

***GREATER DOWNTOWN COLORADO SPRINGS  
BUSINESS IMPROVEMENT DISTRICT***

***FINANCIAL STATEMENTS***

***AND***

***REQUIRED SUPPLEMENTAL INFORMATION***

***WITH***

***INDEPENDENT AUDITORS' REPORT***

***YEAR ENDED DECEMBER 31, 2016***



**RECEIVED**

*By Justin L. Smith at 9:45 am, Feb 28, 2017*

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**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Greater Downtown Colorado Springs  
Business Improvement District  
Colorado Springs, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Greater Downtown Colorado Springs Business Improvement District (District) as of and for the year ended December 31, 2016, 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 an opinion 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 opinion.

# INDEPENDENT AUDITOR'S REPORT - CONTINUED

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## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of December 31, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9, and the budgetary comparison information on pages 21 and 22, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Osborne, Parsons & Associates LLP*

Colorado Springs, Colorado  
February 21, 2017

***MANAGEMENT'S DISCUSSION AND ANALYSIS***

**GREATER DOWNTOWN COLORADO SPRINGS  
BUSINESS IMPROVEMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2016**

As management of the Greater Downtown Colorado Springs Business Improvement District (BID), we offer readers of the District's Annual Financial Report this narrative and analysis of the financial activities for the fiscal year ended December 31, 2016. We encourage readers to consider the information presented here in conjunction with additional information that can be found in the basic financial statements.

Financial highlights by program area:

**PUBLIC SPACE MANAGEMENT**

The BID Board recognizes the positive economic impact a clean and accessible public space can bring to Downtown, generating sales tax revenue, attracting new businesses and strengthening downtown's competitiveness in the regional market place. Public Space Management costs represent 65 percent of the total expenditures in 2016.

- In order to provide dedicated, seven-day-a-week, skilled staffing for public space management, the BID contracted with Timberline Landscaping for daily cleaning, planting and maintenance of flowerpots and flowerbeds. The contracts ensured greater daily staffing levels and more frequent cleaning of blocks on the outer edges of the BID.
- Cleaning services included trash pickup on an estimated 128 block faces several times weekly, 460 instances of graffiti/sticker mitigation, more than 1,300 instances of spills/waste removal and more than 20 snow events requiring removal and application of ice melt. The BID also contracted for two instances of high-level power washing of sidewalks.
- More than 322 banners were hung on light poles to promote nonprofit and civic events that benefit the community.
- BID maintained 100 flowerbeds and 49 large flowerpots with a mix of annuals and perennials brimming with color during the summer months.
- The BID again partnered with Colorado Springs Police Department (CSPD) through its CAPS program (Citizens Advancing Public Safety) to provide Ambassadors to Downtown. Trained volunteers strolled Downtown in brightly colored vests offering free maps and helpful shopping/dining suggestions. This partnership enables downtown to receive maximum benefits with minimal cost. The Ambassadors provided services throughout the summer and again during the holiday shopping season.
- The BID installed holiday décor to make the area welcoming for the important holiday shopping season. This included garland and banners on lampposts.

**GREATER DOWNTOWN COLORADO SPRINGS  
BUSINESS IMPROVEMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2016**

**MARKETING AND PUBLIC RELATIONS**

Consumer marketing of downtown is essential to the continued economic growth of the district and its constituents. Programs are designed to provide collaborative marketing services beyond what any individual small business could achieve on its own. The marketing budget represents 26 percent of the District's total expenditures in 2016. Highlights of those programs follow.

- Downtown's Gift Card program is designed to promote shopping and dining within the BID and help consumers discover new stores and eateries. For 2016, the BID sold 1,631 gift cards, representing \$66,964 in total sales; average sales were \$41.06 per card.
- Advertising and promotions designed to further engage the community with shopping, dining, and entertaining Downtown. The BID devoted marketing resources to:
  - About \$14,000 in printing costs for monthly event collateral, posters for various promotions (i.e. Sidewalk Sale, Pints and Plates), a summer direct mail to 10,000 area residents and 10,000 Downtown Holiday coupon books.
  - Nearly \$30,000 in advertising, to include year-round print advertising (newspaper, magazines, CVB publications, and CS Philharmonic programs). Special advertising projects included three multi-page inserts in the Gazette and co-op ad series in the Independent. Seasonal holiday advertising added outdoor billboards and radio to this mix.
  - Negotiated more than \$9,000 of in-kind media for additional radio time, larger print ads, and increased online advertising presence.
  - The BID designed, printed and distributed 80,000 tourism maps to promote the area to out-of-county visitors. The BID also invested \$5,000 of a \$22,000 project to produce a full-color 16 page Downtown magazine distributed via direct mail and with the June issue of 5280 magazine.
  - Additional holiday advertising promoted Small Business Saturday, downtown holiday shopping and dining (coupon book with 75 participating businesses), and the annual Holiday Stroll.
- The second year of Pints & Plates promotion for restaurants, increased number of participants, and extended visibility with printed coasters and a pull-out insert in the Independent. Program cost of \$1,700 and utilized more than \$6,000 of donated media coverage.
- The BID continued use of digital media in 2016, to include:
  - Frequent dissemination of downtown e-newsletters to keep stakeholders informed, including bi-monthly merchant and new quarterly newsletters for faith organizations.

