

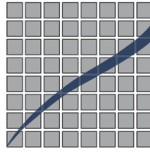
**PARK UNION
BUSINESS IMPROVEMENT DISTRICT
El Paso County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2023

**PARK UNION BUSINESS IMPROVEMENT DISTRICT
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YEAR ENDED DECEMBER 31, 2023**

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BiggsKofford

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Park Union Business Improvement District
El Paso County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Park Union 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 11, 2024

BASIC FINANCIAL STATEMENTS

**PARK UNION BUSINESS IMPROVEMENT DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2023**

	Governmental Activities
ASSETS	
Cash and Investments	\$ 192,210
Cash and Investments - Restricted	702,500
Accounts Receivable	13,601
Due from Park Union Metro District No. 1	1,678
Receivable from County Treasurer	583
Property Tax Receivable	89,359
Capital Assets, Not Being Depreciated:	
Construction in Progress	1,713,928
Capital Assets, Net	17,289,869
Total Assets	20,003,728
LIABILITIES	
Accounts Payable	64,796
Damage Deposit	2,000
Retainage Payable	9,212
Noncurrent Liabilities:	
Due in More Than One Year	36,046,214
Total Liabilities	36,122,222
DEFERRED INFLOWS OF RESOURCES	
Deferred Property Tax	89,359
Total Deferred Inflows of Resources	89,359
NET POSITION	
Invested in Capital Assets, Net of Related Debt	(1,301,096)
Restricted for:	
Emergency Reserve	11,700
Debt Service	2,107
Capital Projects	658,559
Net Position - Unrestricted	(15,579,123)
Total Net Position	\$ (16,207,853)

See accompanying Notes to Basic Financial Statements.

**PARK UNION BUSINESS IMPROVEMENT DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023**

		Program Revenues			Net Revenues (Expenses) and Changes in Net Position
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Governmental Activities:					
General Government	\$ 1,559,620	\$ 291,241	\$ 101,578	\$ -	\$ (1,166,801)
Interest on Long-Term Debt and Related Costs	2,687,439	-	-	-	(2,687,439)
Total Governmental Activities	\$ 4,247,059	\$ 291,241	\$ 101,578	\$ -	(3,854,240)
GENERAL REVENUES					
Property Taxes					68,729
Specific Ownership Taxes					7,590
Interest Income					37,401
PIF Revenue					45,671
Total General Revenues and Transfers					159,391
CHANGES IN NET POSITION					(3,694,849)
Net Position - Beginning of Year					(12,513,004)
NET POSITION - END OF YEAR					\$ (16,207,853)

See accompanying Notes to Basic Financial Statements.

**PARK UNION BUSINESS IMPROVEMENT DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2023**

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 192,210	\$ -	\$ -	\$ 192,210
Cash and Investments - Restricted	11,300	460	690,740	702,500
Due from Park Union Metro District No. 1	420	1,258	-	1,678
Receivable from County Treasurer	194	389	-	583
Accounts Receivable	13,601	-	-	13,601
Due from Other Funds	22,637	-	-	22,637
Property Tax Receivable	29,786	59,573	-	89,359
	<u>\$ 270,148</u>	<u>\$ 61,680</u>	<u>\$ 690,740</u>	<u>\$ 1,022,568</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 64,464	\$ -	\$ 332	\$ 64,796
Damage Deposit	2,000	-	-	2,000
Due to Other Funds	-	-	22,637	22,637
Retainage Payable	-	-	9,212	9,212
Total Liabilities	<u>66,464</u>	<u>-</u>	<u>32,181</u>	<u>98,645</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Property Tax	29,786	59,573	-	89,359
Total Deferred Inflows of Resources	<u>29,786</u>	<u>59,573</u>	<u>-</u>	<u>89,359</u>
FUND BALANCES				
Restricted for:				
Emergency Reserves	11,700	-	-	11,700
Debt Service	-	2,107	-	2,107
Capital Projects	-	-	658,559	658,559
Assigned to:				
Subsequent Year's Expenditures	72,000	-	-	72,000
Unassigned	90,198	-	-	90,198
Total Fund Balances	<u>173,898</u>	<u>2,107</u>	<u>658,559</u>	<u>834,564</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 270,148</u>	<u>\$ 61,680</u>	<u>\$ 690,740</u>	

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	1,713,928
Capital Assets, Net	17,289,869

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

Bonds Payable	(26,500,000)
Accrued Bond Interest	(7,366,765)
Developer Advance Payable	(1,445,710)
Accrued Developer Advance Interest	(733,739)
	<u>(36,445,214)</u>

Net Position of Governmental Activities	<u>\$ (16,207,853)</u>
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See accompanying Notes to Basic Financial Statements.

