

**POWERS & WOODMEN COMMERCIAL
BUSINESS IMPROVEMENT DISTRICT
El Paso County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2018

**POWERS & WOODMEN COMMERCIAL BUSINESS IMPROVEMENT DISTRICT
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2018**

INDEPENDENT AUDITOR’S REPORT	1
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	1
STATEMENT OF ACTIVITIES	2
FUND FINANCIAL STATEMENTS	
BALANCE SHEET – GOVERNMENTAL FUNDS	3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	4
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	5
GENERAL FUND – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	6
NOTES TO BASIC FINANCIAL STATEMENTS	7
SUPPLEMENTARY INFORMATION	
DEBT SERVICE FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	19
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY	20
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED	21



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Powers & Woodmen Commercial Business Improvement District
El Paso County, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Powers & Woodmen Commercial Business Improvement District ("District"), a component unit of the City of Colorado Springs, Colorado, as of and for the year ended December 31, 2018, 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 entity'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 entity'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.

Opinions

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, 2018, the changes in its 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.

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.

Other 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.

The supplementary 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.

BiggsKofford, P.C.

Colorado Springs, Colorado
March 26, 2019

BASIC FINANCIAL STATEMENTS

POWERS & WOODMEN COMMERCIAL BUSINESS IMPROVEMENT DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2018

	Governmental Activities
ASSETS	
Cash and Investments	\$ 36,241
Cash and Investments - Restricted	677,662
Accounts Receivable - County Treasurer	3,455
Prepaid Expenses	2,182
Property Taxes Receivable	324,363
Capital Assets, Net	2,402,975
Total Assets	3,446,878
LIABILITIES	
Accounts Payable	4,892
Accrued Interest Payable	11,829
Noncurrent Liabilities:	
Due Within One Year	30,000
Due in More Than One Year	3,881,876
Total Liabilities	3,928,597
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	324,363
Total Deferred Inflows of Resources	324,363
NET POSITION	
Net Investment in Capital Assets	(1,233,583)
Restricted For:	
Emergency Reserves	1,600
Debt Service	664,233
Unrestricted	(238,332)
Total Net Position	\$ (806,082)

See accompanying Notes to Basic Financial Statements.

**POWERS & WOODMEN COMMERCIAL BUSINESS IMPROVEMENT DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018**

		Program Revenues			Net Revenues (Expenses) and Change 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	\$ 127,497	\$ -	\$ -	\$ -	\$ (127,497)
Public Works - Dedication of Capital Assets to Other Governments	-	-	-	-	-
Interest on Long-Term Debt and Related Costs	286,446	-	-	-	(286,446)
	\$ 413,943	\$ -	\$ -	\$ -	(413,943)
 GENERAL REVENUES					
					311,494
					39,359
					16,347
					367,200
 CHANGE IN NET POSITION					
					(46,743)
					(759,339)
 NET POSITION - END OF YEAR					
					\$ (806,082)

See accompanying Notes to Basic Financial Statements.

**POWERS & WOODMEN COMMERCIAL BUSINESS IMPROVEMENT DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

	General	Debt Service	Governmental Funds
ASSETS			
Cash and Investments	\$ 36,241	\$ -	\$ 36,241
Cash and Investments - Restricted	1,600	676,062	677,662
Accounts Receivable - County Treasurer	3,455	-	3,455
Prepaid Expenses	2,182	-	2,182
Property Taxes Receivable	12,475	311,888	324,363
	<u>\$ 55,953</u>	<u>\$ 987,950</u>	<u>\$ 1,043,903</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 4,892	\$ -	\$ 4,892
Total Liabilities	4,892	-	4,892
DEFERRED INFLOWS OF RESOURCES			
Deferred Property Tax Revenue	12,475	311,888	324,363
Total Deferred Inflows of Resources	12,475	311,888	324,363
FUND BALANCES			
Nonspendable:			
Prepaid Expenses	2,182	-	2,182
Restricted For:			
Emergencies (TABOR)	1,600	-	1,600
Debt Service	-	676,062	676,062
Unassigned	34,804	-	34,804
Total Fund Balances	<u>38,586</u>	<u>676,062</u>	<u>714,648</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 55,953</u>	<u>\$ 987,950</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 as assets in the funds.

