



HORIZON DRIVE ASSOCIATION
BUSINESS IMPROVEMENT DISTRICT

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2017

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

February 27, 2018

The Board of Directors
Horizon Drive Association Business Improvement District

We have audited the accompanying financial statements of the governmental activities and each major fund of Horizon Drive Association Business Improvement District as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

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 Horizon Drive Association Business Improvement District, as of December 31, 2017, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Board of Directors
Horizon Drive Association Business Improvement District
Page Two

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Chadwick, Steinkirchner, Davis & Co., P.C.



HORIZON DRIVE

District

Gateway to Grand Junction

Board of Director's Discussion and Analysis **December 31, 2017**

On behalf of the Horizon Drive District ("District"), the Board of Directors offers this letter to provide an overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2017.

Overview of the Financial Statements

This discussion is offered to provide operational and historical context, and to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) District financial statements; 2) fund financial statements; and 3) notes to the financial statements.

District financial statements: The District's financial statements are designed to provide readers with a broad overview of the District's finances. Current year to prior year comparisons are presented below to help users evaluate the District over the past two years.

The Statement of Net Position presents information on all the District's assets and deferred inflows, with the difference between the assets and deferred inflows reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the financial position of the District. (Page 7 of the report.)

The Statement of Activities presents information showing how the District's net position changed during the most recent calendar year. All changes in net position are reported as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. (Page 8 of the report.)

For 2017, the District's activities related to advancing Phase 2 of the Corridor Improvement Project (the section of Horizon Drive from G Road to Visitor's Way), landscaping the curb buffer zone in the Phase 3 section (Horizon Drive from Crossroads Blvd. to H Road), refining the vision of a Horizon Drive trail system, and encouraging voluntary annexation into the District by adjoining properties.

VISIT THE DISTRICT

WWW.HORIZONDRIVEDISTRICT.COM

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District fund financial statements: The District's governmental fund is a grouping of related accounts that is used to account for the same functions as reported in the District financial statements. However, unlike the District financial statements, District fund statements are narrower and focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the calendar/fiscal year. Such information may be useful in evaluating the District's near-term financial requirements and to understand the long-term impact of the District's near-term financial decisions.

The District adopts an annual budget. A budgetary comparison statement has been provided to demonstrate compliance with this budget. The 2017 Budget was adopted and approved by the board on October 19, 2016.

Notes to the Financial Statements: The Notes provide additional information that is essential to a full understanding of the data provided in the District's financial statements and fund financial statements. The Notes to the Financial Statements are found starting on page 12 of the report.

District Financial Analysis: The following table shows a condensed statement of net position as of December 31, 2016 and December 31, 2017 derived from the District financial statements.

**Horizon Drive District
Statement of Net Position**

	<u>2016</u>	<u>2017</u>
Assets:		
Current assets	\$ 491,549	\$ 324,341
Total Assets	<u>\$ 491,549</u>	<u>\$ 324,341</u>
Liabilities, Deferred Inflows & Net Position:		
Current liabilities	\$ 177,062	\$ 2,185
Noncurrent liabilities	\$ 420,505	\$ 352,076
Liabilities	<u>\$ 597,567</u>	<u>\$ 354,261</u>
Deferred Inflows		
Property taxes	<u>\$ 106,845</u>	<u>\$ 191,910</u>
Net Position		
Restricted	\$ 6,499	\$ 1,636
Unrestricted	\$ (219,362)	\$ (223,466)
Total Net Position	<u>\$ (212,863)</u>	<u>\$ (221,830)</u>

The change in net position for the years ended December 31, 2016 and December 31, 2017 is summarized in the following table:

**Horizon Drive District
Change in Net Position**

	<u>2016</u>	<u>2017</u>
Revenues:		
Property taxes	\$ 216,577	\$ 122,954
Interest and Misc.	<u>41</u>	<u>1,340</u>
Total revenues	\$ 216,618	\$ 124,294
Expenses:		
General Government	\$ 307,808	\$ 133,261
Capital Outlay/Debt Service	<u>728,456</u>	<u>-</u>
Total expenditures	\$ 1,036,264	\$ 133,261
Change in Net Position	(819,646)	(8,967)
Net Position- Beginning	<u>\$ 606,783</u>	<u>\$ (212,863)</u>
Net Position- Ending	<u><u>\$ (212,863)</u></u>	<u><u>\$ (221,830)</u></u>