**PARK UNION 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				
Property Taxes	\$ 22,907	\$ 45,822	\$ -	\$ 68,729
Specific Ownership Taxes	2,530	5,060	-	7,590
Intergovernmental Revenue - Park Union MD No. 1	25,394	76,184	-	101,578
Interest Income	1,806	2,418	33,177	37,401
Event Revenue	1,148	-	-	1,148
Parking Revenue	273,293	-	-	273,293
Parking Charge - USOPM	16,800	-	-	16,800
PIF Revenue	45,671	-	-	45,671
Total Revenues	<u>389,549</u>	<u>129,484</u>	<u>33,177</u>	<u>552,210</u>
EXPENDITURES				
General and Administrative:				
Accounting	41,035	-	837	41,872
Auditing	4,000	-	-	4,000
Consulting Services	248,367	-	-	248,367
County Treasurer's Fee	340	691	-	1,031
District Management	22,623	-	-	22,623
Dues and Membership	2,324	-	-	2,324
Insurance	32,007	-	-	32,007
Legal	15,793	-	-	15,793
Election	3,509	-	-	3,509
Miscellaneous	1,966	-	-	1,966
PIF Collection Fees	3,065	-	-	3,065
Operations and Maintenance:				
Internet	4,307	-	-	4,307
Landscaping	68,559	-	-	68,559
Lease Expense	34,674	-	-	34,674
Parking Admin Expense	79,778	-	-	79,778
Security	37,630	-	-	37,630
Snow Removal	30,189	-	-	30,189
Streets Repairs and Maintenance	16,732	-	-	16,732
Fence and Sign Maintenance	519	-	-	519
Elevator Maintenance	10,181	-	-	10,181
Trash Collection	2,097	-	-	2,097
Utilities	32,992	-	-	32,992
Debt Service:				
Bond Interest	-	135,009	-	135,009
Paying Agent Fees	-	4,000	-	4,000
Capital Projects:				
Bond Issue Costs	-	-	261	261
Equipment	-	-	152	152
Security Cameras	-	-	21,238	21,238
Total Expenditures	<u>692,687</u>	<u>139,700</u>	<u>22,488</u>	<u>854,875</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(303,138)	(10,216)	10,689	(302,665)
OTHER FINANCING SOURCES (USES)				
Developer Advance	299,305	-	-	299,305
Total Other Financing Sources	<u>299,305</u>	<u>-</u>	<u>-</u>	<u>299,305</u>
NET CHANGE IN FUND BALANCES	(3,833)	(10,216)	10,689	(3,360)
Fund Balances - Beginning of Year	<u>177,731</u>	<u>12,323</u>	<u>647,870</u>	<u>837,924</u>
FUND BALANCES - END OF YEAR	<u>\$ 173,898</u>	<u>\$ 2,107</u>	<u>\$ 658,559</u>	<u>\$ 834,564</u>

See accompanying Notes to Basic Financial Statements.

**PARK UNION 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 \$ (3,360)

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	21,238
Depreciation Expense	(865,944)

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	(299,305)
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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 Payable - Change in Liability	(2,478,694)
Accrued Interest Payable Developer Advance - Change in Liability	<u>(68,784)</u>

Changes in Net Position of Governmental Activities	<u><u>\$ (3,694,849)</u></u>
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**PARK UNION BUSINESS IMPROVEMENT DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2023**

