

ONE HORSE
BUSINESS IMPROVEMENT DISTRICT

Financial Statements and
Independent Auditors' Report

December 31, 2023

ONE HORSE BUSINESS IMPROVEMENT DISTRICT

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December 31, 2023

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Green & Associates LLC

Certified Public Accountants & Business Consultants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
One Horse Business Improvement District

Opinions

We have audited the accompanying financial statements of the governmental activities and the major funds of One Horse Business Improvement District as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise One Horse Business Improvement 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 the major funds of One Horse 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. 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 One Horse Business Improvement 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 opinion.

Responsibilities of Management for the Financial Statements

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

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 One Horse Business Improvement 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 opinion. 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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 generally accepted auditing standards, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures of 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 One Horse Business Improvement 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 One Horse Business Improvement 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.

Required Supplementary Information

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

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise One Horse Business Improvement District's financial statements as a whole. The other supplemental information which includes the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual Debt Service Fund, as listed in the table of contents are presented for purposes of additional analysis and is not a required part of the financial statements. The other supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Fort Collins, Colorado
September 26, 2024

One Horse Business Improvement District
GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET POSITION
As of December 31, 2023

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS					
Cash and investments	\$ 1,220,171	\$ 234,711	\$ 1,454,882	\$ -	\$ 1,454,882
Cash and investments - restricted	-	2,159,775	2,159,775	-	2,159,775
Sales taxes receivable	485,787	-	485,787	-	485,787
Prepaid insurance	3,098	-	3,098	-	3,098
Due from other districts	505,500	-	505,500	-	505,500
Capital assets, net	-	-	-	623,840	623,840
Total Assets	<u>2,214,556</u>	<u>2,394,486</u>	<u>4,609,042</u>	<u>623,840</u>	<u>5,232,882</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding	-	-	-	37,372	37,372
Total Deferred Outflows of Resources	-	-	-	37,372	37,372
Total Assets and Deferred Outflows of Resources	<u>\$ 2,214,556</u>	<u>\$ 2,394,486</u>	<u>\$ 4,609,042</u>	<u>\$ 661,212</u>	<u>\$ 5,270,254</u>
LIABILITIES					
Accounts payable	\$ 4,308	\$ -	\$ 4,308	\$ -	\$ 4,308
Accrued interest on bonds	-	-	-	20,188	20,188
Bonds payable					
Due within one year	-	-	-	805,000	805,000
Due in more than one year	-	-	-	3,635,000	3,635,000
Total Liabilities	<u>4,308</u>	<u>-</u>	<u>4,308</u>	<u>4,460,188</u>	<u>4,464,496</u>
FUND BALANCES/NET POSITION					
Fund Balances:					
Nonspendable:					
Prepaid expenses	3,098	-	3,098	(3,098)	-
Restricted:					
Emergencies	68,230	-	68,230	(68,230)	-
Debt service	-	2,394,486	2,394,486	(2,394,486)	-
Unassigned	<u>2,138,920</u>	<u>-</u>	<u>2,138,920</u>	<u>(2,138,920)</u>	<u>-</u>
Total Fund Balances	<u>2,210,248</u>	<u>2,394,486</u>	<u>4,604,734</u>	<u>(4,604,734)</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 2,214,556</u>	<u>\$ 2,394,486</u>	<u>\$ 4,609,042</u>	<u>\$ (144,546)</u>	<u>\$ 4,464,496</u>
Net Position:					
Net investment in capital assets				(3,778,788)	(3,778,788)
Restricted for:					
Emergencies				68,230	68,230
Debt service				2,394,486	2,394,486
Unrestricted				<u>2,121,830</u>	<u>2,121,830</u>
Total net position				<u>\$ 805,758</u>	<u>\$ 805,758</u>

The notes to the financial statements and independent auditors' report are an integral part of these statements.