Financial Analysis of the District's Funds

As mentioned above, the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

District funds: The focus of this summary is to provide information useful in assessing the District's financial condition and performance. In particular, fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

Property tax revenues were \$122,954 in 2017, \$216,577 in 2016, \$239,410 in 2015, \$233,050 in 2014, \$223,885 in 2013, and \$221,251 in 2012. Actual receivables vary. Fluctuation over the six years can be attributed to temporary TABOR adjustments or deferrals and changes to property valuations (assessments).

Operating expenditures were \$201,690 in 2017, \$1,036,264 in 2016, \$415,960 in 2015, \$110,612 in 2014, \$170,961 in 2013, \$148,216 in 2012, and \$116,163 in 2011. The decrease in 2017 expenditures over 2016 is due to a commitment to rebuild reserves spent in 2016 on Phase 1 of the Corridor Improvement Project. Payments to the City of Grand Junction for funds loaned to cover a portion of Phase 1 will continue through 2023.

As of the end of 2017, the District reported a fund balance of \$130,246, a decrease from \$207,642 in 2016.

Budget variances: The District ended ahead of budget in years 2017, 2016, 2015, 2014, 2013, and 2012. This is due to the allocated reserve for long-term capital improvement projects.

Capital assets: The District does not have capital assets.

Long-term obligations/debt: The District entered into a Memorandum of Agreement (MOA) with the City of Grand Junction (the City) for funds to complete Phase 1 of the Corridor Improvement Project. The noninterest bearing debt of \$420,505 will be paid over 7 years, with payments due by July 1 of each year, commencing in 2017. Payment schedule is as follows:

Year	Payment
2017	\$68,428.57
2018	\$58,679.32
2019	\$58,679.32
2020	\$58,679.32
2021	\$58,679.32
2022	\$58,679.32
2023	\$58,679.32
Total	\$420,504.50

Economic conditions:

Annual budget. The District adopts an annual budget based on a forecast of anticipated property tax revenue and anticipated expenditures for operations. The annual budget also takes into consideration the funds held in the investment account. The District's budget is prepared in the September preceding the calendar year budget. The District's budget is then submitted to the City of Grand Junction for review and approval in October. Budgets are available for public review upon request.

Funds in bank. The District uses an operating (checking) account for day-to-day expenses and an investment account in which funds are held for long term, future improvement projects. A large portion of the District's assets are held in this investment account for the long-term purposes of 1) retaining a "constant reserve" and 2) paying a portion of the capital improvement project.

Constant reserve. In a regular board meeting held on June 17, 2015, the District's Board of Directors revised the "constant reserve" by unanimous vote. A reserve of approximately 103% of one year's operating costs is to be maintained at all times in the interest bearing account. These funds are to be utilized for day-to-day operations of the District.

Request for Information:

This financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to Horizon Drive District, 2764 Compass Drive, Suite 205, Grand Junction, CO 81506 and include contact information, including email address and phone number, of the inquirer.

Horizon Drive Association Business Improvement District

STATEMENT OF NET POSITION

December 31, 2017

		<u>Governmental Activities</u>
ASSETS		
Cash and investments		\$ 132,431
Property taxes receivable		191,910
Total Assets		<u>324,341</u>
LIABILITIES		
Liabilities		
Payroll liabilities		2,185
Noncurrent liabilities		
Due within one year, City of Grand Junction		58,679
Due in more than one year, City of Grand Junction		293,397
Total Liabilities		<u>354,261</u>
DEFERRED INFLOWS		
Deferred inflows		
Property taxes		191,910
Total Deferred Inflows		<u>191,910</u>
Total Liabilities and Deferred Inflows		<u>546,171</u>
NET POSITION		
Restricted for emergencies		1,636
Unrestricted		(223,466)
Total Net Position		<u>\$ (221,830)</u>

The accompanying notes are an integral part of this statement.