	Budget		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Property Taxes	\$ 23,968	\$ 23,968	\$ 22,907	\$ (1,061)
Specific Ownership Taxes	7,249	2,440	2,530	90
Interest Income	100	1,500	1,806	306
Other Revenue	7,356	7,064	-	(7,064)
Event Revenue	30,000	4,200	1,148	(3,052)
Parking Revenue	207,000	260,000	273,293	13,293
Parking Charge - USOPM	16,800	16,800	16,800	-
Intergovernmental Revenue - Park Union MD No. 1	26,027	26,027	25,394	(633)
PIF Revenue	84,000	40,000	45,671	5,671
Total Revenues	<u>402,500</u>	<u>381,999</u>	<u>389,549</u>	<u>7,550</u>
EXPENDITURES				
Accounting	60,000	60,000	41,035	18,965
Auditing	3,500	4,000	4,000	-
County Treasurer's Fee	360	360	340	20
PIF Collection Fees	8,000	3,000	3,065	(65)
Dues and Membership	1,700	1,700	2,324	(624)
Insurance	30,000	30,000	32,007	(2,007)
District Management	30,000	30,000	22,623	7,377
Legal	30,000	30,000	15,793	14,207
Miscellaneous	10,000	5,000	1,966	3,034
Security	100,000	60,000	37,630	22,370
Election	5,000	3,000	3,509	(509)
Elevator Maintenance	10,000	17,400	10,181	7,219
Landscaping	50,000	40,000	68,559	(28,559)
Streets Repairs and Maintenance	42,000	20,000	16,732	3,268
Fence and Sign Maintenance	4,500	1,000	519	481
Snow Removal	139,300	22,000	30,189	(8,189)
Building Improvements	20,000	-	-	-
Utilities	55,000	55,000	32,992	22,008
Internet	-	3,000	4,307	(1,307)
Lease Expense	-	45,000	34,674	10,326
Trash Collection	4,500	6,000	2,097	3,903
Consulting Services	-	265,000	248,367	16,633
Parking Admin Expense	84,500	84,500	79,778	4,722
Contingency	7,440	4,040	-	4,040
Total Expenditures	<u>695,800</u>	<u>790,000</u>	<u>692,687</u>	<u>97,313</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(293,300)	(408,001)	(303,138)	104,863
OTHER FINANCING SOURCES (USES)				
Developer Advance	255,000	369,200	299,305	(69,895)
Total Other Financing Sources (Uses)	<u>255,000</u>	<u>369,200</u>	<u>299,305</u>	<u>(69,895)</u>
NET CHANGE IN FUND BALANCE	(38,300)	(38,801)	(3,833)	34,968
Fund Balance - Beginning of Year	<u>58,801</u>	<u>58,801</u>	<u>177,731</u>	<u>118,930</u>
FUND BALANCE - END OF YEAR	<u>\$ 20,501</u>	<u>\$ 20,000</u>	<u>\$ 173,898</u>	<u>\$ 153,898</u>

See accompanying Notes to Basic Financial Statements.

**PARK UNION BUSINESS IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 DEFINITION OF REPORTING ENTITY

Park Union Business Improvement District (the District), formerly known as SW Downtown Business Improvement District, a quasi-municipal corporation, was organized by ordinance of the City of Colorado Springs (the City) on October 12, 2017 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 include water service, safety protection devices, sanitation services, street improvements, curbs, gutters, culverts, drainage facilities, sidewalks, parking facilities, paving, lighting, grading, landscaping, storm and wastewater management facilities, associated land acquisition, and remediation.

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.

**PARK UNION 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.

**PARK UNION 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.

Interfund Balances

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

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 taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are 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 inflow of resources in the year they are levied and measurable. The property tax revenues are recorded as revenue in the year they are available or collected.

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.

**PARK UNION BUSINESS IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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.

Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

Street Improvements	25 Years
Parking Improvements	10 Years
Bridges	20 Years
Equipment	5 Years

Deferred Inflows of Resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

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

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.

**PARK UNION BUSINESS IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

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.

The Urban Renewal Plan

The Colorado Springs Urban Renewal Authority (the Authority) was formed by the Colorado Springs City Council (the City Council) on February 24, 1970. On December 11, 2018, the City Council adopted the Museum & Park Urban Renewal Plan (the Urban Renewal Plan), which established the Museum & Park Urban Renewal Area (the Urban Renewal Area). The Authority currently oversees thirteen urban renewal plans in various parts of the City, including the Urban Renewal Plan. The Urban Renewal Plan authorizes the implementation of tax increment financing for the Urban Renewal Area for 25 years (until December 11, 2043) for the purpose of facilitating an urban renewal project. Pursuant to a Development Agreement, the Authority has agreed to remit tax increment revenues generated within the Urban Renewal Area to the District, less the Authority's administrative fee.