Capital assets, net 2,402,975

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

Bonds Payable (1,670,000)

Accrued Interest Payable - Bonds (11,829)

Developer Advance Payable (1,966,558)

Accrued Interest Payable - Developer Advance (275,318)

Net Position of Governmental Activities \$ (806,082)

See accompanying Notes to Basic Financial Statements.

**POWERS & WOODMEN COMMERCIAL BUSINESS IMPROVEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2018**

	General	Debt Service	Total Governmental Funds
REVENUES			
Property Taxes	\$ 11,980	\$ 299,514	\$ 311,494
Specific Ownership Taxes	39,359	-	39,359
Net Investment Income	404	15,943	16,347
Total Revenues	<u>51,743</u>	<u>315,457</u>	<u>367,200</u>
EXPENDITURES			
Current:			
Accounting	13,062	-	13,062
Audit	2,150	-	2,150
County Treasurer's Fees	180	4,500	4,680
Dues and Licences	278	-	278
Election Expense	2,009	-	2,009
Insurance and Bonds	3,530	-	3,530
Legal	4,517	-	4,517
Management	430	-	430
Miscellaneous	836	-	836
Debt Service:			
Bond Interest	-	144,500	144,500
Bond Principal	-	30,000	30,000
Total Expenditures	<u>26,992</u>	<u>179,000</u>	<u>205,992</u>
NET CHANGE IN FUND BALANCES	24,751	136,457	161,208
Fund Balances - Beginning of Year	<u>13,835</u>	<u>539,605</u>	<u>553,440</u>
FUND BALANCES - END OF YEAR	<u>\$ 38,586</u>	<u>\$ 676,062</u>	<u>\$ 714,648</u>

See accompanying Notes to Basic Financial Statements.

**POWERS & WOODMEN COMMERCIAL BUSINESS IMPROVEMENT DISTRICT
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018**

Net Change in Fund Balances - Governmental Funds	\$ 161,208
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>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. Capital outlay, the conveyance of capital assets to other governments and depreciation expense in the current period are as follows:</p>	
Depreciation Expense	(100,505)
<p>The issuance of long-term debt (e.g., issuance of bonds, the receipt of Developer advances) provides current financial resources to governmental funds, while the repayment of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>	
Bonds Principal Payment	30,000
<p>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.</p>	
Accrued Interest on Developer Advance - Change in Liability	(137,659)
Accrued Interest on Bonds - Change in Liability	213
	(46,743)
Change in Net Position of Governmental Activities	\$ (46,743)

See accompanying Notes to Basic Financial Statements.

**POWERS & WOODMEN COMMERCIAL BUSINESS IMPROVEMENT DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 11,980	\$ 11,980	\$ -
Specific Ownership Taxes	40,490	39,359	(1,131)
Net Investment Income	180	404	224
Total Revenues	<u>52,650</u>	<u>51,743</u>	<u>(907)</u>
EXPENDITURES			
Current:			
Accounting	14,000	13,062	938
Audit	2,200	2,150	50
County Treasurer's fee	180	180	-
Dues and licenses	300	278	22
Insurance and bonds	2,000	2,009	(9)
District management	4,000	3,530	470
Legal	5,000	4,517	483
Miscellaneous	1,000	430	570
Election expense	1,000	836	164
Contingency	5,320	-	5,320
Total Expenditures	<u>35,000</u>	<u>26,992</u>	<u>8,008</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	17,650	24,751	7,101
Fund Balance - Beginning of Year	<u>9,016</u>	<u>13,835</u>	<u>4,819</u>
FUND BALANCE - END OF YEAR	<u>\$ 26,666</u>	<u>\$ 38,586</u>	<u>\$ 11,920</u>

See accompanying Notes to Basic Financial Statements.

