

Highline Business Improvement District

Financial Statements

Year Ended December 31, 2023

with

Independent Auditor's Report

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Board of Directors  
Highline Business Improvement District  
Arapahoe County, Colorado

Independent Auditor’s Report

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Highline Business Improvement District (the “District”), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

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

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

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

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

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

## Other Matters

### Required Supplemental Information

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

### Supplemental Information

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



Wipfli LLP  
Denver, Colorado

July 23, 2024

## Highline Business Improvement District

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

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>					
Cash and investments	\$ 108,630	\$ -	\$ 108,630	\$ -	\$ 108,630
Cash and investments - restricted	969	404,872	405,841	-	405,841
Receivable County Treasurer	90	724	814	-	814
Property taxes receivable	19,998	199,922	219,920	-	219,920
Prepaid expense	3,614	-	3,614	-	3,614
Total Assets	<u>\$ 133,301</u>	<u>\$ 605,518</u>	<u>\$ 738,819</u>	<u>-</u>	<u>738,819</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 5,042	\$ -	\$ 5,042	-	5,042
Accrued interest	-	-	-	2,508	2,508
Long-term liabilities					
Due within one year	-	-	-	275,000	275,000
Due in more than one year	-	-	-	524,135	524,135
Total Liabilities	<u>5,042</u>	<u>-</u>	<u>5,042</u>	<u>801,643</u>	<u>806,685</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred property taxes	19,998	199,922	219,920	-	219,920
Total Deferred Inflows of Resources	<u>19,998</u>	<u>199,922</u>	<u>219,920</u>	<u>-</u>	<u>219,920</u>
<b>FUND BALANCES/NET POSITION</b>					
Fund Balances:					
Nonspendable:					
Prepays	3,614	-	3,614	(3,614)	-
Restricted:					
Emergencies	969	-	969	(969)	-
Debt Service	-	405,596	405,596	(405,596)	-
Unassigned	103,678	-	103,678	(103,678)	-
Total Fund Balances	<u>108,261</u>	<u>405,596</u>	<u>513,857</u>	<u>(513,857)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 133,301</u>	<u>\$ 605,518</u>	<u>\$ 738,819</u>		
Net Position:					
Restricted for:					
Emergencies				969	969
Debt service				403,088	403,088
Unrestricted				<u>(691,843)</u>	<u>(691,843)</u>
Total Net Position				<u>\$ (287,786)</u>	<u>\$ (287,786)</u>

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

## Highline Business Improvement District

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

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>
<b>EXPENDITURES</b>					
Accounting	\$ 7,131	\$ -	\$ 7,131	\$ -	\$ 7,131
Audit	4,600	-	4,600	-	4,600
Insurance	3,783	-	3,783	-	3,783
Legal	3,563	-	3,563	-	3,563
District management	8,092	-	8,092	-	8,092
Miscellaneous expenses	92	1,583	1,675	-	1,675
Treasurer's fees	341	2,558	2,899	-	2,899
Loan principal	-	265,000	265,000	(265,000)	-
Loan interest expense	-	39,543	39,543	(821)	38,722
Total Expenditures	<u>27,602</u>	<u>308,684</u>	<u>336,286</u>	<u>(265,821)</u>	<u>70,465</u>
<b>GENERAL REVENUES</b>					
Property taxes	22,750	170,397	193,147	-	193,147
Specific ownership taxes	1,397	11,173	12,570	-	12,570
Contract revenue	-	72,624	72,624	-	72,624
Interest and other income	3,190	1,507	4,697	-	4,697
Total General Revenues	<u>27,337</u>	<u>255,701</u>	<u>283,038</u>	<u>-</u>	<u>283,038</u>
<b>NET CHANGES IN FUND BALANCES</b>	(265)	(52,983)	(53,248)	53,248	
<b>CHANGE IN NET POSITION</b>				212,573	212,573
<b>FUND BALANCE/NET ASSETS</b>					
BEGINNING OF YEAR	<u>108,526</u>	<u>458,579</u>	<u>567,105</u>	<u>(1,067,464)</u>	<u>(500,359)</u>
END OF YEAR	<u>\$ 108,261</u>	<u>\$ 405,596</u>	<u>\$ 513,857</u>	<u>\$ (801,643)</u>	<u>\$ (287,786)</u>