Incremental Property Tax

The District receives incremental property tax revenues from the Urban Renewal Area. Incremental property tax revenues are the property tax revenues in excess of an amount equal to the ad valorem property taxes produced by the levy at the rates fixed for such year by or for the governing bodies of the various taxing jurisdictions within or overlapping the Urban Renewal Area upon a valuation for assessment equal to the property tax base amount. The property tax base amount is certified by the County Assessor as the valuation for assessment of all taxable property within the Urban Renewal Area last certified by the County Assessor prior to the adoption of the Urban Renewal plan. The base amount may be proportionately adjusted for general reassessments in accordance with Colorado law.

**PARK UNION BUSINESS IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Incremental Property Tax (Continued)

Property taxes are levied by the various taxing entities by certification to the County Commissioners. 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. Taxes are payable by April or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December.

The County Treasurer remits the incremental taxes collected monthly to the Authority.

Incremental property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows of resources in the year they are levied and measurable. The incremental property tax revenues are recorded as revenue in the year they are available or collected.

The Authority has entered into property tax sharing agreements with the following entities:

- City of Colorado Springs;
- El Paso County;
- Colorado Springs Downtown Development Authority (CSDDA) (60% of CSDDA's mill levy less 3% administrative fee);
- Colorado Springs School District 11;
- Pikes Peak Library District; and
- Southeastern Colorado Water Conservancy District.

Incremental Sales and Use Tax

On December 11, 2018, the Authority entered into a Cooperation Agreement with the City allowing the Authority to receive incremental sales and use tax generated within the Urban Renewal Area from (i) the City Sales Tax TIF produced by taxable sales within the Urban Renewal Area and (ii) City Use Tax TIF paid solely on construction materials used within the Urban Renewal Area. The specified portion of the increment of the 2.0% general fund municipal sales tax which is in excess of the base amount, which constitutes the "City Sales Tax TIF", is 87.5% of the 2.0% general fund municipal sales tax (i.e., 1.75%). The specified portion of the increment of the 2.0% general fund municipal use tax which is in excess of the base amount, which constitutes the "City Use Tax TIF", is 50% of the 2.0% general fund municipal use tax (i.e., 1.00%).

On November 15, 2018, the Authority entered into a Tax Increment Revenue Agreement with the County allowing the Authority to receive 100% of the County Sales Tax TIF. County Sales Tax TIF are the revenues received from the County Sales Tax within the boundaries of the Urban Renewal Area which are in excess of that portion of the County Sales Tax collected within the boundaries of the Urban Renewal Area in the 12-month period ending on the last day of the month prior to the effective date of approval of the Urban Renewal Plan. The County imposes a sales tax of 1.0% on all nonexempt retail transactions and the furnishing of certain services within the County.

**PARK UNION BUSINESS IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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	\$ 192,210
Cash and Investments - Restricted	<u>702,500</u>
Total Cash and Investments	<u><u>\$ 894,710</u></u>

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

Deposits with Financial Institutions	\$ 82,602
Investments	<u>812,108</u>
Total Cash and Investments	<u><u>\$ 894,710</u></u>

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. 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 \$82,602 and a carrying balance of \$82,602.

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.

**PARK UNION BUSINESS IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

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 Liquid Asset Trust (COLOTRUST)	Weighted-Average Under 60 Days	\$ 812,108
		<u>\$ 812,108</u>

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 CRS 24-75-601, including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

**PARK UNION BUSINESS IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

COLOTRUST (Continued)

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 FitchRatings. 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.

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	\$ 1,713,928	\$ -	\$ -	\$ 1,713,928
Total Capital Assets, Not Being Depreciated	1,713,928	-	-	1,713,928
Capital Assets, Being Depreciated:				
Street Improvements	12,052,899	-	-	12,052,899
Parking Improvements	183,402	-	-	183,402
Bridges	7,166,208	-	-	7,166,208
Equipment	28,858	21,238	-	50,096
Total Capital Assets, Being Depreciated	19,431,367	21,238	-	19,452,605
Less Accumulated Depreciation for:				
Street Improvements	723,168	482,112	-	1,205,280
Parking Improvements	27,504	18,336	-	45,840
Bridges	537,462	358,308	-	895,770
Equipment	8,658	7,188	-	15,846
Total Accumulated Depreciation	1,296,792	865,944	-	2,162,736
Total Capital Assets, Being Depreciated, Net	18,134,575	(844,706)	-	17,289,869
Governmental Activities Capital Assets, Net	<u>\$ 19,848,503</u>	<u>\$ (844,706)</u>	<u>\$ -</u>	<u>\$ 19,003,797</u>

Depreciation expense in the amount of \$865,944 was charged to general government.

