

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 asset over the estimated useful life of the asset. Therefore, this is the amount of capital outlay, depreciation and dedication of capital assets to other governments, in the current period.

Capital Outlay 39,928,128

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net position.

Developer Advance (100,000)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued Interest on Bonds - Change in Liability (3,574,296)

Accrued Interest on Developer Advance - Change in Liability (9,352)

Amortization - 2022A Bond Premium 4,672

Changes in Net Position of Governmental Activities \$ (5,336,909)

**TRUE NORTH COMMONS BUSINESS IMPROVEMENT DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
DECEMBER 31, 2023**

| | Budget Original and Final | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|------------------------------|-------------------|---|
| REVENUES | | | |
| Total Revenues | - | - | - |
| EXPENDITURES | | | |
| Accounting | \$ 35,000 | \$ 30,136 | \$ 4,864 |
| Auditing | 5,000 | 5,190 | (190) |
| Contingency | 10,250 | - | 10,250 |
| District Management | 25,000 | 30,886 | (5,886) |
| Dues and Membership | 500 | 356 | 144 |
| Election | 1,500 | - | 1,500 |
| Insurance | 2,750 | 2,326 | 424 |
| Legal | 30,000 | 29,320 | 680 |
| Miscellaneous | - | 3,325 | (3,325) |
| Total Expenditures | <u>110,000</u> | <u>101,539</u> | <u>8,461</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (110,000) | (101,539) | 8,461 |
| OTHER FINANCING SOURCES (USES) | | | |
| Developer Advance | 110,000 | 100,000 | (10,000) |
| Total Other Financing Sources (Uses) | <u>110,000</u> | <u>100,000</u> | <u>(10,000)</u> |
| NET CHANGE IN FUND BALANCE | - | (1,539) | (1,539) |
| Fund Balance - Beginning of Year | - | 6,411 | 6,411 |
| FUND BALANCE - END OF YEAR | <u>\$ -</u> | <u>\$ 4,872</u> | <u>\$ 4,872</u> |

See accompanying Notes to Basic Financial Statements.

**TRUE NORTH COMMONS BUSINESS IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 DEFINITION OF REPORTING ENTITY

True North Commons Business Improvement District (the District), a quasi-municipal corporation, was organized by ordinance of the City of Colorado Springs (the City) on August 14, 2018, and is governed pursuant to provisions of the Colorado Business Improvement Act (Title 31). The District's service area is located entirely within the City in El Paso County, Colorado. The District was organized to provide the financing, acquisition, construction, completion, installation, replacement and/or operation and maintenance of all of the services and public improvements allowed under Colorado law for business improvement districts. Specific improvements and services provided by the District, including, without limitation, the following types of improvements: water, safety protection, sanitation, dry utilities, streets, curbs, gutters, culverts, drainage facilities, sidewalks, parking facilities, paving, lighting, grading, parks, landscaping and storm and wastewater management facilities and associated land acquisition and remediation. The District's service area is located in the designated commercial area within the City of Colorado Springs, El Paso County, Colorado.

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

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

The District's annual budget is required to be submitted to and approved by the City, thus enabling the City to impose its will on the District. Consequently, the District is considered to be a component unit of the City.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by property taxes and intergovernmental revenues.

The statement of net position reports all financial and capital resources of the District. The difference between the assets, deferred outflow of resources, liabilities, and deferred inflow of resources of the District is reported as net position.

**TRUE NORTH COMMONS BUSINESS IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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.

Separate financial statements are provided for the governmental funds. 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 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 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 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. The District has determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation due.

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

**TRUE NORTH COMMONS BUSINESS IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures 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.

The District amended its annual budget for the year ended December 31, 2023.

Pooled Cash and Investments

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 single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash and investments.

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. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress and are not included in the calculation of net investment in capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Amortization

Original Issue Premium

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

In the fund financial statements, governmental fund types recognize bond premiums, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

**TRUE NORTH COMMONS BUSINESS IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity

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 balance for governmental funds should be 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: nonspendable, restricted, committed, assigned, and unassigned. 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:

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

Restricted Fund Balance – 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.

Committed Fund Balance – 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.

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

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

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

URA Tax Increment Revenues

On July 9, 2019, the City of Colorado Springs Urban Renewal Authority (the Authority) adopted the True North Commons Urban Renewal Plan (the Urban Renewal Plan), which established the True North Commons Urban Renewal Area (the Urban Renewal Area). The Authority serves as the financing entity for the City for Champions Project, which is a regional tourism project established pursuant to the Colorado Regional Tourism Act.

**TRUE NORTH COMMONS BUSINESS IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

URA Tax Increment Revenues (Continued)

The Urban Renewal Plan authorizes the implementation of tax increment financing for the Urban Renewal Area for the purpose of facilitating an urban renewal project more particularly described therein. In accordance with the Urban Renewal Law, until July 8, 2044, certain City and County sales taxes and certain ad valorem property taxes levied by taxing entities on property in the Urban Renewal Area are to be remitted to the District. Sales Tax Increment Revenues are defined as 87.5% of the City and County's respective 2.00% and 1.00% sales tax rate. The URA ad valorem taxes are based on a 72.215 mill levy rate for collection year 2023.

