

BLACK HAWK BUSINESS IMPROVEMENT DISTRICT

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FINANCIAL STATEMENTS

January 1, 2022 through November 17, 2022

TABLE OF CONTENTS

INDEPENDENT AUDITOR’S REPORT	I-II
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BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements	
Governmental Funds Balance Sheet/Statement of Net Position	1
Statement of Revenues, Expenditures, and Changes in Fund Balances/ Statement of Activities	2
General Fund - Statement of Revenues, Expenditures, And Changes in Fund Balance – Budget and Actual	3
Notes to Financial Statements.....	4-11

Independent Auditors' Report

Board of Directors
Black Hawk Business Improvement District
Gilpin County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund, of the Black Hawk Business Improvement District (the "District") as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Black Hawk Business Improvement District as of December 31, 2022, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

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

Simmons & Wheeler P.C.

Englewood, CO
June 20, 2023

Black Hawk Business Improvement District

BALANCE SHEET/STATEMENT OF NET POSITION

GOVERNMENTAL FUNDS

November 17, 2022

	<u>General</u>	<u>Adjustments</u>	Statement of <u>Net Position</u>
ASSETS			
Cash and investments	\$ _____ -	\$ _____ -	\$ _____ -
Total Assets	_____ -	_____ -	_____ -
LIABILITIES			
Accounts payable	\$ _____ -	_____ -	_____ -
Total Liabilities	_____ -	_____ -	_____ -
FUND BALANCES/NET POSITION			
Fund Balances:			
Unassigned	_____ -	_____ -	_____ -
Total Fund Balances	_____ -	_____ -	_____ -
Total Liabilities and Fund Balance	<u>\$ _____ -</u>		
Net Position:			
Unrestricted		_____ -	_____ -
Total Net Position		<u>\$ _____ -</u>	<u>\$ _____ -</u>

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

Black Hawk Business Improvement District

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

For the Period From January 1, 2022 through November 17, 2022

	<u>General</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES			
Accounting	\$ 6,000	\$ -	\$ 6,000
Auditing	-	-	-
Insurance	2,418	-	2,418
Legal	2,581	-	2,581
Treasurer's fees	8	-	8
Transfer to Silver Dollar Metropolitan District - promotion costs	-	-	-
Transfer to Silver Dollar Metropolitan District	1,684,396	-	1,684,396
Miscellaneous	<u>248</u>	<u>-</u>	<u>248</u>
Total Expenditures	<u>1,695,651</u>	<u>-</u>	<u>1,695,651</u>
GENERAL REVENUES			
Property taxes	234	-	234
Specific ownership taxes	-	-	-
Interest income	<u>19,765</u>	<u>-</u>	<u>19,765</u>
Total General Revenues	<u>19,999</u>	<u>-</u>	<u>19,999</u>
NET CHANGES IN FUND BALANCES	(1,675,652)	1,675,652	
CHANGE IN NET POSITION		(1,675,652)	(1,675,652)
FUND BALANCES/NET POSITION:			
BEGINNING OF YEAR	<u>1,675,652</u>	<u>-</u>	<u>1,675,652</u>
END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Black Hawk Business Improvement District

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

For the Period From January 1, 2022 through November 17, 2022

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES				
Property taxes	\$ -	\$ 500	\$ 234	\$ (266)
Specific ownership taxes	75,000	10,000	-	(10,000)
Interest income	<u>6,000</u>	<u>6,000</u>	<u>19,765</u>	<u>13,765</u>
Total Revenues	<u>81,000</u>	<u>16,500</u>	<u>19,999</u>	<u>3,499</u>
EXPENDITURES				
Accounting	7,500	7,500	6,000	1,500
Auditing	4,200	4,200	-	4,200
Insurance	2,000	2,418	2,418	-
Legal	5,000	2,500	2,581	(81)
Treasurer's fees	-	15	8	7
Transfer to Silver Dollar Metropolitan District	850,000	1,674,515	1,684,396	(9,881)
Miscellaneous	<u>1,000</u>	<u>1,004</u>	<u>248</u>	<u>756</u>
Total Expenditures	<u>869,700</u>	<u>1,692,152</u>	<u>1,695,651</u>	<u>(3,499)</u>
NET CHANGE IN FUND BALANCE	(788,700)	(1,675,652)	(1,675,652)	-
FUND BALANCE:				
BEGINNING OF YEAR	<u>1,974,904</u>	<u>1,675,652</u>	<u>1,675,652</u>	-
END OF YEAR	<u>\$ 1,186,204</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

BLACK HAWK BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

November 17, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Definition of Reporting Entity

The District, a quasi-municipal corporation, was organized on July 26, 1995 and was governed pursuant to provisions of Title 31, Article 25 of the Business Improvement District Act. The District’s service area was located entirely within the City of Black Hawk, Gilpin County, Colorado. The District was established to provide financing for public improvements and services which primarily benefit the commercial property within the boundaries of the District. On October 18, 2022 the District’s board of directors voted to dissolve the District and to transfer all of the assets and liabilities to Silver Dollar Metropolitan District (“Silver Dollar”). On October 26, 2022 the City of Black Hawk passed ordinance number 2022-23 stating that all outstanding indebtedness, obligations and liabilities of the District will have been satisfied by December 31, 2022 and dissolved the District effective on or before December 31, 2022. On November 1, 2022 the District entered into an Agreement Regarding Transfer and Use of Remaining BID Funds with Silver Dollar. See Note 7. On November 17, 2022 the Districts assets were transferred to Silver Dollar pursuant to the Agreement, and the District was dissolved.