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

## Highline Business Improvement District

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

For the Year Ended December 31, 2023

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
<b>REVENUES</b>			
Property taxes	\$ 21,314	\$ 22,750	\$ 1,436
Specific ownership taxes	1,585	1,397	(188)
Interest and other income	<u>50</u>	<u>3,190</u>	<u>3,140</u>
Total Revenues	<u>22,949</u>	<u>27,337</u>	<u>4,388</u>
<b>EXPENDITURES</b>			
Accounting	7,500	7,131	369
Audit	4,750	4,600	150
Insurance	4,500	3,783	717
Legal	4,500	3,563	937
District management	7,500	8,092	(592)
Miscellaneous expenses	1,000	92	908
Treasurers fees	320	341	(21)
Contingency	99,938	-	99,938
Emergency reserve	<u>902</u>	<u>-</u>	<u>902</u>
Total Expenditures	<u>130,910</u>	<u>27,602</u>	<u>103,308</u>
NET CHANGES IN FUND BALANCES	(107,961)	(265)	107,696
FUND BALANCE - BEGINNING OF YEAR	<u>107,961</u>	<u>108,526</u>	<u>565</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 108,261</u>	<u>\$ 108,261</u>

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

## Highline Business Improvement District

### Notes to Financial Statements December 31, 2023

#### Note 1: Summary of Significant Accounting Policies

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

#### Definition of Reporting Entity

The District is a quasi-municipal corporation organized and created on August 18, 1998 which derives its revenue principally from general property taxes. The District was organized under Title 31 and all properties within the District are commercial properties.

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

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

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

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

## Highline Business Improvement District

### Notes to Financial Statements December 31, 2023

#### Basis of Presentation

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

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

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

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

#### Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

## Highline Business Improvement District

### Notes to Financial Statements December 31, 2023

The District reports the following major governmental funds:

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

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

#### Budgetary Accounting

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

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

##### Fair Value of Financial Instruments

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

##### Deposits and Investments

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

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

##### Estimates

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

## Highline Business Improvement District

### Notes to Financial Statements December 31, 2023

#### Deferred Outflows/Inflows of Resources

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

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

#### Property Taxes

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

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

#### Long-Term Obligations

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

#### Fund Equity

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

## Highline Business Improvement District

### Notes to Financial Statements December 31, 2023

#### Nonspendable Fund Balance

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

The nonspendable fund balance in the General Fund in the amount of \$3,614 represents prepaid expenditures.

#### Restricted Fund Balance

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

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$969 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of \$405,596 is restricted for the payment of the debt service costs associated with the Limited Tax General Obligation Refunding Note, Series 2015 (see Note 3).

#### Committed Fund Balance

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

#### Assigned Fund Balance

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

#### Unassigned Fund Balance

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

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

#### Net Position

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

Highline Business Improvement District

Notes to Financial Statements  
December 31, 2023

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets. The District has no amount to report in this category.

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

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

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

Note 2: Cash and Investments

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

Statement of Net Position:	
Cash and investments	\$ 108,630
Cash and investments- restricted	<u>405,841</u>
Total	\$ <u>514,471</u>

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

Deposits with financial institutions	\$ 415,232
COLOTRUST	<u>99,239</u>
Total	\$ <u>514,471</u>

Deposits

Custodial Credit Risk

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

## Highline Business Improvement District

### Notes to Financial Statements December 31, 2023

The District follows state statutes for deposits. None of the District's deposits were exposed to custodial credit risk.

#### Investments

Certain investments are measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's investments are not required to be categorized within the fair value hierarchy. This investment's value for COLOTRUST is calculated using the net asset value method (NAV) per share.

#### Credit Risk

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

#### Custodial and Concentration of Credit Risk

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

#### Interest Rate Risk

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

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

#### COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust ("COLOTRUST") is rated AAAM by Standard & Poor's with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint ventures established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period. Colotrust operates similarly to a money market fund with each share maintaining a value of \$1.00. Colotrust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+.

Highline Business Improvement District

Notes to Financial Statements  
December 31, 2023

Both investments consist of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to COLOTRUST. Substantially all securities owned by the trusts are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians' internal records identify the investments owned by COLOTRUST. At December 31, 2023, the District had \$99,239 invested in COLOTRUST.

Note 3: Long Term Debt

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

2015 Limited Tax General Obligation Refunding note

On March 12, 2015 the District issued \$3,000,000 as a Limited Tax General Obligation Refunding Note, Series 2015 ("2015 Note"). The net proceeds of \$2,650,000 after reserve funds and issuance costs were used to repay the entire 2000B Limited Tax Bonds of \$3,725,000. This resulted in a forgiveness of debt in the principal amount of \$1,075,000 as well as unpaid accrued interest. The 2015 Note bears interest at 3.716% paid semiannually with principal paid annually. The 2015 Note matures on December 1, 2025. The 2015 Note constitutes a limited tax obligation of the District payable from a mill levy not to exceed 37 mills. During 2005, the District held an election to allow the District to assess 2.9 mills for operations adjusted for any changes in the state's assessment calculation.