**GREATER DOWNTOWN COLORADO SPRINGS  
BUSINESS IMPROVEMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2016**

- More frequent engagement through Facebook resulted in 9,730 fans, a 14% increase of Facebook “likes” January 1, 2016 through December 31, 2016. An increase in shared posts and engagement through comments was also noted in 2016.
- On-line advertising with The Gazette, PeakRadar.com, and social media posts was negotiated for \$1,200 and is valued at more than \$3,500.
- Produced and disseminated 15 press releases generating dozens of news stories both locally and regionally in print and broadcast media.

**Overview of Financial Statements**

The content of the memorandum is intended to serve as an introduction to the District’s basic financial statements.

**Government-Wide and Fund Financial Statements**

The Government-Wide financial statements (statements of net position and activities) are designed to provide readers with a broad overview of BID’s finances using the economic resources measurement focus and accrual basis of accounting. Revenue is recorded when received and expenses are recorded when a liability is incurred.

Every fund, within the accounts of BID, is considered an individual fiscal and accounting unit. Each fund contains a self-balancing set of accounts that record cash and/or other assets with related liabilities, obligations, reserves and equities that have been specified for individual activities or objectives. Governmental funds are accounted for using the modified accrual basis of accounting. Revenue is recognized when it becomes measurable and available as net current assets. Taxpayer assessed income and gross receipts are considered measurable when in the hands of intermediary collecting governments and are recognized as revenue at that time.

BID adopts an annually appropriated budget for all funds. A budgetary comparison statement has been provided to demonstrate compliance with the accepted budget.

**GREATER DOWNTOWN COLORADO SPRINGS  
BUSINESS IMPROVEMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2016**

Comparative statements of net position and comments relating to significant changes are:

<b>Statements of Net Position</b>			
	<b>2016</b>	<b>2015</b>	<b>Change</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 348,710	\$ 375,584	\$ (26,874)
Cash with county treasurer	5,125	5,366	(241)
Property taxes receivable	473,444	486,474	(13,030)
Accounts receivable	995	985	10
Prepaid expenses	26,525	20,213	6,312
Capital assets, net of accumulated depreciation	14,747	22,594	(7,847)
<b>Total assets</b>	<b>\$ 869,546</b>	<b>\$ 911,216</b>	<b>\$ (41,670)</b>
<b>Liabilities</b>			
Accounts payable and other accrued expenses	\$ 12,945	\$ 4,363	\$ 8,582
Unearned revenue	300	-	300
<b>Total liabilities</b>	<b>13,245</b>	<b>4,363</b>	<b>8,882</b>
<b>Deferred inflows of financial resources</b>			
Unearned tax revenue	473,444	486,474	(13,030)
<b>Total deferred inflows of financial resources</b>	<b>473,444</b>	<b>486,474</b>	<b>(13,030)</b>
<b>Net position</b>			
Investment in capital assets	14,747	22,594	(7,847)
Restricted for emergency	17,849	18,104	(255)
Unrestricted	350,261	379,681	(29,420)
<b>Total net position</b>	<b>\$ 382,857</b>	<b>\$ 420,379</b>	<b>\$ (37,522)</b>

**Assets**

Cash decrease was due to utilization of reserves to fund expenditures in excess of revenues. Decrease in property taxes receivable is due to reduced property valuations within the district. Capital asset decrease is due to annual depreciation expense.

**Liabilities**

Accounts payable increase was due to late receipt of invoices for snow removal events just prior to year-end.