The District had no employees and all operation and administrative functions are contracted.

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

BLACK HAWK BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

November 17, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District was a component unit of the City of Black Hawk whose Board was appointed by the City's Board of Alderman. The Districts financial statements are blended as a component in the City of Black Hawk financial statements.

Basis of Presentation

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

GASB is the accepted standard setting board for establishing governmental accounting and financial reporting principles. The District accounting policies conform to the accounting principles accepted in the United States of America as applicable to governmental units.

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. Property taxes are recognized as revenues in the year for which they are levied.

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 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 period. The material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred, or the long-term obligation is paid.

The government reports the following major governmental funds:

General Fund – The General Fund was the general operating fund of the District. It was used to account for all financial resources.

Fund Equity

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

BLACK HAWK BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

November 17, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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 of Directors prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Board of Directors.

Assigned fund balance – The portion of 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 were more easily removed or modified than those imposed on amounts that are classified as committed.

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

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

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 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. During 2022 the total appropriations was amended from \$869,700 to \$1,692,152 to account for the transfer of assets to Silver Dollar, however total expenditures exceeded this amount which maybe a violation of State Budget Law.

BLACK HAWK BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

November 17, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Investments

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

Property and Equipment

The District had no fixed assets as all improvements have been deeded to the City of Black Hawk for maintenance.

Property Taxes

Property taxes were levied by the District 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 assess the property tax obligation of 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 were payable by April, or at the taxpayer's election, in equal installments in February and June. Delinquent taxpayers were notified in August and the sales of the resultant tax liens on delinquent properties were generally held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, were recorded initially as deferred inflows of resources in the year they were levied and measurable. The deferred property tax revenues were recorded as revenue in the year they were available or collected. No property taxes were levied for collection year 2022.

NOTE 2 – CASH AND INVESTMENTS

At November 17, 2022 the District had no cash or investments.

BLACK HAWK BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

November 17, 2022

Deposits

Custodial Credit Risk

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least 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.

Investments

Investment Valuation

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

Custodial and Concentration Of Credit Risk

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

BLACK HAWK BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

November 17, 2022

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Credit Risk

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

Interest Rate Risk

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

During 2022, the District had the following investments.

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust (“COLOTRUST”), is rated AAAM by Standard & Poor’s with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the COLOTRUST. COLOTRUST records its investments at fair value and the District recorded its investment in COLOTRUST using the net asset value method. COLOTRUST operates similarly to a money market fund with each share maintaining a value of \$1.00. COLOTRUST offers shares in three portfolios, one of which is COLOTRUST PLUS+. COLOTRUST PLUS+ may invest in U.S. Treasuries, government agencies, the highest-rated commercial paper, certain corporate securities, certain money market funds, and certain repurchase agreements, and limits its investments to those allowed by State statutes. Purchases and redemptions are available daily at a net asset value (NAV) of \$1.00. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal function of COLOTRUST. The custodian’s internal records identify the investments owned by participating governments.

BLACK HAWK BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

November 17, 2022

NOTE 3 – RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, the District might have been exposed to various risks of loss related to thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees or acts of God.

The District was a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public official's 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 paid 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 4 – RELATED PARTY

All members of the Board of Directors were business/property owners or employees or management of owners within the District and therefore may have had conflicts of interest in dealing with the District.

NOTE 5 – 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.

Enterprises, defined as government-owned business authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provision of TABOR.

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. At an election held November 7, 2000 the District's electors authorized the District to retain an amount from a General Fund mill levy not to exceed 4.073 mills.

BLACK HAWK BUSINESS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

November 17, 2022

NOTE 5 – TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)

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

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

NOTE 6 – DEBT AUTHORIZATION

The District had no unused voter authorization to issue additional general obligation indebtedness. However, the District had voter authorization to issue up to \$23 million of special assessment bonds for SID 2003-1, although the District’s Operating Plan currently permitted the District to issue only \$21 million of such bonds. The District also had voter authorization to issue an additional \$2,060,000 of special assessment bonds for SID 1997-1 and an additional \$4 million of special assessment bonds for SID 1997-2, although none of such bonds were issued; as well as an additional \$3 million of special assessment bonds for SID 1998-2, which the District’s Operating Plan currently does not permit the District to issue.

NOTE 7 – AGREEMENT REGARDING TRANSFER AND USE OF REMAINING BID FUNDS

On November 1, 2022, the District entered into an Agreement Regarding Transfer and Use of Remaining District funds with Silver Dollar. The parties agreed that at or prior to the dissolution of the District, in the District’s discretion, the District agrees to transfer the Remaining District Funds to Silver Dollar as a contribution to Silver Dollar without any requirement for repayment or reimbursement. Silver Dollar agreed it will use the Remaining District Funds, in Silver Dollar’s discretion, for the limited purpose of funding activities in support of business recruitment, management, and development to the benefit of the property owners, taxpayers and constituents of both the District (as it exists as of the date of this Agreement) and/or Silver Dollar, it being the understanding and intent of the Parties that the remaining District funds should be utilized in a manner that furthers the current purposes of the District as of the date of this Agreement. On November 17, 2022 the remaining funds of the District were transferred.