The annual debt service is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 275,000	\$ 30,100	\$ 305,100
2025	524,135	19,881	544,016
	<u>\$ 799,135</u>	<u>\$ 49,981</u>	<u>\$ 849,116</u>

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

	<u>Balance</u> <u>1/1/2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2023</u>	<u>Current</u> <u>Portion</u>
2015 Limited Tax General Obligation					
Refunding Note	\$ 1,064,135	\$ -	\$ 265,000	\$ 799,135	\$ 275,000
	<u>\$ 1,064,135</u>	<u>\$ -</u>	<u>\$ 265,000</u>	<u>\$ 799,135</u>	<u>\$ 275,000</u>

Highline Business Improvement District

Notes to Financial Statements  
December 31, 2023

Debt Authorization

As of December 31, 2023, the District has no remaining authorized and unissued debt. The District has not budgeted to issue any new debt during 2024.

Note 4: Related Party

Some members of the Board of Directors are owners, officers or employees of property owners within the District. These members may have conflicts of interest with respect to certain transactions which come before the Board (See Note 7).

Note 5: Tax, Spending and Debt Limitations

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

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

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

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

Note 6: Risk Management

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

## Highline Business Improvement District

### Notes to Financial Statements December 31, 2023

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

Note 7: Agreements

Advance Reimbursement Agreement

In 2001, the District had entered into an Advance Reimbursement Agreement with owners of property within the District to fund on a semi-annual basis, shortfalls of the District. The advances are to be used to pay for either debt service or operations costs of the District. These advances are to be repaid by the District together with interest at a rate of 10% from the date of the advance. The District will make such reimbursements from annual funds available within the District not otherwise required for debt service and operations costs of the District. This reimbursement is and shall be subordinate to any bonded indebtedness and shall not be considered to be multiple fiscal year debt beyond the current fiscal year. This agreement does not create a lien on any class or source of District funds and does not restrict the future issuance of the Bonds or obligations payable. The District's ability to operate was dependent on the agreements. In 2003 the property owners agreed to only fund the operating shortfalls. No outstanding balance is due from the District at December 31, 2023.

The District anticipates being able to fund the 2023 operating costs from existing funds and specific ownership taxes.

Agreement Regarding Notification of Conditions for Church Use

On March 4, 2008, the District, Mission Hills Baptist Church, a Colorado nonprofit Corporation (the "MHC") and SouthPark Owner's Association, Inc, a Colorado nonprofit corporation (the "SPOA") entered into an Agreement Regarding Notification of Conditions for Church Use, whereby, churches became a permitted use of property within the District, and that any that any such church use owner shall pay in full when due to the appropriate party its proportionate share of any assessments, rates, tolls, charges, fees, levies, funds, moneys and taxes payable to the Highline Business Improvement District the same as any taxable property in the Districts

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Notes to Financial Statements  
December 31, 2023

Note 8: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

The Governmental Funds Balance Sheet/Statement of Net Position includes an adjustments column. The adjustments have the following elements:

- 1) long-term liabilities such as bonds payable and accrued bond interest payable are not due and payable in the current period and, therefore, are not in the funds.

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

- 1) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities; and
- 2) governmental funds report long-term debt payments as expenditures, however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.

SUPPLEMENTAL INFORMATION

## Highline Business Improvement District

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

For the Year Ended December 31, 2023

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
<b>REVENUES</b>			
Property taxes	\$ 170,510	\$ 170,397	\$ (113)
Specific ownership taxes	12,788	11,173	(1,615)
Contract revenue	72,624	72,624	-
Interest and other income	<u>750</u>	<u>1,507</u>	<u>757</u>
 Total Revenues	 <u>256,672</u>	 <u>255,701</u>	 <u>(971)</u>
<b>EXPENDITURES</b>			
Loan interest expense	39,947	39,543	404
Loan principal	265,000	265,000	-
Trustee fees	2,200	-	2,200
Miscellaneous expenses	1,500	1,583	(83)
Treasurer's fees	<u>2,558</u>	<u>2,558</u>	<u>-</u>
 Total Expenditures	 <u>311,205</u>	 <u>308,684</u>	 <u>2,521</u>
 CHANGE IN FUND BALANCE	 (54,533)	 (52,983)	 1,550
 FUND BALANCE - BEGINNING OF YEAR	 <u>356,372</u>	 <u>458,579</u>	 <u>102,207</u>
 FUND BALANCE - END OF YEAR	 <u>\$ 301,839</u>	 <u>\$ 405,596</u>	 <u>\$ 98,715</u>

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