

**FIRST & MAIN NORTH BUSINESS  
IMPROVEMENT DISTRICT  
El Paso County, Colorado**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2018**

**FIRST & MAIN NORTH BUSINESS IMPROVEMENT DISTRICT  
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## INDEPENDENT AUDITOR'S REPORT

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Board of Directors  
**First & Main North 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 First & Main North 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**

**FIRST & MAIN NORTH BUSINESS IMPROVEMENT DISTRICT  
STATEMENT OF NET POSITION  
DECEMBER 31, 2018**

	Governmental Activities
<b>ASSETS</b>	
Cash and Investments	\$ 1,930
Cash and Investments - Restricted	7,969
Accounts Receivable - County Treasurer	2,248
Prepaid Expenses	1,832
Property Taxes Receivable	201,627
Capital Assets, Net	1,227,330
Total Assets	1,442,936
<b>LIABILITIES</b>	
Accounts Payable	7,398
Accrued Interest Payable	46,177
Noncurrent Liabilities:	
Due Within One Year	55,789
Due in More Than One Year	1,769,144
Total Liabilities	1,878,508
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Property Tax Revenue	201,627
Total Deferred Inflows of Resources	201,627
<b>NET POSITION</b>	
Net Investment in Capital Assets	(426,753)
Restricted for:	
Emergency Reserves	900
Unrestricted	(211,346)
Total Net Position	\$ (637,199)

See accompanying Notes to Basic Financial Statements.

**FIRST & MAIN NORTH BUSINESS IMPROVEMENT DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2018**

		Program Revenues			Net Revenues (Expenses) and Change in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
<b>FUNCTIONS/PROGRAMS</b>					
Primary Government:					
Government Activities:					
General Government	\$ 103,430	\$ -	\$ -	\$ -	
Interest on Long-Term Debt and Related Costs	117,143	-	-	-	
	<u>\$ 220,573</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
				\$ (103,430)	
				(117,143)	
				(220,573)	
<b>GENERAL REVENUES</b>					
Property Taxes				202,715	
Specific Ownership Taxes				25,614	
Net Investment Income				2,004	
Total General Revenues				<u>230,333</u>	
<b>CHANGE IN NET POSITION</b>				9,760	
Net Position - Beginning of Year				(646,959)	
<b>NET POSITION - END OF YEAR</b>				\$ (637,199)	

See accompanying Notes to Basic Financial Statements.

**FIRST & MAIN NORTH BUSINESS IMPROVEMENT DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2018**

	General	Debt Service	Capital Projects	Total Governmental Funds
<b>ASSETS</b>				
Cash and Investments	\$ 1,930	\$ -	\$ -	\$ 1,930
Cash and Investments - Restricted	900	7,069	-	7,969
Accounts Receivable - County Treasurer	2,248	-	-	2,248
Prepaid Expenses	1,832	-	-	1,832
Property Taxes Receivable	3,953	197,674	-	201,627
	<u>\$ 10,863</u>	<u>\$ 204,743</u>	<u>\$ -</u>	<u>\$ 215,606</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 7,398	\$ -	\$ -	\$ 7,398
Total Liabilities	7,398	-	-	7,398
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Property Tax Revenue	3,953	197,674	-	201,627
Total Deferred Inflows of Resources	3,953	197,674	-	201,627
<b>FUND BALANCES</b>				
Nonspendable:				
Prepaid Amounts	1,832	-	-	1,832
Restricted for:				
Emergencies (TABOR)	900	-	-	900
Debt Service	-	7,069	-	7,069
Unassigned:	(3,220)	-	-	(3,220)
Total Fund Balances	<u>(488)</u>	<u>7,069</u>	<u>-</u>	<u>6,581</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 10,863</u>	<u>\$ 204,743</u>	<u>\$ -</u>	
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				1,227,330
Capital assets, net				
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:				
Bonds Payable				(1,539,213)
Developer Advance Payable				(249,253)
Accrued Interest Payable - Bonds				(46,177)
Accrued Interest Payable - Developer Advance				(36,467)
Net Position of Governmental Activities				<u>\$ (637,199)</u>

See accompanying Notes to Basic Financial Statements.