**Net Assets**

Investment in capital asset decrease was due to annual depreciation expense. Unrestricted net asset decrease was due to utilization of reserves to fund expenditures in excess of revenues.

**GREATER DOWNTOWN COLORADO SPRINGS  
BUSINESS IMPROVEMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2016**

Comparative statements of activities and comments related to significant changes:

<b>Statements of Activities</b>			
	<b>2016</b>	<b>2015</b>	<b>Change</b>
<b>Expenses</b>			
Public space management	\$ 391,303	\$ 395,317	\$ (4,014)
Marketing	161,298	158,211	3,087
Parking and transportation	-	7,871	(7,871)
Direct overhead	42,368	42,060	308
Depreciation	7,847	9,765	(1,918)
<b>Total expenses</b>	<b>602,816</b>	<b>613,224</b>	<b>(10,408)</b>
<b>Revenue</b>			
Program revenue	20,346	14,615	5,731
General revenue			
Property tax	484,539	507,960	(23,421)
Specific ownership tax	59,020	61,034	(2,014)
Interest	1,389	365	1,024
Gain on sale of equipment	-	800	(800)
<b>Total revenue</b>	<b>565,294</b>	<b>584,774</b>	<b>(19,480)</b>
<b>Change in net position</b>	(37,522)	(28,450)	(9,072)
<b>Net position</b>			
Beginning of the year	420,379	448,829	(9,072)
End of the year	<b>\$ 382,857</b>	<b>\$ 420,379</b>	<b>\$ (18,144)</b>

**Marketing**

Marketing expenses increased to allow for additional marketing initiatives.

**Parking & Transportation**

The Parking and Transportation Program was eliminated as responsibilities are being performed by public space management activities.

**Revenue**

Decrease in revenue is due to reduced property valuations within the district.

**GREATER DOWNTOWN COLORADO SPRINGS  
BUSINESS IMPROVEMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2016**

Analysis of budgeted amounts:

	<b>Budgeted amounts</b>		
	<u>Original</u>	<u>Final</u>	<u>Difference</u>
<b>Expenditures</b>			
Public space management	\$ 334,978	\$ 334,978	\$ -
Marketing	172,250	172,250	-
Direct overhead	44,179	44,179	-
Other Expenses	50,000	50,000	-
<b>Total expenditures</b>	<u>601,407</u>	<u>601,407</u>	<u>-</u>
<b>Revenue</b>			
Program revenue	<u>15,940</u>	<u>15,940</u>	<u>-</u>
<b>Net expenditures</b>	<u>585,467</u>	<u>585,467</u>	<u>-</u>
General revenue			
Property taxes	479,547	479,547	-
Specific ownership tax	50,000	50,000	-
Interest	25	25	-
<b>Total general revenue</b>	<u>529,572</u>	<u>529,572</u>	<u>-</u>
<b>Revenue over expenditures</b>	<u>\$ (55,895)</u>	<u>\$ (55,895)</u>	<u>\$ -</u>

There was no modification to the original budget adopted.

**GREATER DOWNTOWN COLORADO SPRINGS  
BUSINESS IMPROVEMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2016**

A comparison of the final budget and actual budgetary basis, with comments concerning significant variance:

	<b>Final budgeted amounts</b>	<b>Actual</b>	<b>Variance with final budget favorable (unfavorable)</b>
<b>Expenditures</b>			
Public space management	\$ 334,978	\$ 391,303	\$ (56,325)
Marketing	172,250	161,298	10,952
Direct overhead	44,179	42,368	1,811
Other expenses	50,000	-	50,000
<b>Total expenditures</b>	<u>601,407</u>	<u>594,969</u>	<u>6,438</u>
<b>Revenue</b>			
Program revenue	15,940	20,346	4,406
General revenue			
Property taxes	479,547	484,539	4,992
Specific ownership tax	50,000	59,020	9,020
Interest	25	1,389	1,364
<b>Total revenue</b>	<u>545,512</u>	<u>565,294</u>	<u>19,782</u>
<b>Revenue over expenditures</b>	<u>\$ (55,895)</u>	<u>\$ (29,675)</u>	<u>\$ 26,220</u>

**Expenditures**

The unfavorable variance in public space management expenditures is due to snow removal activities which exceeded budgetary estimates.

**Revenue**

Program revenue increase is due to the addition of paid advertising on tourism maps. Property tax increase is due to fewer property tax abatements than anticipated. Specific ownership tax collections exceeded expectation.