**PARK UNION BUSINESS IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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 Revenue Bonds Series 2020A	\$ 26,500,000	\$ -	\$ -	\$ 26,500,000	\$ -
Accrued Interest - Special Revenue Bonds Series 2020A	4,888,071	2,613,703	135,009	7,366,765	-
Subtotal Bonds Payable	31,388,071	2,613,703	135,009	33,866,765	-
Other Debts					
Developer Advance - Operating	1,146,405	299,305	-	1,445,710	-
Accrued Interest on:					
Developer Advance - Operating	94,075	68,784	-	162,859	-
Developer Advance - Capital	570,880	-	-	570,880	-
Subtotal Other Debts	1,811,360	368,089	-	2,179,449	-
Total Long-Term Obligations	\$ 33,199,431	\$ 2,981,792	\$ 135,009	\$ 36,046,214	\$ -

\$30,500,000 Limited Tax Supported and Special Revenue Senior Bonds, Series 2020A

The Supplemental Indenture authorized the District to issue the Bonds in the par amount of \$30,500,000. The Bonds will be issued on a "drawdown" basis, so that advances of the purchase price of the Bonds will be made by the Bond Purchaser to the Trustee in multiple installments in accordance with the terms and provisions of the Supplemental Indenture. The initial drawdown amount on the closing date of June 30, 2020 was \$15,500,000. The second drawdown on October 30, 2020 was \$11,000,000. The minimum drawdown amount is \$1,000,000, except for the last drawdown. The Bonds were issued for the purposes of: (a) financing certain Public Improvements related to the Development and (b) paying the costs of issuing the Bonds.

The Bonds bear interest at the rate of 8.0% per annum and are structured as "cash flow" bonds, meaning that no regularly scheduled payments of principal are due on the Bonds prior to their maturity date of December 1, 2049. Instead, interest is payable on June 1 and December 1 (Interest Payment Date) and principal is payable on each December 1 pursuant to a mandatory redemption from available Pledged Revenue, if any. To the extent principal of any 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 on each Interest Payment Date at the rate then borne by the Bonds.

**PARK UNION BUSINESS IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

**\$30,500,000 Limited Tax Supported and Special Revenue Senior Bonds, Series 2020A
(Continued)**

The Bonds are subject to redemption prior to maturity, at the option of the District, on any business day on and after June 30, 2020 at a redemption price equal to the principal amount of the Bonds called for redemption plus accrued interest to such date.

Events of default occur if the District does not impose the Required Debt Service Mill Levy, fails to apply the Pledged Revenue as required by the Indenture, defaults its obligation under the Development Agreement, or fails to observe or perform any covenant or agreement under the Indenture.

Pledged Revenue

The Bonds are secured by and payable solely from and to the extent of the Pledged Revenues, generally consisting of: (a) all revenues from the imposition of the District Debt Service Mill Levy and the Metropolitan District Required Mill Levy, net of the costs of collection; (b) all Pledged TIF Revenues; (c) the Specific Ownership Tax Revenue; (d) any investment earnings from investment of moneys in certain of the Funds which is credited to the Revenue Fund as provided in the Master Indenture; (e) any moneys received from any other Person with the direction that they be applied as Pledged Revenues; and (f) any other legally available amounts that the District may designate by resolution of the Board, to be paid to the Trustee for deposit in to the Revenue Fund, or otherwise held under the Master Indenture.

District Debt Service Mill Levy

Pursuant to the Master Indenture and except as otherwise provided in a Supplemental Indenture, the District has covenanted to impose an ad valorem mill levy upon all taxable property of the District each year in the amount of 50 mills (subject to adjustment for changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut or abatement on or after January 1, 2006), net of the costs of collection and any tax refunds or abatements authorized by or on behalf of the County to pay the principal of, premium, if any, and interest on the Bonds.