The District is required to pay a fee of \$60,000 per year to the Authority commencing in 2023. The fee is subject to an increase of 2.00% annually.

Payment in Lieu of Tax Fees

The District will impose a Payment in Lieu of Tax Fees (the PILOT) fee on the hotel property which will be exempt from property taxes. The hotel is exempt from property taxes but is subject to the PILOT fees based on both the maximum mill levy of 50.000 mills and the increment mill levy of 72.215 mills. The PILOT fee revenues are not subject to the County Treasurer fee of 1.5% nor does the District receive a portion of Specific Ownership Taxes on the PILOT fees.

Public Improvement Fees

The District will impose and implement a Public Improvement Fees (the PIF) consisting of Add-On PIF Revenues for retail sales, lodging sales and service sales. The covenants establish Public Improvement Fees at a rate equal to 3.00% of retail sales related to the hotel, 2.00% of hotel room revenues and 3.00% fee on all sales with the exception of gasoline for which the rate is 2.50%. The Public Improvement Fees is pledged to the Series 2022A, Series 2022B and Series 2022C Bonds.

Regional Tourism Act Revenues

The Colorado Regional Tourism Act was adopted by the Colorado General Assembly in 2009 to help fund high-profile regional tourism projects by rebating the State sales tax revenues that new, out-of-state visitors would generate. The Regional Tourism Act established a program of the Colorado Economic Development Commission (the CEDC). The CEDC, in collaboration with the City, the U.S. Olympic Museum, the University of Colorado, Colorado Springs (UCCS), the USAFA, and the Colorado Springs Stadium Authority developed a Regional Tourism Plan to attract new, out-of-state visitors to Colorado Springs. On December 16, 2013, the CEDC adopted Resolution No. 3, "Resolution by the Colorado Economic Development Commission Concerning the Allocation of State Sales Tax Increment Revenue for the Colorado Springs City for Champions Project", and thereby approved the City for Champions Project, which includes the following project elements: the U.S. Olympic Museum and Hall of Fame, the Colorado Sports and Event Center, the UCCS Sports Medicine and Performance Center, and the U.S. Air Force Academy Visitor's Center.

**TRUE NORTH COMMONS BUSINESS IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Regional Tourism Act Revenues (Continued)

Resolution No. 3 also allocated 13.08% of the state sales tax increment revenue generated within the Regional Tourism Zone, not to exceed \$120.5 million, to implement the City for Champions Project (the State Sales Tax Increment Revenue). 11.00% of the State Sales Tax Increment Revenue (the Dedicated State Sales Tax Increment Revenue), up to a maximum of \$13,255,000, is dedicated to the District. Revenues collected commencing in 2022 will be pledged to the Series 2022A Bonds, the Series 2022B Bonds and the Series 2022C Bonds.

NOTE 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 | \$ 15,871 |
| Cash and Investments - Restricted | 33,846,388 |
| Total Cash and Investments | \$ 33,862,259 |

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

| | |
|--------------------------------------|---------------|
| Deposits with Financial Institutions | \$ 3,500,988 |
| Investments | 30,361,271 |
| Total Cash and Investments | \$ 33,862,259 |

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. 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 at least 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2023, the District's cash deposits had a bank balance of \$3,503,196 and a carrying balance of \$3,500,988.

**TRUE NORTH COMMONS BUSINESS IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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 noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate risk, and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless 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 United States, certain U.S. government agency securities, and securities of the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Certain certificates of participation
- . Certain securities lending agreements
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- * Certain money market funds
- . Guaranteed investment contracts
- * Local government investment pools

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

| <u>Investment</u> | <u>Maturity</u> | <u>Amount</u> |
|----------------------------------|------------------|----------------------|
| Colorado Local Government | Weighted-Average | |
| Liquid Asset Trust (COLOTRUST) | Under 60 Days | \$ 3,480,131 |
| U.S. Treasury Money Market Funds | Weighted-Average | |
| | Under 60 Days | 26,881,140 |
| | | <u>\$ 30,361,271</u> |

**TRUE NORTH COMMONS BUSINESS IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust currently offers three portfolios – COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE.

COLOTRUST PRIME and COLOTRUST PLUS+, which operate similarly to a money market fund and each share is equal in value to \$1.00, offer daily liquidity. Both portfolios may invest in U.S. Treasury securities 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 any security allowed under CRS 24-75-601.

COLOTRUST EDGE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$10.00 transactional share price. COLOTRUST EDGE may invest in securities authorized by Section 24-75-601.1, C.R.S., including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, and highest rated commercial paper.

A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST PRIME and COLOTRUST PLUS+ are rated AAAM by Standard & Poor's. COLOTRUST EDGE is rated AAAs/S1 by Fitch Ratings. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily or weekly, and there is no redemption notice period.

Federated Treasury Money Market Fund

The debt service and capital project money that is included in the trust accounts at BOK Financial is invested in the Federated Treasury Obligations Fund. This portfolio is a money market mutual fund which invests in U.S. Treasury obligations, which are fully guaranteed as to principal and interest by the United States, with maturities of 13 months or less and repurchase agreements collateralized by U.S. Treasury obligations. The Federated Treasury Obligation Fund is rated AAAM by Standard & Poor's.