Horizon Drive Association Business Improvement District

STATEMENT OF ACTIVITIES

Year ended December 31, 2017

Function/Programs	Expenses	Total Governmental Activities
Governmental activities:		
General government	\$ 133,261	\$ (133,261)
Total governmental activities	\$ 133,261	(133,261)
General revenues:		
Property taxes		122,954
Interest and miscellaneous		1,340
Total general revenues		124,294
Change in net position		(8,967)
Net position - beginning		(212,863)
Net position - ending		\$ (221,830)

The accompanying notes are an integral part of this statement.

Horizon Drive Association Business Improvement District

BALANCE SHEET - GOVERNMENTAL FUND

December 31, 2017

	General	Total Governmental Fund
ASSETS		
Cash	\$ 132,431	\$ 132,431
Property taxes receivable	191,910	191,910
Total Assets	\$ 324,341	\$ 324,341
LIABILITIES, DEFERRED INFLOWS AND FUND EQUITY		
LIABILITIES		
Payroll liabilities	\$ 2,185	\$ 2,185
Total Liabilities	2,185	2,185
DEFERRED INFLOWS		
Property taxes	191,910	191,910
Total Deferred Inflows	191,910	191,910
FUND EQUITY		
Restricted for emergencies	1,636	1,636
Unassigned	128,610	128,610
Total Fund Equity	130,246	130,246
Total Liabilities, Deferred Inflows and Fund Equity	\$ 324,341	\$ 324,341
 Amounts reported for governmental activities in the Statement of Net Position are different because:		
Total fund balance		\$ 130,246
Long-term liabilities, including debt to the City of Grand Junction, are not due and payable in the current period, and therefore, are not reported in the fund.		(352,076)
Total net position		\$ (221,830)

The accompanying notes are an integral part of this statement.

Horizon Drive Association Business Improvement District

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND

Year ended December 31, 2017

	General	Total Governmental Funds
Revenues		
Property taxes	\$ 122,954	\$ 122,954
Interest and miscellaneous	1,340	1,340
Total revenues	124,294	124,294
Expenditures		
Current - general government	133,261	133,261
Debt service	68,429	68,429
Total expenditures	201,690	201,690
Excess of Revenues Over (Under) Expenditures	(77,396)	(77,396)
Fund Balance - January 1	207,642	207,642
Fund Balance - December 31	\$ 130,246	\$ 130,246
 Amounts reported for governmental activities in the Statement of Activities are different because:		
Net change in fund balance		\$ (77,396)
Debt payments are reported as expenditures in the fund, but are reported as a reduction of liability in the government-wide statements.		68,429
Change in net position		\$ (8,967)

The accompanying notes are an integral part of this statement.

Horizon Drive Association Business Improvement District

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

Year ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Property taxes	\$ 106,930	\$ 106,930	\$ 122,954	\$ 16,024
Interest	50	50	21	(29)
Miscellaneous	-	-	1,319	1,319
Total revenues	<u>106,980</u>	<u>106,980</u>	<u>124,294</u>	<u>17,314</u>
Expenditures				
General government				
Insurance	3,000	3,000	2,598	402
Accounting and auditing	6,000	6,000	5,640	360
Salaries, benefits, and contract clerical labor	65,488	65,488	67,394	(1,906)
Legal	5,000	5,000	5,496	(496)
Marketing and advertising	5,000	5,000	9,790	(4,790)
Rent and other	12,500	12,500	10,626	1,874
Long-term planning, design and improvement project:	82,000	82,000	31,717	50,283
Debt service	68,429	68,429	68,429	-
Total expenditures	<u>247,417</u>	<u>247,417</u>	<u>201,690</u>	<u>45,727</u>
	Excess of Revenues Over (Under) Expenditures			
	(140,437)	(140,437)	(77,396)	63,041
Fund Balance - January 1	<u>280,059</u>	<u>280,059</u>	<u>207,642</u>	<u>(72,417)</u>
Fund Balance - December 31	<u>\$ 139,622</u>	<u>\$ 139,622</u>	<u>\$ 130,246</u>	<u>\$ (9,376)</u>

The accompanying notes are an integral part of this statement.