Requests for Information

Additional information or questions may be addressed by contacting Susan Edmondson at 111 S Tejon St, Suite 404, Colorado Springs, CO 80903.

***FINANCIAL STATEMENTS***

**GREATER DOWNTOWN COLORADO SPRINGS  
BUSINESS IMPROVEMENT DISTRICT  
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET  
DECEMBER 31, 2016**

	<u>General fund</u>	<u>Adjustments</u>	<u>Statement of net position</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 348,710	\$ -	\$ 348,710
Cash with county treasurer	5,125	-	5,125
Property tax receivable	473,444	-	473,444
Accounts receivable	995	-	995
Prepaid expenses	26,525	-	26,525
Capital assets net of accumulated depreciation	-	14,747	14,747
<b>Total assets</b>	<u>\$ 854,799</u>	<u>\$ 14,747</u>	<u>\$ 869,546</u>
<b>Liabilities</b>			
Accounts payable and other accrued expenses	\$ 12,945	\$ -	\$ 12,945
Unearned revenue	300	-	300
<b>Total liabilities</b>	<u>13,245</u>	<u>-</u>	<u>13,245</u>
<b>Deferred inflows of financial resources</b>			
Unearned tax revenue	473,444	-	473,444
<b>Total deferred inflows of financial resources</b>	<u>473,444</u>	<u>-</u>	<u>473,444</u>
<b>Fund balances</b>			
Nonspendable	26,525	(26,525)	
Restricted for emergency	17,849	(17,849)	
Committed	27,243	(27,243)	
Assigned	276,208	(276,208)	
Unassigned	20,285	(20,285)	
<b>Total fund balances</b>	<u>368,110</u>	<u>\$ (368,110)</u>	
<b>Total liabilities, deferred inflows of financial resources, and fund balances</b>	<u>\$ 854,799</u>		
<b>Net position</b>			
Invested in capital assets net of related debt		\$ 14,747	\$ 14,747
Restricted for emergency		17,849	17,849
Unrestricted		350,261	350,261
<b>Total net position</b>		<u>\$ 382,857</u>	<u>\$ 382,857</u>

See notes to financial statements

**GREATER DOWNTOWN COLORADO SPRINGS  
 BUSINESS IMPROVEMENT DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
 TO THE STATEMENT OF NET POSITION  
 DECEMBER 31, 2016**

<b>Fund balance per the governmental fund balance sheet</b>		<b>\$ 368,110</b>
<p>Amounts reported for governmental activities in the statements of activities are different because</p> <p>Capital assets used in government activities are not financial resources and are not reported as assets in the governmental funds. Capital assets at year end consist of</p>		
Depreciable assets	\$ 105,496	
Accumulated depreciation	<u>(90,749)</u>	
Net capital assets		<u>14,747</u>
<b>Total net position - governmental activities</b>		<b><u><u>\$ 382,857</u></u></b>

See notes to financial statements

**GREATER DOWNTOWN COLORADO SPRINGS  
BUSINESS IMPROVEMENT DISTRICT  
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUE,  
EXPENDITURES, AND CHANGES IN FUND BALANCES  
YEAR ENDED DECEMBER 31, 2016**

	<u>General fund</u>	<u>Adjustments</u>	<u>Statement of activities</u>
<b>Expenditures/expenses</b>			
Public space management	\$ 391,303	\$ -	\$ 391,303
Marketing	161,298	-	161,298
Direct overhead	42,368	-	42,368
Depreciation	-	7,847	7,847
<b>Total expenditures/expenses</b>	<u>594,969</u>	<u>7,847</u>	<u>602,816</u>
<b>Revenue</b>			
Program revenue			
Charges for services	20,346	-	20,346
<b>Total program revenue</b>	<u>20,346</u>	<u>-</u>	<u>20,346</u>
<b>Net expenditures/expenses</b>	<u>574,623</u>	<u>7,847</u>	<u>582,470</u>
General revenue			
Property tax	484,539	-	484,539
Specific ownership tax	59,020	-	59,020
Interest	1,389	-	1,389
<b>Total general revenue</b>	<u>544,948</u>	<u>-</u>	<u>544,948</u>
Revenue over expenditures/expenses	(29,675)	29,675	-
Change in net position	-	(37,522)	(37,522)
Fund balance/net position			
<b>Beginning of the year</b>	397,785	22,594	420,379
<b>End of the year</b>	<u>\$ 368,110</u>	<u>\$ 14,747</u>	<u>\$ 382,857</u>

See notes to financial statements

**GREATER DOWNTOWN COLORADO SPRINGS  
 BUSINESS IMPROVEMENT DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT  
 OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
 TO THE STATEMENT OF ACTIVITIES  
 DECEMBER 31, 2016**

**Revenue over expenditures - governmental funds** \$ (29,675)

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

Capital outlay is reported in the governmental funds as an expenditure. However, in the statement of activities the cost of the assets purchased is allocated over the estimated useful lives as depreciation expense.