**TRUE NORTH COMMONS BUSINESS IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 4 CAPITAL ASSETS

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

| | Balance at December 31, 2022 | Increases | Decreases | Balance at December 31, 2023 |
|--|------------------------------------|--------------------------|-----------------|------------------------------------|
| Governmental Activities: | | | | |
| Capital Assets, Not Being Depreciated: | | | | |
| Construction in Progress | \$ 18,039,732 | \$ 39,928,128 | \$ - | \$ 57,967,860 |
| Total Capital Assets, Not Being Depreciated | <u>18,039,732</u> | <u>39,928,128</u> | <u>-</u> | <u>57,967,860</u> |
| Governmental Activities Capital Assets | <u>\$ 18,039,732</u> | <u>\$ 39,928,128</u> | <u>\$ -</u> | <u>\$ 57,967,860</u> |

NOTE 5 LONG-TERM OBLIGATIONS

The following is an analysis of changes in the District's long-term obligations for the year ended December 31, 2023:

| | Balance at December 31, 2022 | Additions | Reductions | Balance at December 31, 2023 | Due Within One Year |
|--|------------------------------------|-------------------------|-----------------------|------------------------------------|---------------------------|
| Bonds Payable: | | | | | |
| Special Revenues Bonds Series 2022A | \$ 7,695,000 | \$ - | \$ - | \$ 7,695,000 | \$ - |
| Special Revenues Bonds Series 2022B | 54,370,000 | - | - | 54,370,000 | - |
| Special Revenues Bonds Series 2022C | 24,275,000 | - | - | 24,275,000 | - |
| Accrued Interest Series 2022C | - | 3,744,678 | 170,382 | 3,574,296 | - |
| Bond Premium - Series 2022A | 120,136 | - | 4,672 | 115,464 | - |
| Bonds Payable Subtotal | <u>86,460,136</u> | <u>3,744,678</u> | <u>175,054</u> | <u>90,029,760</u> | <u>-</u> |
| Notes/Loans/Bonds from Direct Borrowings and Direct Placements: | | | | | |
| Developer Advance - Operating | 85,000 | 100,000 | - | 185,000 | - |
| Accrued Interest on: Developer Advance - Operating | 1,987 | 9,352 | - | 11,339 | - |
| Loans and Notes Payable Subtotal | <u>86,987</u> | <u>109,352</u> | <u>-</u> | <u>196,339</u> | <u>-</u> |
| Total Long-Term Obligations | <u>\$ 86,547,123</u> | <u>\$ 3,854,030</u> | <u>\$ 175,054</u> | <u>\$ 90,226,099</u> | <u>\$ -</u> |

The details of the District's long-term obligations are as follows:

**TRUE NORTH COMMONS BUSINESS IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Revenue Bonds

Special Revenue Bonds, Series 2022A (the Series 2022A Bonds); Special Revenue Bonds, Taxable Series 2022B (the Series 2022B Taxable Bonds and together with the Series 2022A Bonds, the Senior Bonds); and Subordinate Special Revenue Bonds, Series 2022C (the Subordinate Bonds and together with the Senior Bonds, the Bonds). The District issued the Bonds on January 31, 2022, in the amounts of \$7,695,000, \$54,370,000, and \$24,275,000 for the Series 2022A Bonds, the Series 2022B Taxable Bonds, and the Subordinate Bonds, respectively.

Proceeds of the Bonds

Proceeds from the sale of the Senior Bonds were used for the purposes of:

- (a) paying a portion of the Project Costs;
- (b) funding the Reserve Fund to the Reserve Requirement;
- (c) partially funding the Surplus Fund;
- (d) funding capitalized interest; and
- (e) paying the costs of issuance of the Senior Bonds.

Proceeds from the sale of the Subordinate Bonds were used for the purpose of paying a portion of the Project Costs and paying the costs of issuance of the Subordinate Bonds.

Senior Bonds Details

The Series 2022A Bonds bear interest at 5.00% and the Series 2022B Taxable Bonds bear interest at rates ranging from 6.00% to 7.00%. Interest on the Senior Bonds are payable semi-annually on June 1 and December 1, beginning on June 1, 2022. Principal payments on the Senior Bonds are due annually on each December 1, beginning on December 1, 2042 for the Series 2022A Bonds and on December 1, 2026 for the Series 2022B Taxable Bonds. The Senior Bonds mature on December 1, 2052.

To the extent principal of any Senior Bond is not paid when due, such principal shall remain outstanding until paid. To the extent interest on any Senior Bond is not paid when due, such interest shall compound semiannually on each interest payment date, at the rate then borne by the Senior Bond.

The Senior Bonds are not subject to early termination and may be subject to acceleration pursuant to mandatory extraordinary redemption provisions as described in the Indenture. Acceleration of the Senior Bonds shall not be an available remedy for an Event of Default.

The Senior Bonds do not have any unused lines of credit and no assets have been pledged as collateral to the Senior Bonds.