POWERS & WOODMEN COMMERCIAL BUSINESS IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 DEFINITION OF REPORTING ENTITY

Powers & Woodmen Commercial Business Improvement District (the District), a quasi-municipal corporation was organized by ordinance of the City of Colorado Springs (the City) on April 27, 2004, 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 parking facilities, roadways, lighting, driveways, public utilities and landscaping.

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.

**POWERS & WOODMEN COMMERCIAL BUSINESS IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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 is 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.

POWERS & WOODMEN COMMERCIAL BUSINESS IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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.

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.

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. streets), are reported in the applicable governmental activities column 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 estimated acquisition value at the date of donation.

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.

POWERS & WOODMEN COMMERCIAL BUSINESS IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

Streets	30 Years
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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.

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.

**POWERS & WOODMEN COMMERCIAL BUSINESS IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

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.

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2018, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 36,241
Cash and Investments - Restricted	677,662
Total Cash and Investments	\$ 713,903

Cash and investments as of December 31, 2018, consist of the following:

Deposits with Financial Institutions	\$ 23,620
Investments	690,283
Total Cash and Investments	\$ 713,903

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.

**POWERS & WOODMEN COMMERCIAL BUSINESS IMPROVEMENT DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2018**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Deposits with Financial Institutions (Continued)

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, 2018, the District's cash deposits had a bank balance of \$23,620 and a carrying balance of \$23,620.

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.

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, 2018, 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	\$ 690,283

**POWERS & WOODMEN COMMERCIAL BUSINESS IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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 operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. 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. 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 is rated AAAM by Standard & Poor's. 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, 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, 2018 follows:

	Balance at December 31, 2017	Increases	Decreases	Balance at December 31, 2018
Governmental Activities:				
Capital Assets, Being Depreciated:				
Streets	\$ 3,015,147	\$ -	\$ -	\$ 3,015,147
Total Capital Assets, Being Depreciated	3,015,147	-	-	3,015,147
Less Accumulated Depreciation For:				
Streets	(511,667)	(100,505)	-	(612,172)
Total Accumulated Depreciation	(511,667)	(100,505)	-	(612,172)
Total Capital Assets, Being Depreciated, Net	2,503,480	(100,505)	-	2,402,975
Capital Assets, Net	<u>\$ 2,503,480</u>	<u>\$ (100,505)</u>	<u>\$ -</u>	<u>\$ 2,402,975</u>

**POWERS & WOODMEN COMMERCIAL BUSINESS IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 4 CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs of the District as follows:

Governmental Activities:

General Government	\$ 100,505
Total Depreciation Expense - Governmental Activities	\$ 100,505

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, 2018:

	Balance at December 31, 2017	Additions	Retirements	Balance at December 31, 2018	Due Within One Year
Governmental					
Activities:					
Series 2010 General					
Obligation Bonds	\$ 1,700,000	\$ -	\$ 30,000	\$ 1,670,000	\$ 30,000
Developer					
Advances	1,966,558	-	-	1,966,558	-
Accrued Interest on					
Developer Advances	137,659	137,659	-	275,318	-
	\$ 3,804,217	\$ 137,659	\$ 30,000	\$ 3,911,876	\$ 30,000

The details of the District's long-term obligations are as follows:

\$1,850,000 Limited Tax General Obligation Bonds, Series 2010

On April 1, 2010, the District issued \$1,850,000 in Limited Tax General Obligation Bonds dated April 1, 2010 for street improvements. The bonds bear interest at a rate of 8.5% and are due December 1, 2039. Bond interest and principal payments are payable annually on December 1. Any accrued and unpaid interest will compound on December 1 of each year. The bonds are subject to redemption prior to maturity, at the option of the District, without redemption premium.