**FIRST & MAIN NORTH BUSINESS IMPROVEMENT DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2018**

	General	Debt Service	Capital Projects	Total Governmental Funds
<b>REVENUES</b>				
Property Taxes	\$ 3,975	\$ 198,740	\$ -	\$ 202,715
Specific Ownership Taxes	25,614	-	-	25,614
Net Investment Income	23	1,981	-	2,004
Total Revenues	<u>29,612</u>	<u>200,721</u>	<u>-</u>	<u>230,333</u>
<b>EXPENDITURES</b>				
Current:				
Accounting	17,996	-	-	17,996
Audit	3,050	-	-	3,050
County Treasurer's Fees	60	2,981	-	3,041
Dues and Licenses	270	-	-	270
Elections	1,812	-	-	1,812
Insurance and Bonds	3,654	-	-	3,654
Legal	5,250	-	-	5,250
Management	492	-	-	492
Miscellaneous	944	-	-	944
Debt Service:				
Bond Interest	-	95,511	-	95,511
Bond Principal	-	52,631	-	52,631
Total Expenditures	<u>33,528</u>	<u>151,123</u>	<u>-</u>	<u>184,651</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	(3,916)	49,598	-	45,682
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Between Funds	-	(45,000)	45,000	-
Developer Advance	-	-	-	-
Developer Advance Repayment	-	-	(45,000)	(45,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(45,000)</u>	<u>-</u>	<u>(45,000)</u>
<b>NET CHANGE IN FUND BALANCES</b>	(3,916)	4,598	-	682
Fund Balances - Beginning of Year	<u>3,428</u>	<u>2,471</u>	<u>-</u>	<u>5,899</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ (488)</u>	<u>\$ 7,069</u>	<u>\$ -</u>	<u>\$ 6,581</u>

See accompanying Notes to Basic Financial Statements.

**FIRST & MAIN NORTH 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 - Total Governmental Funds \$ 682

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense, the allocation of the cost of any depreciable asset over the estimated useful life of the asset.

Depreciation Expense (69,902)

The issuance of long-term debt (e.g., the issuance of bonds, the receipt of Developer advances) provides current financial resources to governmental funds, while the repayment of the principal 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.

Bonds Principal Payment 52,631  
Developer Advance Repayment 45,000

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Accrued Interest on Bonds - Change in Liability 1,579  
Accrued Interest on Developer Advance - Change in Liability (20,230)

Change in Net Position of Governmental Activities \$ 9,760

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

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>REVENUES</b>				
Property Taxes	\$ 3,975	3,975	3,975	\$ -
Specific Ownership Taxes	26,350	24,146	25,614	1,468
Net Investment Income	50	26	23	(3)
Developer Advance	-	4,325	-	(4,325)
Total Revenues	<u>30,375</u>	<u>32,472</u>	<u>29,612</u>	<u>(2,860)</u>
<b>EXPENDITURES</b>				
Current:				
Accounting	12,000	18,000	17,996	4
Audit	3,100	3,050	3,050	-
County Treasurer's Fees	60	60	60	-
Dues and membership	500	270	270	-
Insurance and bonds	2,000	1,812	1,812	-
District management	3,500	3,500	3,654	(154)
Legal services	5,000	5,000	5,250	(250)
Miscellaneous	500	425	492	(67)
Election expense	1,000	944	944	-
Contingency	2,340	1,939	-	1,939
Total Expenditures	<u>30,000</u>	<u>35,000</u>	<u>33,528</u>	<u>1,472</u>
<b>EXCESS OF REVENUES UNDER (OVER) EXPENDITURES</b>	375	(2,528)	(3,916)	(1,388)
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	375	(2,528)	(3,916)	(1,388)
Fund Balance - Beginning of Year	<u>1,319</u>	<u>3,428</u>	<u>3,428</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 1,694</u>	<u>\$ 900</u>	<u>\$ (488)</u>	<u>\$ (1,388)</u>

See accompanying Notes to Basic Financial Statements.

**FIRST & MAIN NORTH BUSINESS IMPROVEMENT DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 1 DEFINITION OF REPORTING ENTITY**

First & Main North 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, landscaping, water, and storm sewer.

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.

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.

**FIRST & MAIN NORTH 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.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

**FIRST & MAIN NORTH 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.

The District amended its annual budget for the year ended December 31, 2018.

**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 infrastructure (e.g., storm drainage, streets, and similar items), 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 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 component of the District's net position.

**FIRST & MAIN NORTH 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
Parking Facilities	30 Years
Water	30 Years
Drainage	30 Years

**Deferred Inflows of Resources**

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

**Equity**

**Net Position**

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

**Fund Balance**

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

*Nonspendable Fund Balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.

*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.

**FIRST & MAIN NORTH 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.

**Deficits**

The General Fund reported a deficit in the fund financial statements as of December 31, 2018. The deficit will be eliminated with the receipt of funds in 2019.