Metropolitan District Debt Service Mill Levy

Pursuant to the Master Indenture, the District has covenanted to require Park Union Metropolitan District Nos. 1 and 2 (the Metropolitan Districts) to impose an ad valorem mill levy upon all taxable property of each Metropolitan District in the amount of the Metropolitan District Required Mill Levy, but in no event in excess of 30 mills.

The Master Indenture defines "Metropolitan District Required Mill Levy" as an ad valorem mill levy imposed by each Metropolitan District upon all taxable property of such Metropolitan District which is assessed as residential by the County each year at a rate equal to 30 mills (net of the costs of collection and any tax refunds or abatements authorized by or on behalf of the County and subject to adjustment for changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut or abatement after January 1, 2006) to pay the principal of, premium, if any, and interest on the Bonds.

**PARK UNION BUSINESS IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Pledged Revenue (Continued)

Pledged TIF Revenues

Urban Renewal Law limits the availability of the incremental tax revenue to the Authority to 25 years from the effective date of the Urban Renewal Plan. The Urban Renewal Plan was adopted on December 11, 2018. Accordingly, the Pledged TIF Revenues will not be available as a revenue source after December 11, 2043. The final maturity of the Bonds is December 1, 2049. After December 11, 2043, debt service on the Bonds must be paid by sources of the Pledged Revenues other than the Pledged TIF Revenues.

Pledged TIF Revenues include the Property Tax TIF and the Sales Tax TIF, each generated solely from the incremental increase in the respective taxes within the boundaries of the entities that share revenues, less the Authority Administrative fee. Commencing in calendar year 2020, an administrative fee (the Authority Administrative Fee) in the amount of \$60,000, escalating at a rate of 2% annually in each subsequent year, will be retained and collected annually by the Authority from the total TIF Revenue initially deposited in the Special Fund, the proceeds of which shall be used, among other things, to defray the Authority's costs of administering the Urban Renewal Plan, including, but not limited to, overhead, administration, accounting and reporting of the collection and disbursement of Pledged TIF Revenues.

Specific Ownership Tax Revenue

Only the portion of the Specific Ownership Taxes which are collected as a result of the imposition of the District Debt Service Mill Levy by the District and the Metropolitan District Required Mill Levy by the Metropolitan Districts and remitted to the District is pledged to the payment of the Bonds as Specific Ownership Tax Revenues.

Bonds Debt Service

The outstanding principal and interest due on the Bonds are not currently determinable since the Bonds are paid from cash flows when drawn down.

Events of Default

Events of default occur if the District fails to impose the Capital Levy or to transfer or cause the transfer of the Pledge Revenues to the Custodian, and do not comply with other customary terms and conditions consistent with normal municipal financing as described in the loan agreement.

Authorized Debt

On November 7, 2017, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$5,720,000,000 at an interest rate not to exceed 18% per annum. At December 31, 2023, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

**PARK UNION BUSINESS IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Authorized Debt (Continued)

	Authorized November 7, 2017 Election	Authorization Used for 2020 Bonds	Remaining at December 31, 2023
Water	\$ 440,000,000	\$ -	\$ 440,000,000
Sanitation	440,000,000	-	440,000,000
Streets	440,000,000	26,500,000	413,500,000
Traffic and Safety	440,000,000	-	440,000,000
Parks and Recreation	440,000,000	-	440,000,000
Public Transportation	440,000,000	-	440,000,000
Television Relay/Translation	440,000,000	-	440,000,000
Mosquito Control	440,000,000	-	440,000,000
Security	440,000,000	-	440,000,000
Fire Protection/Medical	440,000,000	-	440,000,000
Operations/Maintenance	440,000,000	-	440,000,000
Debt Refunding	440,000,000	-	440,000,000
Reimbursement Agreements	440,000,000	-	440,000,000
Total	<u>\$ 5,720,000,000</u>	<u>\$ 26,500,000</u>	<u>\$ 5,693,500,000</u>

As set forth in the District's 2017 Operating Plan, the City has limited the amount of debt to be issued by the District to a total of \$105,000,000 without further approval by the City.

Developer Advances

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

Operations Reimbursement Agreement

On December 14, 2017, the District entered into an Operations Reimbursement Agreement to repay advances made by the Developer for operations and maintenance (O&M) costs. The District agreed to repay the Developer for such advances plus accrued interest at the rate of 6% beginning on the date of the advance to the date of repayment. As of December 31, 2023, outstanding Developer advances under the agreement totaled \$1,445,710 and accrued interest totaled \$162,859.