One Horse Business Improvement District
STATEMENT OF GOVERNMENTAL FUNDS REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2023

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES					
Operations and Management	\$ 1,281,441	\$ -	\$ 1,281,441	\$ -	\$ 1,281,441
Depreciation	-	-	-	249,539	249,539
Debt Service:					
Principal	-	570,000	570,000	(570,000)	-
Interest	-	283,500	283,500	7,106	290,606
Paying agent fees	-	8,750	8,750	-	8,750
Total Expenditures	<u>1,281,441</u>	<u>862,250</u>	<u>2,143,691</u>	<u>(313,355)</u>	<u>1,830,336</u>
GENERAL REVENUES					
Sales tax revenue	2,273,078	-	2,273,078	-	2,273,078
Interest income	1,271	96,819	98,090	-	98,090
Total General Revenues	<u>2,274,349</u>	<u>96,819</u>	<u>2,371,168</u>	<u>-</u>	<u>2,371,168</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	992,908	(765,431)	227,477	313,355	540,832
OTHER FINANCING SOURCES (USES)					
Transfers in (out)	(939,950)	939,950	-	-	-
Total Other Financing Sources (Uses)	<u>(939,950)</u>	<u>939,950</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCES					
	52,958	174,519	227,477	(227,477)	
CHANGE IN NET POSITION					
				540,832	540,832
FUND BALANCES/NET POSITION:					
BEGINNING OF YEAR	<u>2,157,290</u>	<u>2,219,967</u>	<u>4,377,257</u>	<u>(4,112,331)</u>	<u>264,926</u>
END OF YEAR	<u>\$ 2,210,248</u>	<u>\$ 2,394,486</u>	<u>\$ 4,604,734</u>	<u>\$ (3,798,976)</u>	<u>\$ 805,758</u>

The notes to the financial statements and independent auditors' report are an integral part of these statements.

One Horse 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 Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Sales tax revenue	\$ 2,000,000	\$ 2,000,000	\$ 2,273,078	\$ 273,078
Interest income	500	500	1,271	771
Total Revenues	<u>2,000,500</u>	<u>2,000,500</u>	<u>2,274,349</u>	<u>273,849</u>
EXPENDITURES				
Operations and Management	<u>1,130,300</u>	<u>1,300,000</u>	<u>1,281,441</u>	<u>18,559</u>
Total Expenditures	<u>1,130,300</u>	<u>1,300,000</u>	<u>1,281,441</u>	<u>18,559</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	870,200	700,500	992,908	292,408
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>(939,950)</u>	<u>60,050</u>
Total Other Financing Sources (Uses)	<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>(939,950)</u>	<u>60,050</u>
NET CHANGE IN FUND BALANCE	(129,800)	(299,500)	52,958	352,458
FUND BALANCE:				
BEGINNING OF YEAR	1,783,550	1,783,550	2,157,290	373,740
END OF YEAR	<u>\$ 1,653,750</u>	<u>\$ 1,484,050</u>	<u>\$ 2,210,248</u>	<u>\$ 726,198</u>

The notes to the financial statements and independent auditors' report are an integral part of these statements.

ONE HORSE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 1 – REPORTING ENTITY

Organization

One Horse Business Improvement District (District) was formed August 26, 2002, pursuant to approval of an ordinance by the City Council of the City of Lakewood. The District is a separate legal entity authorized in accordance with Part 12, Article 25, Title 31 of the Colorado Revised Statutes, and all other statutes of the State of Colorado amendatory thereof or supplement thereto. The District was formed for the purpose of financing, operating, and maintaining a variety of public improvements within the service area of the district which may include transportation and drainage improvements, and any other improvements dedicated to or used for public purposes.

Funds to construct facilities and provide services are to be financed primarily through the issuance of revenue bonds. Sales tax revenues, received pursuant to revenue sharing agreements with the City of Lakewood, are the primary source of revenue of the District and have been fully pledged for bond debt service.

The District has no employees and contracts for all its management and administrative services.

Definition of Reporting Entity

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.

As of December 31, 2023, no component unit has been identified as reportable to the District, nor is the District a component unit of any other primary governmental entity.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States (US GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

ONE HORSE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 2 – MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

Basis of Presentation

The accompanying financial statements are presented in accordance with GASB Statement No. 34 – Special Purpose Governments.

Measurement Focus – Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Governmental Fund financial statements are reported using the *current financial resources measurement focus* and the *modified 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 the purpose, the Government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

The government reports the following major governmental funds:

General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

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

Budgets

Each October 15th, the District is required to submit a budget for the fiscal year commencing the following January 1st. The operating budget includes proposed expenditures and the means for financing them. Public hearings are conducted at the District to obtain taxpayer comments. Prior to December 31st, the Board legally enacts the budget. The Board of Directors is authorized to transfer budgeted amounts between line items of the District; however, the Board of Directors must approve any revisions that alter the total expenditure of the District.