**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	\$ 1,930
Cash and Investments - Restricted	7,969
Total Cash and Investments	\$ 9,899

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

Deposits with Financial Institutions	\$ 2,830
Investments	7,069
Total Cash and Investments	\$ 9,899



**FIRST & MAIN NORTH BUSINESS IMPROVEMENT DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

**Deposits with Financial Institutions**

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2018, the District's cash deposits had a bank balance of \$2,830 and a carrying balance of \$2,830.

**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

**FIRST & MAIN NORTH BUSINESS IMPROVEMENT DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

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	\$ <u>7,069</u>

**COLOTRUST**

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust 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.

**FIRST & MAIN NORTH BUSINESS IMPROVEMENT DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 4 CAPITAL ASSETS**

An analysis of the changes in capital assets for the year ended December 31, 2018 follows:

	Balance - December 31, 2017	Increases	Decreases	Balance - December 31, 2018
Capital Assets, Being Depreciated:				
Streets	\$ 578,297	\$ -	\$ -	\$ 578,297
Parking Facilities	1,331,145	-	-	1,331,145
Water	137,599	-	-	137,599
Drainage	50,000	-	-	50,000
Total Capital Assets, Being Depreciated	2,097,041	-	-	2,097,041
Less Accumulated Depreciation for:				
Streets	(154,028)	(19,277)	-	(173,305)
Parking Facilities	(566,016)	(44,372)	-	(610,388)
Water	(58,512)	(4,587)	-	(63,099)
Drainage	(21,253)	(1,666)	-	(22,919)
Total Accumulated Depreciation	(799,809)	(69,902)	-	(869,711)
Capital Assets, Net	<u>\$ 1,297,232</u>	<u>\$ (69,902)</u>	<u>\$ -</u>	<u>\$ 1,227,330</u>

Depreciation expense of \$69,902 for the year ended December 31, 2018, was charged to general government activities.

**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 - December 31, 2017	Additions	Reductions	Balance - December 31, 2018	Due Within One Year
Series 2005 G.O. Bonds	\$ 1,591,844	\$ -	\$ 52,631	\$ 1,539,213	\$ 55,789
Developer Advance	294,253	-	45,000	249,253	-
Accrued Interest on Developer Advance	16,237	20,230	-	36,467	-
	<u>\$ 1,902,334</u>	<u>\$ 20,230</u>	<u>\$ 97,631</u>	<u>\$ 1,824,933</u>	<u>\$ 55,789</u>

**FIRST & MAIN NORTH BUSINESS IMPROVEMENT DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)**

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

**\$1,927,000 General Obligation Limited Tax Bonds, Series 2005**

On March 25, 2005, the District issued \$1,927,000 in General Obligation Limited Tax Bonds dated March 30, 2005, for infrastructure improvements. The bonds bear interest at a rate of 6.00%. Bond interest and principal payments are payable annually on July 1. Any accrued and unpaid interest will compound on July 1 of each year. The bonds are payable as funds are available from property taxes over 30 years with final maturity on March 30, 2035. The bonds are subject to redemption prior to maturity, at the option of the District, without a redemption premium.

The District's long-term obligations will mature as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 55,789	\$ 92,353	\$ 148,142
2020	59,048	89,005	148,053
2021	62,590	85,463	148,053
2022	66,252	81,707	147,959
2023	70,227	77,732	147,959
2024-2028	418,683	320,244	738,927
2029-2033	558,927	178,788	737,715
2034-2035	247,697	19,739	267,436
Total	<u>\$ 1,539,213</u>	<u>\$ 945,031</u>	<u>\$ 2,484,244</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 \$9,100,000 at an interest rate not to exceed 12% per annum. On November 1, 2005, the District's electors authorized additional indebtedness of \$275,000 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 Series 2005 Bonds</u>	<u>Remaining at December 31, 2018</u>
Streets	\$ 2,100,000	\$ -	\$ 364,930	\$ 1,735,070
Parking Facilities	2,000,000	-	1,374,471	625,529
Water	-	225,000	137,599	87,401
Storm Drainage	-	50,000	50,000	-
Refunding	5,000,000	-	-	5,000,000
Total	<u>\$ 9,100,000</u>	<u>\$ 275,000</u>	<u>\$ 1,927,000</u>	<u>\$ 7,448,000</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 \$2,200,000 without future approval by the City.

**FIRST & MAIN NORTH BUSINESS IMPROVEMENT DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)**

**Developer Advances**

The District entered into a Reimbursement Agreement (Agreement) with the Developer (see Note 7). 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.