The bonds are secured by and payable from Pledged Revenue consisting of monies derived by the District from the following sources, net of any collection costs: 1) the Required Mill Levy, and 2) any other legally available monies that the District determines to be treated as Pledged Revenue. Required Mill Levy means an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient to pay the principal, premium if any, and interest on the bonds as the same become due and payable. The Required Mill Levy shall be limited to a maximum of 25.000 mills, adjusted for changes in the ratio of actual value to assessed value of property within the District. As of December 31, 2018, the adjusted maximum mill levy is 25.000 for debt service. For collection year 2018, the District levied 25.000 mills for debt service.

**POWERS & WOODMEN COMMERCIAL BUSINESS IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

The District's general obligation bonds will mature as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 30,000	\$ 141,950	\$ 171,950
2020	35,000	139,400	174,400
2021	35,000	136,425	171,425
2022	40,000	133,450	173,450
2023	45,000	130,050	175,050
2024-2028	280,000	586,925	866,925
2029-2033	420,000	447,100	867,100
2034-2038	625,000	235,875	860,875
2039	160,000	13,600	173,600
Total	<u>\$ 1,670,000</u>	<u>\$ 1,964,775</u>	<u>\$ 3,634,775</u>

Authorized Debt

On May 4, 2004, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$46,125,000 at an interest rate not to exceed 12% per annum. On November 1, 2005, the District's electors authorized additional indebtedness of \$2,500,000 at an interest rate not to exceed 12% per annum. At December 31, 2018, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	<u>Authorized May 4, 2004 Election</u>	<u>Authorized November 1, 2005 Election</u>	<u>Authorization Used</u>	<u>Remaining at December 31, 2018</u>
Streets	\$ 9,000,000	\$ -	\$ 1,850,000	\$ 7,150,000
Parking Facilities	12,000,000	-	-	12,000,000
Water	125,000	2,000,000	-	2,125,000
Sanitary Sewer	-	500,000	-	500,000
Refunding of Debt	25,000,000	-	-	25,000,000
Total	<u>\$ 46,125,000</u>	<u>\$ 2,500,000</u>	<u>\$ 1,850,000</u>	<u>\$ 46,775,000</u>

As set forth in the District's 2004 Operating Plan, the City has limited the amount of debt to be issued by the District to a total of \$13,900,000 without further approval by the City.

Developer Advances

The District entered into a Reimbursement Agreement (Agreement) with the Developer (see Note 7) whereby the District agrees to reimburse the Developer for operational advances made on behalf of the District. The District agrees to repay the Developer along with accrued interest at a rate of 7% on the first day of the following year in which the advances were made. The Agreement does not constitute a multiple-fiscal year obligation.

On March 30, 2011, the District entered into the Amendment to the Reimbursement Agreement to recognize advances, and accrued interest, made to the District prior to 2006. Such advances were originally recorded in the District's records as a contribution.

**POWERS & WOODMEN COMMERCIAL BUSINESS IMPROVEMENT DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2018**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Developer Advances (Continued)

As of December 31, 2018, outstanding Developer advances totaled \$1,966,558 and accumulated accrued interest totaled \$275,318.

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 balance of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2018, the District had net investment in capital assets calculated as follows:

Net Investment in Capital Assets:	
Capital Assets, Net	\$ 2,402,975
Current Portion of Long-Term Obligations	(30,000)
Oustanding Long-Term Obligations	<u>(3,606,558)</u>
Net Investment in Capital Assets	<u><u>\$ (1,233,583)</u></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, 2018, as follows:

	<u>Governmental Activities</u>
Restricted Net Position:	
Emergency Reserves	\$ 1,600
Debt Service	<u>664,233</u>
Total Restricted Net Position	<u><u>\$ 665,833</u></u>

The District's unrestricted net position as of December 31, 2018 is \$(238,332). This deficit amount is a result of the District being responsible for the repayment of Developer advances received for operations and public improvements; and the bonds issued for public improvements.