Colorado budget law requires that all local governments have legally adopted budgets and appropriations. Total expenditures for each fund may not exceed the amount appropriated. All appropriations lapse at the end of the fiscal year. Appropriations may be increased during the fiscal year provided unanticipated revenues offset them. Budget appropriations presented in this report include all legally adopted appropriations.

ONE HORSE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 2 – MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION - (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Risk Management

The District is exposed to various risks of loss related to limited torts; theft, damage to, and destruction of assets; errors and omissions and natural disasters for which the District carries insurance.

Cash and Investments

The District's cash and cash equivalents are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments are reported as fair value.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow 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 only one item that qualifies for reporting in this category. Deferred loss on refunding is reported in the government-wide statement of net position. This results from the difference between the reacquisition price of the 2012 series bonds and the net carrying amount of the portion of the 2004 series bonds currently refunded. The deferred loss on refunding will be recognized as a component of interest expense using the effective interest method over the remaining life of the new debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflow of resources. This separate financial statement element, deferred inflows of resources, represents the acquisition of net position that applies to a futures period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District did not report any deferred inflows of resources.

Capital Assets – Capital assets are recorded at cost. Depreciation is computed on the straight-line method over the useful lives of the assets as follows:

Land Improvements

23 years

ONE HORSE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 2 – MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION - (Continued)

Fund Balance - Beginning with fiscal year 2011 the District implemented GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. In fund financial statements the following classifications describe the relative strength of the spending constraints.

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

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

The District reports the following restricted fund balances:

Restricted for Debt Service – Represents the portion of fund balances that is legally restricted to payment of principal and interest on all bond obligations.

Restricted for TABOR Emergencies – Emergency reserves have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado.

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

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

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

If more than one classification of fund balance is available for use when an expenditure is incurred, it is District’s policy to use the most restrictive classification first but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

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

ONE HORSE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 2 – MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION - (Continued)

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 acquisitions, construction, or improvement of those assets and increased by balances of deferred outflows or 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 purposed for which both restricted and unrestricted net position are available, the District will use the most restrictive position first.

NOTE 3 – CASH AND INVESTMENTS – UNRESTRICTED AND RESTRICTED

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

Statement of Net Position:	
Cash – checking and savings	\$ 1,454,882
Investments - restricted	<u>2,159,775</u>
Total	<u>\$ 3,614,657</u>

Cash Deposits

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 by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. 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 equal to 102% of the aggregate uninsured deposits. The State Regulatory Commissioners for banks and financial services are required by Statue to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

As of December 31, 2023, all the District’s cash deposits were either insured by the FDIC or held in eligible public depositories as required by PDPA. At December 31, 2023, the District had \$250,000 of cash deposits insured under FDIC and \$1,204,882 of collateralized deposits under the PDPA.

Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include certain money market funds and guaranteed investment contracts.

ONE HORSE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 3 – CASH AND INVESTMENTS – UNRESTRICTED AND RESTRICTED (Continued)

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

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

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

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

At December 31, 2023, the District's investments consisted of the following:

<u>Investments - Restricted</u>	<u>S&P Rating</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>% of Total</u>
Money Market Funds	AAAm	< 1 year	\$ 1,338,160	62%
Guaranteed Investment Contract	Aa2/AA	11.5 years	821,615	38%
Total Investments - Restricted			<u>\$ 2,159,775</u>	

Custodial Credit Risk – Investments – Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the District may be unable to recover the value of its investments or collateral securities that are in the possession of an outside party. Therefore, exposure arises if the securities are uninsured, are not registered in the Districts' name and are held by either the counterparty to the investment purchase or the counterparty's trust department or agent but not in the Districts' name. The District does not have a formal investment policy regarding custodial credit risk although all investments are either in the custody of the bond indenture trustee or held in the name of the District by a party other than the issuer of the security.

ONE HORSE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 3 – CASH AND INVESTMENTS – UNRESTRICTED AND RESTRICTED (Continued)

Concentration of Credit Risk – Neither the state statutes nor the District’s investment policy limits the amount of investments in any one issuer. At December 31, 2023, the District is invested in Wells Fargo Advantage Government Money Market Account and Society General Guaranteed Investment Contract which are believed to have minimal credit risk. The District’s money market account was not rated.