Horizon Drive Association Business Improvement District

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization

The Horizon Drive Association Business Improvement District (the District) was established April 21, 2004 through an ordinance of the City of Grand Junction, Colorado. The District was established under the *Business Improvement District Act* of the State of Colorado. The District was formed to provide continuing, dedicated resources to promote business activity within its boundaries.

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

2. Reporting Entity

The reporting entity consists of (a) the primary government; i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. Consideration is also given to other organizations which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria above, the District is not financially accountable for any other entity, nor is the District a component unit of any other government.

3. Government-wide and Fund Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. Currently, the District has only governmental activities.

Horizon Drive Association Business Improvement District

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Government-wide Financial Statements

In the government-wide Statement of Net Position, the governmental activities columns are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt, obligations, and deferred inflows. The District's net position is reported in two parts: net position restricted for emergencies and unrestricted.

The government-wide focus is on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, deferred inflows, fund equity, revenues and expenditures. Currently, the District has only one fund, the General Fund.

The fund focus is on current available resources and budget compliance.

4. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. At this time the District only uses one governmental fund.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets, liabilities, and deferred inflows is reported as fund balance.

The District reports the following major governmental fund:

General Fund – The General Fund is used to account for all financial resources of the District except those required to be accounted for in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Colorado.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5. Measurement Focus and Basis of Accounting

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements.

Long-Term Economic Focus and Accrual Basis

Governmental activities in the government-wide financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

Current Financial Focus and Modified Accrual Basis

The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the District's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the District's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications - committed and then assigned fund balances before using unassigned fund balances.

6. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as contributions awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available.

7. Property Taxes

Property taxes for 2017, collectible in 2018, were certified by the Mesa County Commissioners before December 31, 2017. Property taxes attached as an enforceable lien on January 1, 2018 and are due in total April 30, 2018 or in equal installments February 28, 2018 and June 15, 2018, at the option of the taxpayer. Property taxes for 2017, collectible in 2018, are shown as property taxes receivable and deferred inflows on the statement of net position in the amount of the assessed taxes. The County Treasurer remits taxes collected monthly to the District.

Horizon Drive Association Business Improvement District

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

8. Use of Estimates

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

9. Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

In the fall of each year, the District's Board of Directors formally adopts a budget with appropriations by fund for the ensuing year pursuant to the Colorado Local Budget Law. The budgets for the governmental funds are adopted on a basis consistent with generally accepted accounting principles ("GAAP"), are approved by the City of Grand Junction, and sent to the State of Colorado.

As required by Colorado statutes, the District followed the following timetable in approving and enacting a budget for the ensuing year:

- (1) For the 2017 budget year, prior to August 23, 2016, the County Assessor sent the District the assessed valuation of all taxable property within the District's boundaries.
- (2) On or before September 30, 2016, the District submitted to the District's Board of Directors a recommended budget which detailed the necessary property taxes needed along with other available revenues to meet the District's operating requirements.
- (3) The Board held a public hearing on the proposed budget and capital program no later than 45 days prior to the close of the fiscal year.
- (4) For the 2017 budget, prior to December 15, 2016, the District computed and certified to the County Commissioners a rate of levy that derived the necessary property taxes as computed in the proposed budget.
- (5) For the 2017 budget, the final budget and appropriating resolution was adopted prior to December 31, 2016.
- (6) After adoption of the budget resolution, the District may make the following changes: a) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; b) supplemental appropriations to the extent of revenues in excess of those estimated in the budget; c) emergency appropriations; and d) reduction of appropriations for which originally estimated revenues are insufficient.

The level of control in the budget at which expenditures exceed appropriations is at the fund level. All appropriations lapse at year-end.

Horizon Drive Association Business Improvement District

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

10. Fund Balances

GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. In the fund financial statements the following classifications describe the relative strength of the spending constraints.