**TRUE NORTH COMMONS BUSINESS IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Revenue Bonds (Continued)

Events of Default of the Senior Bonds

Events of default occur if the District fails to impose the District Debt Service Mill Levy, or to apply the Senior Pledged Revenues as required by the Senior Indenture and does not comply with other customary terms and conditions consistent with normal municipal financing as described in the Senior Indenture. As of December 31, 2023, the District was not in default.

Optional Redemption of the Bonds

The Bonds are subject to redemption prior to maturity, at the option of the District, on December 1, 2026, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed as follows:

| Date of Redemption | Redemption Premium |
|--|-----------------------|
| December 1, 2026, to November 30, 2027 | 3.00 % |
| December 1, 2027, to November 30, 2028 | 2.00 |
| December 1, 2028, to November 30, 2029 | 1.00 |
| December 1, 2029, and thereafter | 0.00 |

Senior Pledged Revenue

The Senior Bonds are secured by and payable solely from and to the extent of Senior Pledged Revenue derived by the District from the following sources:

- (a) Revenues derived from the District Debt Service Mill Levy;
- (b) Specific Ownership Tax which is collected as a result of the imposition of the District Debt Service Mill Levy;
- (c) Add-On PIF Revenues;
- (d) Colorado Springs Urban Renewal Authority (the Authority) Pledged Revenues, including Pledged Property Tax Increment Revenues, Pledged Sales Tax Increment Revenues, Dedicated State Sales Tax Increment Revenues, County Sales Tax Increment Revenues, and Use Tax Increment Revenues;
- (e) PILOT Revenues: and
- (f) any other legally available amounts which the District determines to credit to the Revenue Fund.

District Debt Service Mill Levy

The District Debt Service Mill Levy is an ad valorem mill levy imposed upon all taxable property of the District each year in the amount of 50 mills, net of the costs of collection and any tax refunds or abatements authorized by or on behalf of El Paso County.

TRUE NORTH COMMONS BUSINESS IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Revenue Bonds (Continued)

Reserve Fund

The Senior Bonds are additionally secured by the Reserve Fund, which will initially be funded with proceeds of the Senior Bonds in the amount of the initial Reserve Requirement of \$5,853,256.

The Reserve Requirement is an amount equal to the least of (a) 10% of the proceeds of the Senior Bonds, (b) 125% of the average annual debt service requirements of the Senior Bonds or (c) 100% of the maximum annual debt service requirements of the Senior Bonds. The Reserve Requirement amount is recalculated as principal payments on the Senior Bonds are made.

Amounts on deposit in the Reserve Fund on the final maturity date of the Bonds are to be applied to the payment of the Bonds on such date.

Moneys 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 Senior Bonds. The Reserve Fund is pledged to the payment of the Senior Bonds.

Surplus Fund

The Senior Bonds are also secured by the Surplus Fund which was partially funded in the amount of the initial deposit of \$2,600,000 from proceeds of the Series 2022B Taxable Bonds. In addition to the initial deposit to the Surplus Fund, Senior Pledged Revenue that is not needed to pay debt service of the Senior Bonds in any year will be deposited to and held in the Surplus Fund, up to the Surplus Fund Maximum Amount of \$5,200,000. The Surplus Fund is to be maintained for so long as any Senior Bond is outstanding and is pledged to the payment of the Senior Bonds.

Subordinate Bonds Details

The Subordinate Bonds bear interest at a rate of 7.75% per annum payable annually on December 15, to the extent of available Subordinate Pledged Revenue. The Subordinate Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal or interest. Unpaid interest on the Subordinate Bonds compounds annually on each December 15.

In the event that any amount of principal or interest on the Bonds remains unpaid after the application of all Subordinate Pledged Revenue on December 16, 2061, the Subordinate Bonds and the lien of the Subordinate Indenture securing payment thereof will be deemed discharged.

The Subordinate Bonds may be subject to acceleration pursuant to mandatory extraordinary redemption provisions as described in the Indenture. Acceleration of the Subordinate Bonds shall not be an available remedy for an Event of Default.

The Subordinate Bonds do not have any unused lines of credit and no assets have been pledged as collateral on the Subordinate Bonds.

**TRUE NORTH COMMONS BUSINESS IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Revenue Bonds (Continued)

Events of Default of the Subordinate Bonds

Events of default occur if the District fails to impose the District Debt Service Mill Levy, or to apply the Subordinate Pledged Revenues as required by the Subordinate Indenture and does not comply with other customary terms and conditions consistent with normal municipal financing as described in the Subordinate Indenture. As of December 31, 2023, the District was not in default.

Subordinate Bonds Pledged Revenue

The Subordinate Bonds are secured by and payable solely from and to the extent of Subordinate Pledged Revenue which means:

- (a) the Pledged Revenue remaining after all payments and deposits required by the Senior Indenture have been made or provided for in each year;
- (b) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Subordinate Bond Fund.