Interest Rate Risk – Interest rate risk is the risk that changes in the market rate of interest will adversely affect the value of an investment. The District does not have a formal investment policy regarding interest rate risk although the Indenture limits bank time deposits to a 1-year maturity and repurchase agreements to a 30-day term. The guaranteed investment contract provides a 5% fixed rate of return through its termination date on June 1, 2024.

Credit Quality Risk – Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Mutual funds and certain other investments are not categorized as to credit quality risk because ownership is not evidenced by a security. This risk is assessed by national rating agencies which assign a credit quality rating for many investments.

State law limits investments in securities, at the time of purchase, to securities with the top two ratings issued by nationally recognized statistical rating organizations. The District does not have a formal policy related to investment credit quality risk although the Indenture limits investments in most debt to ratings of at least “A1” or higher by Moody’s and “A+” or higher by S&P, investments in commercial paper to “VMIG1” or higher by Moody’s or “A-1” or higher by S&P, and money market portfolios and mutual funds to “Aa” or better by Moody’s and “AAm” or better by S&P.

Restricted Cash and Investments

Certain cash and investments are legally required under bond covenants to be restricted and held in trust for specific purposes. At December 31, 2023, restricted cash and investments, as required by the bond covenants, totaled \$2,159,775. These assets are included and invested as disclosed above.

Restricted, held in trust for:	
Reserve Fund Account	\$ 821,615
Bond Interest Account	542,588
Bond Principal Fund Account	388,923
Revenue Fund Account (2004)	267,580
Revenue Fund Account (2012)	139,069
Total	<u>\$ 2,159,775</u>

Cash and investments in the Reserve Fund account of \$821,615 are restricted to meet the minimum reserve requirement of \$801,575, as specified in the Indenture Agreement.

Cash and investments in the Bond Interest Fund account of \$542,588 are restricted for payment of interest on outstanding debt obligations.

Cash and investments in the Bond Principal Fund account of \$388,923 are restricted for the payment of principal on outstanding debt obligations.

ONE HORSE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 3 – CASH AND INVESTMENTS – UNRESTRICTED AND RESTRICTED (Continued)

Revenue Fund accounts are the designated accounts to which all pledged revenues are to be deposited in. Cash and investments in the 2004 and 2012 Revenue Funds totaling \$406,649 are restricted for deposit into the Bond Interest Fund account first, the Bond Principal account second, and then to other restricted fund accounts in accordance with formulas established in the Indenture Agreement. Any excess funds may be transferred to the District to be used for any lawful purpose of the District.

NOTE 4 – CAPITAL ASSETS

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

<u>Depreciable Assets</u>	<u>Dec. 31, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Dec. 31, 2023</u>
Land improvements	\$ 5,739,389	\$ -	\$ -	\$ 5,739,389
Accumulated depreciation	(4,866,010)	(249,539)	-	(5,115,549)
Total capital assets, net	<u>\$ 873,379</u>	<u>\$ (249,539)</u>	<u>\$ -</u>	<u>\$ 623,840</u>

NOTE 5 – LONG –TERM DEBT

The following is a summary of changes in long-term debt for the year ended December 31, 2023:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One</u>
Fixed Rate, Sales Tax Sharing Revenue Bonds Series 2004	\$ 1,215,000	\$ -	\$ 490,000	\$ 725,000	\$ 725,000
Fixed Rate, Sales Tax Sharing Revenue Bonds Series 2012	3,795,000	-	80,000	3,715,000	80,000
Total long-term debt	<u>\$ 5,010,000</u>	<u>\$ -</u>	<u>\$ 570,000</u>	<u>\$ 4,440,000</u>	<u>\$ 805,000</u>

Long-term debt consists of SALES TAX SHARING REVENUE REFUNDING BONDS, SERIES 2004 (“Series 2004 Bonds”) originally totaling \$10,000,000. These Bonds were issued June 15, 2004, in order to refund the District’s outstanding variable rate revenue Bonds, establish a reserve fund for the Bonds, and pay the costs of issuing the Bonds. The Bonds are issued as fully register bonds in denominations of \$25,000 or any interim multiple of \$5,000 in excess thereof. The Bonds bear interest at the rate of 6%, payable on December 1, 2004, and semi-annually thereafter on June 1 and December 1 each year. As of December 31, 2023, \$725,000 remains outstanding. On June 1, 2024, the District made the final principal payment to retire the Series 2004 Bonds.