NOTE 7 RELATED PARTIES

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

POWERS & WOODMEN COMMERCIAL BUSINESS IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 8 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 (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 9 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.

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.

On May 4, 2004, the District's voters authorized the District to increase property taxes \$78,000 annually, at a mill levy rate not to exceed one mill for general operations and maintenance. The election also allows the District to collect, spend, and retain all revenues without regard to the limitations contained within Article X, Section 20 of the Colorado Constitution (TABOR).

SUPPLEMENTARY INFORMATION

**POWERS & WOODMEN COMMERCIAL BUSINESS IMPROVEMENT DISTRICT
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 299,515	\$ 299,514	\$ (1)
Net Investment Income	6,000	15,943	9,943
Total Revenues	<u>305,515</u>	<u>315,457</u>	<u>9,942</u>
EXPENDITURES			
County Treasurer's Fees	4,493	4,500	(7)
Interest - Bonds	144,500	144,500	-
Principal - Bonds	30,000	30,000	-
Contingency	1,007	-	1,007
Total Expenditures	<u>180,000</u>	<u>179,000</u>	<u>1,000</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	125,515	136,457	10,942
Fund Balance - Beginning of Year	<u>539,086</u>	<u>539,605</u>	<u>519</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 664,601</u></u>	<u><u>\$ 676,062</u></u>	<u><u>\$ 11,461</u></u>

**POWERS & WOODMEN COMMERCIAL BUSINESS IMPROVEMENT DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2018**

\$1,850,000 Limited Tax General Obligation Bonds
Series 2010
Dated April 1, 2010
Interest Rate 8.5%

<u>Year Ended December 31,</u>	<u>Principal and Interest Due December 1</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 30,000	\$ 141,950	\$ 171,950
2020	35,000	139,400	174,400
2021	35,000	136,425	171,425
2022	40,000	133,450	173,450
2023	45,000	130,050	175,050
2024	50,000	126,225	176,225
2025	50,000	121,975	171,975
2026	55,000	117,725	172,725
2027	60,000	113,050	173,050
2028	65,000	107,950	172,950
2029	70,000	102,425	172,425
2030	75,000	96,475	171,475
2031	85,000	90,100	175,100
2032	90,000	82,875	172,875
2033	100,000	75,225	175,225
2034	105,000	66,725	171,725
2035	115,000	57,800	172,800
2036	125,000	48,025	173,025
2037	135,000	37,400	172,400
2038	145,000	25,925	170,925
2039	160,000	13,600	173,600
	<u>\$ 1,670,000</u>	<u>\$ 1,964,775</u>	<u>\$ 3,634,775</u>

**POWERS & WOODMEN COMMERCIAL BUSINESS IMPROVEMENT DISTRICT
 SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
 DECEMBER 31, 2018**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Tax Levy	Mills	Total Property Taxes		Percent Collected to Levied
			Levied	Collected	
2014	\$ 10,548,430	26.000	\$ 274,259	\$ 274,259	100.00 %
2015	10,526,290	26.000	273,683	240,128	87.74 % (1)
2016	10,287,740	29.261 (2)	301,030	301,030	100.00 %
2017	10,287,740	26.000	267,372	267,371	100.00 %
2018	11,980,610	26.000	311,496	311,494	100.00 %
Estimated for the Year Ending December 31, 2019	\$ 12,475,530	26.000	\$ 324,363		

- (1) Net taxes collected include a rebate of \$22,367 refunded to taxpayers.
- (2) Mill levy for 2016 includes a temporary mill levy of 3.261 to recapture property tax rebates from 2015.

NOTE: Property taxes shown as collected in any one year include collection of delinquent property taxes or abatements of property taxes assessed in prior years. This presentation does not attempt to identify specific years of assessments.