The District's bonds mature as follows:

| Year Ending December 31, | Bonded Debt | | Total |
|-----------------------------|----------------------|----------------------|-----------------------|
| | Principal | Interest | |
| 2024 | \$ - | \$ 4,094,725 | \$ 4,094,725 |
| 2025 | - | 4,094,725 | 4,094,725 |
| 2026 | 655,000 | 4,094,725 | 4,749,725 |
| 2027 | 680,000 | 4,055,425 | 4,735,425 |
| 2028 | 855,000 | 4,014,625 | 4,869,625 |
| 2029-2033 | 7,200,000 | 19,016,750 | 26,216,750 |
| 2034-2038 | 11,765,000 | 15,861,800 | 27,626,800 |
| 2039-2043 | 16,550,000 | 11,414,125 | 27,964,125 |
| 2044-2048 | 12,210,000 | 6,159,700 | 18,369,700 |
| 2049-2052 | 12,150,000 | 2,003,350 | 14,153,350 |
| Total | <u>\$ 62,065,000</u> | <u>\$ 74,809,950</u> | <u>\$ 136,874,950</u> |

**TRUE NORTH COMMONS BUSINESS IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Authorized Debt

At an election held on November 6, 2018, the eligible electors of the District voting at such Election authorized the issuance of a total of \$565,000,000 of indebtedness for various categories of capital expenditures and services, plus additional authorization in the amount of \$150,000,000 for refunding purposes, as more fully set forth below.

| | Amount Authorized on November 6, 2018 Election | Authorization Used Series 2022 Bonds | Authorized But Unused |
|---------------------------------------|---|---|-----------------------------|
| Revenue Debt | \$ 50,000,000 | \$ - | \$ 50,000,000 |
| Water | 50,000,000 | - | 50,000,000 |
| Sanitation | 50,000,000 | - | 50,000,000 |
| Streets | 50,000,000 | - | 50,000,000 |
| Traffic and Safety | 50,000,000 | - | 50,000,000 |
| Parks and Recreation | 50,000,000 | - | 50,000,000 |
| Transportation | 50,000,000 | - | 50,000,000 |
| Dry Utilities | 50,000,000 | - | 50,000,000 |
| Mosquito | 5,000,000 | - | 5,000,000 |
| Security Services and Improvements | 50,000,000 | - | 50,000,000 |
| Business Recruitment | 50,000,000 | - | 50,000,000 |
| Operations and Maintenance | 10,000,000 | - | 10,000,000 |
| Refunding | 150,000,000 | - | 150,000,000 |
| Reimbursement Agreements | 50,000,000 | - | 50,000,000 |
| Series 2022A Bonds* | - | 7,695,000 | (7,695,000) |
| Series 2022B Bonds* | - | 54,370,000 | (54,370,000) |
| Series 2022C Bonds* | - | 24,275,000 | (24,275,000) |
| Total | <u>\$ 715,000,000</u> | <u>\$ 86,340,000</u> | <u>\$ 628,660,000</u> |

* Will be allocated to authorized categories when projects are completed.

As set forth in the District's 2019 Operating Plan, the City has limited the amount of debt to be issued by the District to a total of \$80,000,000 without further approval by the City.

Developer Advances

The District has entered into Funding and Reimbursement Agreements with the Developer as follows:

Operations and Administrative Reimbursement Agreement

On December 19, 2018, the District entered into an Operations and Administrative Reimbursement Agreement to repay advances made by the Developer for operations and maintenance (O&M) and administrative costs. The District agreed to repay the Developer for such advances plus accrued interest at the rate of 7.00% beginning on the date of the advance to the date of repayment. This agreement terminates on January 1, 2029. As of December 31, 2023, outstanding Developer advances under the agreement totaled \$185,000 and accrued interest totaled \$11,339 .

**TRUE NORTH COMMONS BUSINESS IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Developer Advances (Continued)

Facilities Funding and Acquisition Agreement

On December 19, 2018, the District entered into a Facilities Funding and Acquisition Agreement to repay advances or costs incurred by the Developer for capital infrastructure costs. The District has agreed to repay the Developer for such advances or improvements plus accrued interest at the rate of 8.00% from the date of the expenditure through the date of repayment. The repayment is anticipated to come from future bond issuances of the District. This agreement terminates on December 31, 2048, unless terminated earlier by the mutual written agreement of the parties. Any amount of principal and accrued interest outstanding at such time shall be deemed to be forever discharged and satisfied in full. As of December 31, 2023, no outstanding Developer advances were due under this agreement.

NOTE 6 NET POSITION

The District has net position consisting of two components – restricted and unrestricted.

Restricted net position includes assets that are restricted for use either externally 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 restricted net position as of December 31, 2023 as follows:

| | Governmental Activities |
|-------------------------------|----------------------------|
| Restricted Net Position: | |
| Debt Service Reserve | \$ 5,312,127 |
| Total Restricted Net Position | \$ 5,312,127 |

The District's unrestricted net position as of December 31, 2023 is \$(10,937,482). This deficit amount is a result of the District being responsible for the repayment of developer advances received for operations and developer advances received for capital and bonds issued for public improvements.

NOTE 7 RELATED PARTIES

The Developer of the property which constitutes the District is Blue & Silver Development Partners, LLC. Certain members of the Board of Directors are officers of, employees of, or associated with the Developer and may have conflicts of interest in dealing with the District.