Facilities Funding and Acquisition Agreement

On December 14, 2017, 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% from the date of the expenditure through the date of repayment. This agreement terminates on December 31, 2047, 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. On July 6, 2020, the District paid the outstanding Developer advances principal with the proceeds of 2020A Series bonds issued on June 30, 2020. As of December 31, 2023, there are no outstanding Developer advances under the agreement and accrued interest totaled \$570,880.

**PARK UNION BUSINESS IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 6 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 had net investment in capital assets calculated as follows:

	Governmental Activities
Net Investment in Capital Assets:	
Capital Assets, Net	\$ 19,003,797
Cash Remaining in Capital Project Fund	658,559
Noncurrent Portion of Long-Term Obligations	<u>(20,963,452)</u>
Net Investment in Capital Assets	<u>\$ (1,301,096)</u>

Restricted net position consists of 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 a restricted net position as of December 31, 2023, as follows:

	Governmental Activities
Restricted Net Position:	
Emergencies	\$ (11,700)
Debt Service Reserve	(2,107)
Capital Projects Reserve	<u>(658,559)</u>
Total Restricted Net Position	<u>\$ (672,366)</u>

The District has a deficit unrestricted net position of \$(15,579,123) as of December 31, 2023. This deficit amount is a result of the District being responsible for the repayment of developer advances received for operations and capital projects and bonds that were issued to finance public improvements that were partially conveyed to other governmental entity.

NOTE 7 RELATED PARTIES

The Developer of the property which constitutes the District is Nor'wood Development Group. 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.

Nor'wood Development Group acts as agent for the Owners, CSJ No. 1, LLC, CSJ No. 2, LLC, CSJ No. 7, LLC, Interurban Development Company, LLC, Nor'wood Limited, Inc., Urban Enterprises, LLC, Urban Properties, LLC, Urban Properties No. 4, LLC, SRPC, LLC.

**PARK UNION BUSINESS IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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

Memorandum of Understanding with Greater Downtown Colorado Springs BID

On June 28, 2021, the District entered into a Memorandum of Understanding (MOU) with Greater Downtown Colorado Springs Business Improvement District (the Greater Downtown BID). The MOU memorializes the arrangement and responsibilities between the Parties. The Greater Downtown BID will agree to allow the District to utilize its security guards on an as-needed basis.

Intergovernmental Agreement

On November 28, 2018, the District entered into an Intergovernmental Agreement for Operational Cost Sharing (IGA) with Park Union Metropolitan District No. 1 and Park Union Metropolitan District No. 2. The Operational and Maintenance Costs are cooperatively funded by the Districts pursuant to this IGA. Pursuant to the IGA, the general operational costs of the Districts include accounting, legal, management and other consultant or administrative costs. Operational and maintenance costs do not include infrastructure construction costs, costs of issuance or bond repayment obligations of the individual Districts.

Cooperation Agreement

On February 11, 2020, the District entered into the cooperation agreement with the City of Colorado Springs, Colorado Springs Utilities, the Colorado Springs Urban Renewal Authority and Interurban Development Company, LLC for redevelopment of portions of the southwest downtown area of the City of Colorado Springs. The District is responsible for design, construction, operation and maintenance of certain facilities pursuant to the terms and conditions of the agreement. The District projects are funded from the bond proceeds issued by the District in 2020.

Lease Agreement

On August 1, 2020, the District entered into the lease agreement as "Tenant" with CSJ No. 7, LLC, a Colorado limited liability company, Urban Enterprises, LLC and Carolyn Sue Jenkins, Owners, collectively as "Landlord" to lease the demised premises for office use, storage, and parking. The Tenant agrees to pay for the premises a sum equal to \$100 per year and additional rent costs, such as property tax, insurance, utilities, and maintenance and repair costs. The lease term shall continue through July 31, 2022 and be automatically renewed for up to 15 additional one year terms. Both Tenant and Landlord have the right to terminate the lease with 30 days' notice to the other. Accordingly, the agreement is a short term lease and lease payments are recognized as outflows of resources based on the payment provision of the lease contract. During 2023, the District recorded \$34,674 in lease expense.