- *Non-spendable fund balance* - The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid items) or is legally or contractually required to be maintained intact.
- *Restricted fund balance* - The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.
- *Committed fund balance* - The portion of fund balance constrained for specific purposes according to limitations imposed by the District's highest level of decision making authority, the Board, prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Board.
- *Assigned fund balance* - The portion of fund balance set aside for planned or intended purposes. The intended use may be expressed by the Board or other individuals authorized to assign funds to be used for a specific purpose. Assigned fund balances in special revenue funds will also include any remaining fund balance that is not restricted or committed. This classification is necessary to indicate that those funds are, at a minimum intended to be used for the purpose of that particular fund.
- *Unassigned fund balance* - The residual portion of fund balance that does not meet any of the above criteria. The District will only report a positive unassigned fund balance in the General Fund.

NOTE B – CASH

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 equal to 102 percent of the aggregate uninsured deposits. As of December 31, 2017, the District had cash deposits of \$135,883 all of which was covered by federal depository insurance.

Horizon Drive Association Business Improvement District

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE B – CASH – CONTINUED

A reconciliation of the carrying value of deposits reported above to the Statement of Net Position is as follows:

Checking accounts	\$ 28,465
Money market account	<u>107,418</u>
Total deposits per bank	135,883
Less outstanding checks	<u>(3,452)</u>
Total carrying value of cash and investments	<u>\$ 132,431</u>

Investments

Colorado state statutes authorize the District to invest in U.S. Treasury bills, obligations of any other U.S. agencies, obligations of the World Bank, general obligation bonds of any state or any of their subdivisions, revenue bonds of any state or any of their subdivisions, bankers acceptance notes, commercial paper, repurchase agreements, money market funds and guaranteed investment contracts. All investments must be held by the District, in its name, or in custody of a third party on behalf of the local government.

NOTE C – COMMITMENTS AND CONTINGENCIES

During the normal course of business, the District may incur claims and other assertions against it from various agencies and individuals. Management of the District and its legal representatives have disclosed that they are not aware of any material outstanding claims against the District at December 31, 2017.

NOTE D – TABOR AMENDMENT

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations which apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that of the prior year, extension of any expiring tax, or tax policy change directly causing a new tax revenue gain to any local government. Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple fiscal year or other financial obligation unless adequate present cash reserves are pledged irrevocable and held for payments in future years.

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of the fiscal year spending (excluding bonded debt service) for fiscal years ended after December 31, 1994. At December 31, 2017, the District's emergency reserve was \$1,636.

Horizon Drive Association Business Improvement District

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE D – TABOR AMENDMENT – CONTINUED

Under TABOR, the initial base for local government spending and revenue limits is December 31, 1992 fiscal year spending. The District’s first year of operations ended December 31, 2004. Future spending and revenue limits are determined based on the prior year’s fiscal year spending adjusted for inflation in the prior calendar year plus annual local growth. Fiscal year spending is generally defined as expenditures and reserve increases with certain exceptions. Revenue, if any, in excess of the fiscal year spending limit must be refunded in the next fiscal year unless voters approve retention of such revenue.

The District’s management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation.

NOTE E – DUE TO CITY OF GRAND JUNCTION

The District entered into a Memorandum of Agreement (MOA) with The City of Grand Junction (the City) related to the funding of the I-70 and Horizon Drive Interchange project. The District agreed to contribute \$742,820 for the project. Payments of \$322,315 were paid during 2015 and 2016 and an advance was made from the City of \$420,505. The City paid this amount toward the project and the District will repay the City \$68,429 during 2017 and \$58,679 per year thereafter for 6 years, with the annual payment due July 1 of each year. The debt is noninterest bearing.

	Balance December 31, <u>2016</u>	<u>Additions</u>	<u>Payments</u>	Balance December 31, <u>2017</u>
Loan from City of Grand Junction	\$ 420,505	\$ –	\$ 68,429	\$ 352,076

Maturities of the debt are as follows:

Year ending December 31,

2018	\$ 58,679
2019	58,679
2020	58,679
2021	58,679
2022	58,680
2023	<u>58,680</u>
Total	\$ <u>352,076</u>