The Developer advanced funds to the District pursuant to following agreements (see Note 5 Long-Term Obligations):

**TRUE NORTH COMMONS BUSINESS IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 7 RELATED PARTIES (CONTINUED)

Operation Fund Agreement

- Purpose: To pay general, administrative, operations and maintenance costs of the District.
- Parties: The District and Blue & Silver Development Partners, LLC
- Effective Date: December 19, 2018
- Termination Date: January 1, 2029
- Interest Rate: 7.00% per annum from date of deposit
- Principal Balance at December 31, 2023: \$185,000
- Accrued Interest Balance at December 31, 2023: \$11,339

Facilities Acquisition and Reimbursement Agreement

- Purpose: To fund public improvements within the District.
- Parties: The District and Blue & Silver Development Partners, LLC
- Effective Date: December 19, 2018
- Termination Date: December 31, 2048
- Interest Rate: 8.00% per annum from date of deposit
- As of December 31, 2023, no outstanding balances are due under this agreement

NOTE 8 ECONOMIC DEPENDENCY

The District has not yet established a revenue base sufficient to pay operational expenditures. Until an independent revenue base is established, continuation of operations in the District will be dependent upon funding by the Developer.

NOTE 9 AGREEMENTS AND COMMITMENTS

Redevelopment Agreement

As amended and restated on August 1, 2021, the District entered into an Urban Renewal Agreement for Redevelopment of the area defined in the Urban Renewal Plan (Agreement) with the Developer and Colorado Springs Urban Renewal Authority (Authority). The purposes of this agreement are to renew and improve the environment, enhance the current sales tax base and property tax base, effectively use undeveloped land and promote improved traffic, public transportation, public utilities, and community facilities within the Project Area. In order to facilitate the funding by the District, the Authority agrees to remit, on a monthly basis, all District Property Tax Increment Revenues, to the extent the Authority receives the same from the County. The District agrees to use all District Property Tax Increment Revenues to fund costs related to the redevelopment of the Project Area, as described in further detail in the Cooperation Agreement. Furthermore, an administrative fee in the amount of \$60,000 escalating 2% annually per year, if not reimbursed from other sources, shall be retained annually by the Authority from District Property Tax Increment Revenues.

**TRUE NORTH COMMONS BUSINESS IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 9 AGREEMENTS AND COMMITMENTS (CONTINUED)

Pledge Agreement

On February 12, 2020, the District and the Authority have entered into a Pledge Agreement (Pledge Agreement) whereby the Authority agreed to remit to the District, or as otherwise directed by the District, all revenues comprising the Authority Pledged Revenues (as defined in the Pledge Agreement). Such Authority Pledged Revenues include, but are not limited to, the Pledged Revenues described in this Agreement. To the extent conflict may exist between the Pledge Agreement and this Agreement relative to the District and the Pledged Revenues, the Pledge Agreement shall control.

District Sublease

During 2020, the District entered into a District Sublease with the Developer, pursuant to which the District will construct the Visitor's Center, among other things. The District agrees to construct the Visitor's Center in accordance with the requirements of the Resolution and the District Sublease. The Parties acknowledge that the District Sublease requires, among other things, that upon substantial completion of the construction of the Visitor's Center, the District is obligated to transfer the Visitor's Center to the Lessor and that upon such transfer the District Sublease will terminate.

Funding Agreement

On May 31, 2023, the District and the Air Force Academy Foundation (Foundation) entered into a Funding Agreement (Funding Agreement) whereby the Foundation agreed to contribute a maximum of \$1,000,000 to the District for the payment of Design and Other Soft Costs and for construction of the Tenant Improvements (as defined in the Funding Agreement). At the conclusion of the construction of the Tenant Improvements and the transfer of the Visitors Center to the United States Air Force, the District shall return any funds remaining in the Foundation District Account to the Foundation. Upon transfer of the Visitors Center to the United States Air Force Academy, the District, at its discretion may determine what, if any, contingency funds it has available and whether it desires to apply any portion of such funds towards the costs of the Tenant Improvements and based on such determination, the District may reimburse the Foundation for some portion of the Foundation Contribution.

Electric Extension and Revenue Guarantee Agreement

On May 19, 2023, the District and Colorado Springs Utilities (Utilities) entered into an Electric Extension and Revenue Guarantee Agreement (Agreement) whereby the District has agreed to provide financial assurances to permit Utilities to commence construction of the electric line extension (project) required to serve the District. These assurances include a \$1,550,000 deposit prior to commencement of construction and a 5-year Revenue Guarantee (Guarantee) starting on the date that electrical service is available to the district property. The Guarantee provides that the annual revenue received by Utilities shall meet the annual guaranteed minimum revenue. This agreement shall terminate upon the earlier of the cumulative annual revenue exceeding the actual project cost or the 5-year anniversary of the start of service.

**TRUE NORTH COMMONS BUSINESS IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 10 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 (the 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.

NOTE 11 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.

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.

At an election held on November 6, 2018, the voters approved an annual increase in taxes of up to \$10,000,000 at a mill levy rate without limitation or with such limitations as may be determined by the board for the purpose of the District's operations, maintenance, and other expenses. The election also allows the District to retain all revenues without regard to the limitations contained in Article X, Section 20 of the Colorado constitution.

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.