**PARK UNION BUSINESS IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 9 AGREEMENTS AND COMMITMENTS (CONTINUED)

Consultant Agreement

On July 7, 2020, the District entered into the consultant agreement with Nor'wood Limited, Inc. (the Consultant). Per the agreement, the Consultant shall provide the Chief Engineering Services and the District Management Services by furnishing the necessary qualified personnel. Compensation for the services rendered will be made in accordance with the rates set forth in the agreement. Both parties have the right to terminate the agreement with 30 days' notice to the other in writing. During 2023, the District recorded \$248,367 in consultant expense.

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.

**PARK UNION BUSINESS IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 11 TAX, SPENDING, AND DEBT LIMITATIONS (CONTINUED)

At an election held on November 7, 2017, the voters approved an annual increase in taxes of up to \$5,000,000 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.

SUPPLEMENTARY INFORMATION

**PARK UNION BUSINESS IMPROVEMENT DISTRICT
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2023**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 47,937	\$ 45,822	\$ (2,115)
Specific Ownership Taxes	-	5,060	5,060
TIF Revenue	70,000	-	(70,000)
Intergovernmental Revenue - Park Union MD No. 1	78,070	76,184	(1,886)
Interest Income	3,424	2,418	(1,006)
Total Revenues	<u>199,431</u>	<u>129,484</u>	<u>(69,947)</u>
EXPENDITURES			
County Treasurer's Fee	719	691	28
Bond Interest	130,040	135,009	(4,969)
Paying Agent Fees	5,000	4,000	1,000
Administration Fees	63,672	-	63,672
Total Expenditures	<u>199,431</u>	<u>139,700</u>	<u>59,731</u>
NET CHANGE IN FUND BALANCE	-	(10,216)	(10,216)
Fund Balance - Beginning of Year	<u>-</u>	<u>12,323</u>	<u>12,323</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 2,107</u>	<u>\$ 2,107</u>

**PARK UNION BUSINESS IMPROVEMENT DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2023**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Interest Income	\$ 6,564	\$ 33,177	\$ 26,613
Total Revenues	<u>6,564</u>	<u>33,177</u>	<u>26,613</u>
EXPENDITURES			
Accounting	10,000	837	9,163
Legal	15,000	-	15,000
Fence and Sign Maintenance	1,000	-	1,000
Bond Issue Costs	-	261	(261)
Equipment	5,000	152	4,848
District Projects	3,697,000	-	3,697,000
Security Cameras	250,000	21,238	228,762
Total Expenditures	<u>3,978,000</u>	<u>22,488</u>	<u>3,955,512</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,971,436)	10,689	3,982,125
OTHER FINANCING SOURCES (USES)			
Bond Issuance Proceeds	3,000,000	-	(3,000,000)
Total Other Financing Sources (Uses)	<u>3,000,000</u>	<u>-</u>	<u>(3,000,000)</u>
NET CHANGE IN FUND BALANCE	(971,436)	10,689	982,125
Fund Balance - Beginning of Year	<u>971,436</u>	<u>647,870</u>	<u>(323,566)</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 658,559</u>	<u>\$ 658,559</u>

OTHER INFORMATION

**PARK UNION BUSINESS IMPROVEMENT DISTRICT
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2023**

Year Ended December 31,	Assessed Valuation	Percent Change	Total Mills Levied			Total Property Taxes		Percent Collected to Levied
			General Operations	Debt Service	Total	Levied	Collected	
2018/2019	\$ 1,724,200	0.0%	1.000	20.000	21.000	\$ 36,208	\$ 34,722	95.90 %
2019/2020	2,765,260	60.4%	5.000	20.000	25.000	69,131	68,889	99.65 %
2020/2021	2,590,950	-6.3%	5.000	20.000	25.000	64,774	64,634	99.78 %
2021/2022	2,405,460	-7.2%	5.000	20.000	25.000	60,137	60,136	100.00 %
2022/2023	2,396,820	-0.4%	10.000	20.000	30.000	71,905	68,729	95.58 %
Estimated for Year Ending December 31, 2024	\$ 2,765,920	15.4%	10.769	21.538	32.307	\$ 89,359		

Note:

Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the Treasurer does not permit identification of specific year of levy.

Source: El Paso County Assessor and Treasurer.