Long-term debt also consists of SALES TAX SHARING REVENUE REFUNDING BONDS, SERIES 2012 (“Series 2012 Bonds”) originally totaling \$4,405,000. These Bonds were issued April 19, 2012, in order to redeem in advance of maturity, \$4,075,000 of the Series 2004 Bonds maturing on June 1, 2024, and to pay costs associated with the execution and issuance of the Bonds as a means to smooth the debt service obligations of the District.

ONE HORSE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 5 – LONG –TERM DEBT – (Continued)

The Bonds are issued as fully registered bonds in denominations of \$25,000 or any interim multiple of \$5,000 in excess thereof. The Bonds bear interest at 6%, payable on June 1, 2012, and annually thereafter on June 1, each year.

The Bonds constitute special revenue obligations of the District. The principal of, premium (if any), and interest on the Bonds are payable solely from the secured by an irrevocable pledge of certain sales tax revenues generated within the vicinity of the District pursuant to two agreements with the City of Lakewood and certain funds and accounts created under the Indenture. The Bonds are issued pursuant to an Indenture of Trust between the District and Wells Fargo Bank, National Associations, as Trustee. The District covenants in the Indenture that it will not incur assume or permit any additional bonds secured by a lien on the Pledged Revenue that is senior to the lien thereon of the bonds and that it will not incur, assume or permit any other additional bonds on a priority with the bonds unless, among other conditions, the Pledged Revenue for a consecutive 12-month period within the previous 24 months preceding the date of issuance of the Additional Bonds being issued were equal to at least one hundred seventy five percent (175%) of the combined maximum annual principal and interest requirements (excluding the principal coming due on the Bonds maturing 2029 after giving to mandatory sinking fund redemptions) on the Bonds to be outstanding after the issuance of the additional Bonds (including the additional Bonds to be issued).

Mandatory sinking fund redemption for principal and interest payment requirements to maturity using a fixed rate interest rate are as follows:

\$4,440,000 6.00% Term Bonds due from 2024 through June 1, 2029

Year Ending	Sales Tax Sharing Fixed Rate		
	Revenue Refunding Bonds Series 2004 & 2012		
December 31st	Principal	Interest	Total
2024	\$ 805,000	\$ 242,250	\$ 1,047,250
2025	660,000	198,300	858,300
2026	700,000	157,500	857,500
2027	740,000	114,300	854,300
2028	785,000	68,550	853,550
2029	750,000	22,500	772,500
Total	<u>\$ 4,440,000</u>	<u>\$ 803,400</u>	<u>\$ 5,243,400</u>

The District elected to make an optional principal redemption payment of \$80,000 on June 1, 2024. The above schedule of mandatory sinking fund requirements reflects the optional redemption payment.

NOTE 6 – MANAGEMENT AND RELATED PARTIES

The District's expenditures for operations and management consist primarily of payments to 640 Improvement Corporation (a Colorado Nonprofit Corporation) for administration and management services.

ONE HORSE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 6 – MANAGEMENT AND RELATED PARTIES (Continued)

These payments are made pursuant to a formal agreement between the District and 640 Improvement Corporation that does not create an obligation for payment by the District.

Payments are made at the discretion of the Board considering current debt service and available cash balances. During 2023, the District paid \$1,255,000 to 640 Improvement Corporation. Two Directors of the District serve as Directors of 640 Improvement Corporation.

These payments are made pursuant to a formal agreement between the District and 640 Improvement Corporation that does not create an obligation for payment by the District. Payments are made at the discretion of the Board considering current debt service and available cash balances. During 2023, the District paid \$1,255,000 to 640 Improvement Corporation. Two Directors of the District serve as Directors of 640 Improvement Corporation.

The District has advanced funds to Green Tree Metropolitan District to assist with operations. Funds advanced are to be repaid as cash flow becomes available. The receivable is not expected to be collected within the next calendar year. Two Directors of the District serve as Directors of Green Tree Metropolitan District. As of December 31, 2023, \$505,500 is due from Green Tree Metropolitan District.

NOTE 7 – TAX, SPENDING, AND DEBT LIMITATIONS

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

Enterprises, defined as government-owned business authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provision of TABOR. The District does not receive revenues from property tax levies, but indirectly from sales tax revenues, not in excess of 10% of annual revenues received from local governments and state.