**TRUE NORTH COMMONS BUSINESS IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 12 COMMITMENTS AND CONTINGENCIES

Construction Commitments

As of December 31, 2023, the District had unexpended construction related contract commitments of approximately \$14,999,970.

SUPPLEMENTARY INFORMATION

**TRUE NORTH COMMONS BUSINESS IMPROVEMENT DISTRICT
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
DECEMBER 31, 2023**

| | Budget | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|-----------------------------------|-----------------------------|-----------------------------|-----------------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| City Sales Tax Revenue | \$ 140,373 | \$ 140,373 | \$ - | \$ (140,373) |
| County Sales Tax Revenue | 70,187 | 70,187 | - | (70,187) |
| Interest Income | 201,500 | 201,500 | 273,788 | 72,288 |
| RTA Funds | 461,191 | 461,191 | 1,194,774 | 733,583 |
| PIF Revenue | 301,085 | 301,085 | - | (301,085) |
| Total Revenues | <u>1,174,336</u> | <u>1,174,336</u> | <u>1,468,562</u> | <u>294,226</u> |
| EXPENDITURES | | | | |
| URA Admin Fee | 63,673 | 63,673 | 63,673 | - |
| Legal | - | - | 1,078 | (1,078) |
| PIF Collection Fees | 10,100 | 10,100 | - | 10,100 |
| Paying Agent Fees | 5,000 | 5,000 | 3,500 | 1,500 |
| Bond Interest | 4,094,726 | 4,265,108 | 4,265,107 | 1 |
| Contingency | 6,501 | 6,501 | - | 6,501 |
| Total Expenditures | <u>4,180,000</u> | <u>4,350,382</u> | <u>4,333,358</u> | <u>17,024</u> |
| NET CHANGE IN FUND BALANCE | (3,005,664) | (3,176,046) | (2,864,796) | 311,250 |
| Fund Balance - Beginning of Year | <u>16,047,957</u> | <u>16,047,957</u> | <u>16,828,235</u> | <u>780,278</u> |
| FUND BALANCE - END OF YEAR | <u><u>\$ 13,042,293</u></u> | <u><u>\$ 12,871,911</u></u> | <u><u>\$ 13,963,439</u></u> | <u><u>\$ 1,091,528</u></u> |

**TRUE NORTH COMMONS BUSINESS IMPROVEMENT DISTRICT
CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
DECEMBER 31, 2023**

| | Budget Original and Final | Actual Amounts | Variance with Final Budget Positive (Negative) |
|-----------------------------------|------------------------------|----------------------|---|
| REVENUES | | | |
| Contributions | \$ - | \$ 1,000,000 | \$ 1,000,000 |
| Interest Income | 383,000 | 270,103 | (112,897) |
| Total Revenues | <u>383,000</u> | <u>1,270,103</u> | <u>887,103</u> |
| EXPENDITURES | | | |
| Accounting | 60,000 | 35,394 | 24,606 |
| Legal | 40,000 | 26,307 | 13,693 |
| Capital Outlay | 43,689,492 | 39,928,128 | 3,761,364 |
| Total Expenditures | <u>43,789,492</u> | <u>39,989,829</u> | <u>3,799,663</u> |
| NET CHANGE IN FUND BALANCE | (43,406,492) | (38,719,726) | 4,686,766 |
| Fund Balance - Beginning of Year | <u>47,406,492</u> | <u>51,725,526</u> | <u>4,319,034</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 4,000,000</u> | <u>\$ 13,005,800</u> | <u>\$ 9,005,800</u> |