As of December 31, 2018, outstanding Developer advances totaled \$249,253 and accumulated accrued interest totaled \$36,467.

**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 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	\$ 1,227,330
Current Portion of Long-Term Obligations	(55,789)
Noncurrent Portion of Long-Term Obligations	<u>(1,598,294)</u>
Net Investment in Capital Assets	<u>\$ (426,753)</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:

Restricted Net Position:	
Emergency Reserves	<u>\$ 900</u>

The District has a deficit in unrestricted net position. This deficit amount is a result of the District being responsible for the repayment of developer advances received for operations and developer advances received and bonds issued for public improvements.

**FIRST & MAIN NORTH BUSINESS IMPROVEMENT DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**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.

**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 (the Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery, and workers' compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

**NOTE 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.

**FIRST & MAIN NORTH BUSINESS IMPROVEMENT DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 9 TAX, SPENDING, AND DEBT LIMITATIONS (CONTINUED)**

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 \$9,154 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**



**FIRST & MAIN NORTH 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)
<b>REVENUES</b>			
Property Taxes	\$ 198,741	\$ 198,740	\$ (1)
Net Investment Income	900	1,981	1,081
Total Revenues	<u>199,641</u>	<u>200,721</u>	<u>1,080</u>
<b>EXPENDITURES</b>			
Current:			
County Treasurer's Fee	2,981	2,981	-
Debt Service:			
Bond Interest	95,511	95,511	-
Bond Principal	52,631	52,631	-
Contingency	1,877	-	1,877
Total Expenditures	<u>153,000</u>	<u>151,123</u>	<u>1,877</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	46,641	49,598	2,957
<b>OTHER FINANCING USES</b>			
Transfer to Other Fund	(45,000)	(45,000)	-
Total Other Financing Sources (Uses)	<u>(45,000)</u>	<u>(45,000)</u>	<u>-</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	1,641	4,598	2,957
Fund Balance - Beginning of Year	<u>1,320</u>	<u>2,471</u>	<u>1,151</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 2,961</u>	<u>\$ 7,069</u>	<u>\$ 4,108</u>

**FIRST & MAIN NORTH BUSINESS IMPROVEMENT DISTRICT  
CAPITAL PROJECTS 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)
<b>REVENUES</b>			
Total Revenues	-	-	-
<b>EXPENDITURES</b>			
Total Expenditures	-	-	-
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	-	-	-
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer from Other Fund	45,000	45,000	-
Developer Advance Repayment	(45,000)	(45,000)	-
Total Other Financing Sources (Uses)	-	-	-
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	-	-	-
Fund Balance - Beginning of Year	-	-	-
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**FIRST & MAIN NORTH BUSINESS IMPROVEMENT DISTRICT  
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY  
DECEMBER 31, 2018**

\$1,927,000 General Obligation Bonds  
Series 2005  
Dated March 30, 2005  
Principal and Interest Due July 1  
Interest Rate 6.0% Payable

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Debt Service</u>
2019	\$ 55,789	\$ 92,353	148,142
2020	59,048	89,005	148,053
2021	62,590	85,463	148,053
2022	66,252	81,707	147,959
2023	70,227	77,732	147,959
2024	74,347	73,518	147,865
2025	78,807	69,058	147,865
2026	83,438	64,329	147,767
2027	88,444	59,323	147,767
2028	93,647	54,016	147,663
2029	99,266	48,397	147,663
2030	105,122	42,441	147,563
2031	111,429	36,134	147,563
2032	118,015	29,448	147,463
2033	125,095	22,368	147,463
2034	132,491	14,862	147,353
2035	115,206	4,877	120,083
Total	<u>\$ 1,539,213</u>	<u>\$ 945,031</u>	<u>\$ 2,484,244</u>

**FIRST & MAIN NORTH 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 Levied	Total Property Taxes		Percent Collected to Levied
			Levied	Collected	
2014	\$ 4,137,490	40.000	\$ 165,499	\$ 165,500	100.00%
2015	\$ 4,137,400	40.000	\$ 165,496	\$ 165,496	100.00%
2016	\$ 4,091,470	40.000	\$ 163,658	\$ 163,658	100.00%
2017	\$ 4,030,890	40.000	\$ 161,236	\$ 161,236	100.00%
2018	\$ 3,974,810	51.000	\$ 202,715	\$ 202,715	100.00%

Estimated for the Year  
 Ending December 31,  
 2019                    \$ 3,953,480            51.000            \$ 201,627

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.