At a special election held on November 5, 2002, voters of the District authorized the District to collect, retain and expend the full amount of all taxes, fees, tolls, penalties, charges, assessments, non-federal grants, and other revenues received by the District during 2002 and each year thereafter, without limitation by the revenue and spending limits of TABOR.

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. Emergency reserves of \$68,230 have been presented as restricted fund balances in the General Fund at December 31, 2023.

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.

ONE HORSE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 8 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Governmental Funds Balance Sheet / Net Assets – The following adjustments are included reconciling items in the Governmental Funds Balance Sheet/Net Assets:

Total funds balance – Governmental Funds	\$	4,604,734
Capital assets, net		623,840
Deferred loss on refunding		37,372
Bonds payable		(4,440,000)
Accrued interest payable		(20,188)
Total statement of activities – net position	\$	<u>805,758</u>

Capital assets used in government activities are not financial resources and therefore are not reported in the funds. Bonds and accrued interest are not due and payable in the current period and, therefore, are not reported in the funds.

Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balances / Statement of Activities – The following adjustments are included as reconciling items in the Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balances/Statement of Activities:

Total excess of revenues over expenditures – Governmental Funds	\$	227,477
Depreciation		(249,539)
Repayment of bond principal		570,000
Interest		(7,106)
Total change in net position of governmental activities	\$	<u>540,832</u>

Governmental funds report capital outlays as expenditures. As such, depreciation is not recorded. For the statement of activities, these costs are capitalized and depreciated over their estimated useful lives. The repayments of bond principal are expenditures in the statement of governmental fund revenues, expenditures, and changes in fund balances; however, they are a reduction of liabilities in the statement of net assets. Interest is recorded as an expenditure when it is paid in the statement of governmental fund revenues, expenditure, and changes in fund balances. Interest expense incurred but unpaid is accrued as a liability and expensed in the statement of net assets.

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The Colorado Special Districts Property and Liability Pool (the Pool) is an organization created by inter-governmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate.

The Pool provides coverage for property claims up to the values declared, and liability claims for up to \$1,000,000. It is reinsured for up to 80% of the first \$250,000 of each casualty claim and for 100% of the excess. Public official liability claims are reinsured for the full limit of \$1,000,000.

ONE HORSE BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 9 - RISK MANAGEMENT (Continued)

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.

Settled claims have not exceeded insurance coverage in the previous three years.

NOTE 10 – NET POSITION

The District has net position consisting of three components - net investment in capital assets, restricted and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2023, the District has net investment in capital assets calculated as follows:

Net Investment in Capital Assets:

Capital Assets, Net	\$	623,840
Deferred Loss on Refunding		37,372
Bonds Payable		<u>(4,440,000)</u>
Net Investment in Capital Assets	\$	<u><u>(3,778,788)</u></u>

Restricted assets include net position 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:

Restricted Net Position:

Emergency Reserves	\$	68,230
Debt Service		<u>2,394,486</u>
Total Restricted Net Position	\$	<u><u>2,462,716</u></u>

The District has unrestricted net position totaling \$2,121,830 as of December 31, 2023. Unrestricted net position is the net amount of assets and liabilities that are not included in the determination of net investment in capital assets or the restricted component of net position.

NOTE 11 – EVALUATION OF SUBSEQUENT EVENTS

The District evaluated subsequent events through September 26, 2024, the dates these financial statements were available to be issued.

OTHER SUPPLEMENTARY INFORMATION

One Horse 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 Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Interest income	\$ 25,000	\$ 25,000	\$ 96,819	\$ 71,819
Total Revenues	25,000	25,000	96,819	71,819
EXPENDITURES				
Debt Service:				
Interest	283,500	283,500	283,500	-
Principal	570,000	570,000	570,000	-
Paying Agent fees	7,500	8,750	8,750	-
Total Expenditures	861,000	862,250	862,250	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(836,000)	(837,250)	(765,431)	71,819
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	1,000,000	1,000,000	939,950	(60,050)
Total Other Financing Sources (Uses)	1,000,000	1,000,000	939,950	(60,050)
NET CHANGE IN FUND BALANCE	164,000	162,750	174,519	11,769
FUND BALANCE:				
BEGINNING OF YEAR	2,194,424	2,194,424	2,219,967	25,543
END OF YEAR	<u>\$ 2,358,424</u>	<u>\$ 2,357,174</u>	<u>\$ 2,394,486</u>	<u>\$ 37,312</u>

The notes to the financial statements and independent auditors' report are an integral part of these statements.