OTHER INFORMATION

**TRUE NORTH COMMONS BUSINESS IMPROVEMENT DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2023**

| Bonds and Interest Maturing in the Year Ending December 31, | \$7,695,000 Special Revenue Bonds Interest Rate 5.000% Series 2022A Dated January 31, 2022 Interest Payable June 1 and December 1 Principal Payable December 1 | | | \$54,370,000 Special Revenue Bonds Interest Rate 6.000% - 7.000% Series 2022B Dated January 31, 2022 Interest payable June 1 and December 1 Principal payable December 1 | | |
|---|---|---------------------|----------------------|---|----------------------|-----------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2024 | \$ - | \$ 384,750 | \$ 384,750 | \$ - | \$ 3,709,975 | \$ 3,709,975 |
| 2025 | - | 384,750 | 384,750 | - | 3,709,975 | 3,709,975 |
| 2026 | - | 384,750 | 384,750 | 655,000 | 3,709,975 | 4,364,975 |
| 2027 | - | 384,750 | 384,750 | 680,000 | 3,670,675 | 4,350,675 |
| 2028 | - | 384,750 | 384,750 | 855,000 | 3,629,875 | 4,484,875 |
| 2029 | - | 384,750 | 384,750 | 1,015,000 | 3,578,575 | 4,593,575 |
| 2030 | - | 384,750 | 384,750 | 1,220,000 | 3,516,138 | 4,736,138 |
| 2031 | - | 384,750 | 384,750 | 1,415,000 | 3,433,787 | 4,848,787 |
| 2032 | - | 384,750 | 384,750 | 1,660,000 | 3,338,275 | 4,998,275 |
| 2033 | - | 384,750 | 384,750 | 1,890,000 | 3,226,225 | 5,116,225 |
| 2034 | - | 384,750 | 384,750 | 2,150,000 | 3,098,650 | 5,248,650 |
| 2035 | - | 384,750 | 384,750 | 2,395,000 | 2,953,525 | 5,348,525 |
| 2036 | - | 384,750 | 384,750 | 2,515,000 | 2,791,863 | 5,306,863 |
| 2037 | - | 384,750 | 384,750 | 2,225,000 | 2,622,100 | 4,847,100 |
| 2038 | - | 384,750 | 384,750 | 2,480,000 | 2,471,912 | 4,951,912 |
| 2039 | - | 384,750 | 384,750 | 2,715,000 | 2,304,513 | 5,019,513 |
| 2040 | - | 384,750 | 384,750 | 3,005,000 | 2,121,250 | 5,126,250 |
| 2041 | - | 384,750 | 384,750 | 3,280,000 | 1,918,412 | 5,198,412 |
| 2042 | 600,000 | 384,750 | 984,750 | 3,020,000 | 1,692,550 | 4,712,550 |
| 2043 | 600,000 | 354,750 | 954,750 | 3,330,000 | 1,483,650 | 4,813,650 |
| 2044 | 600,000 | 324,750 | 924,750 | 2,955,000 | 1,250,550 | 4,205,550 |
| 2045 | 600,000 | 294,750 | 894,750 | 1,280,000 | 1,043,700 | 2,323,700 |
| 2046 | 600,000 | 264,750 | 864,750 | 1,465,000 | 954,100 | 2,419,100 |
| 2047 | 600,000 | 234,750 | 834,750 | 1,650,000 | 851,550 | 2,501,550 |
| 2048 | 600,000 | 204,750 | 804,750 | 1,860,000 | 736,050 | 2,596,050 |
| 2049 | 600,000 | 174,750 | 774,750 | 2,070,000 | 605,850 | 2,675,850 |
| 2050 | 600,000 | 144,750 | 744,750 | 2,315,000 | 460,950 | 2,775,950 |
| 2051 | 600,000 | 114,750 | 714,750 | 2,575,000 | 298,900 | 2,873,900 |
| 2052 | 1,695,000 | 84,750 | 1,779,750 | 1,695,000 | 118,650 | 1,813,650 |
| Total | \$ 7,695,000 | \$ 9,507,750 | \$ 17,202,750 | \$ 54,370,000 | \$ 65,302,200 | \$ 119,672,200 |

**TRUE NORTH COMMONS BUSINESS IMPROVEMENT DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2023**

| Bonds and Interest Maturing in the Year Ending December 31, | Total Debt Payable June 1 and December 1 Principal due December 1 | | |
|---|---|----------------------|-----------------------|
| | Principal | Interest | Total |
| | Principal | Interest | Total |
| 2024 | \$ - | \$ 4,094,725 | \$ 4,094,725 |
| 2025 | - | 4,094,725 | 4,094,725 |
| 2026 | 655,000 | 4,094,725 | 4,749,725 |
| 2027 | 680,000 | 4,055,425 | 4,735,425 |
| 2028 | 855,000 | 4,014,625 | 4,869,625 |
| 2029 | 1,015,000 | 3,963,325 | 4,978,325 |
| 2030 | 1,220,000 | 3,900,888 | 5,120,888 |
| 2031 | 1,415,000 | 3,818,537 | 5,233,537 |
| 2032 | 1,660,000 | 3,723,025 | 5,383,025 |
| 2033 | 1,890,000 | 3,610,975 | 5,500,975 |
| 2034 | 2,150,000 | 3,483,400 | 5,633,400 |
| 2035 | 2,395,000 | 3,338,275 | 5,733,275 |
| 2036 | 2,515,000 | 3,176,613 | 5,691,613 |
| 2037 | 2,225,000 | 3,006,850 | 5,231,850 |
| 2038 | 2,480,000 | 2,856,662 | 5,336,662 |
| 2039 | 2,715,000 | 2,689,263 | 5,404,263 |
| 2040 | 3,005,000 | 2,506,000 | 5,511,000 |
| 2041 | 3,280,000 | 2,303,162 | 5,583,162 |
| 2042 | 3,620,000 | 2,077,300 | 5,697,300 |
| 2043 | 3,930,000 | 1,838,400 | 5,768,400 |
| 2044 | 3,555,000 | 1,575,300 | 5,130,300 |
| 2045 | 1,880,000 | 1,338,450 | 3,218,450 |
| 2046 | 2,065,000 | 1,218,850 | 3,283,850 |
| 2047 | 2,250,000 | 1,086,300 | 3,336,300 |
| 2048 | 2,460,000 | 940,800 | 3,400,800 |
| 2049 | 2,670,000 | 780,600 | 3,450,600 |
| 2050 | 2,915,000 | 605,700 | 3,520,700 |
| 2051 | 3,175,000 | 413,650 | 3,588,650 |
| 2052 | 3,390,000 | 203,400 | 3,593,400 |
| Total | \$ 62,065,000 | \$ 74,809,950 | \$ 136,874,950 |