Depreciation expense	(7,847)	
Net change		(7,847)

**Total net change in statement of activities** **\$ (37,522)**

***NOTES TO FINANCIAL STATEMENTS***

**GREATER DOWNTOWN COLORADO SPRINGS  
BUSINESS IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**History and organization** - The Greater Downtown Colorado Springs Business Improvement District (District) was established in July 2001 by the Colorado Springs City Council. The District was organized to provide continuing support for maintenance of public improvements within the District as well as a resource to promote business activity within the area. Operations are financed primarily by tax revenues collected on real and personal property located within the District.

The District is governed by an eleven-member Board of Directors appointed as provided in the Business Improvement Act of the State of Colorado.

The District normally enters into a Contract Service Agreement with the Downtown Partnership of Colorado Springs, (a non-profit corporation) (Downtown Partnership). Under this service agreement the Downtown Partnership acts as manager of the District's operations and programs, which consist primarily of public space management services, marketing services, and transportation services.

The District has no component units for which either discrete or blended presentation is required.

The District is considered a governmental fund type, component unit of the City of Colorado Springs.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to a governmental unit. The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles.

**Government-wide financial statements** - The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District.

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 the related cash flow.

**Fund financial statements** - The accounts of the District are organized on the basis of funds. Each fund is considered an independent fiscal and accounting entity with a self-balancing set of accounts. Each fund records cash and/or other assets, together with all related liabilities, obligations, reserves and equities, segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

**Governmental fund type** - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

**Basis of accounting** - The basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement focus applied.

**GREATER DOWNTOWN COLORADO SPRINGS  
BUSINESS IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

Governmental funds are accounted for using the modified accrual basis of accounting. Revenue is recognized when it becomes measurable and available as net current assets. Taxpayer assessed income and gross receipts are considered measurable when in the hands of intermediary collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are reported as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which is recognized when due.

**Capital assets** - Capital assets are reported in the government-wide financial statements. Capital assets are defined as assets having an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciable capital assets are depreciated using the straight-line method over estimated useful lives of 3-5 years.

**Deferred inflow of financial resources** - Upon certification of the amount of levy by the District to El Paso County, Colorado, the County levies the property tax in December of the year prior-to the year of collection of the tax. The County also acts as the billing and collection agency for the District. Property taxes attach as a lien on January 1, and may be paid in full by April 30, or in equal installments by February 28 and July 31. The District records the tax as a receivable when measurable and an enforceable legal claim attaches to the property. The tax is recognized as revenue when the money is available in the following year.

**Fund balances/net position** - The District adopted the provisions of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The objective of the statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. As such, governmental funds report fund balances in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance for the District's governmental fund consists of the following:

Nonspendable - includes amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash such as prepaid items or inventory.

Restricted - includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation.

**GREATER DOWNTOWN COLORADO SPRINGS  
BUSINESS IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Committed - includes amounts that can only be used for the specific purposes determined by the passage of a resolution of the District's Board of Directors. Commitments may be modified or changed only by the District's Board of Directors approving a new resolution.

Assigned - includes amounts intended to be used by the District for specific purposes that are neither restricted nor committed. Intent is expressed by the District's Board of Directors to which the assigned amounts are to be used for specific purposes. Assigned amounts may include appropriations of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's balance.

Unassigned - this is the residual classification for the general fund.

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications, fund balance is reduced in the order of restricted, committed, assigned and unassigned.

In the government-wide financial statements, net position is classified in the following categories:

Invested in capital assets, net of related debt - this classification consists of capital assets net of accumulated depreciation and reduced by outstanding related debt that is attributed to the acquisition, construction or improvement of capital assets.

Restricted net assets - this classification consists of restrictions created by external creditors, grantors, contributors, laws or regulations of other governments, enabling legislation and constitutional provisions.

Unrestricted net assets - this classification represents the remainder of net assets that do not meet the definition of "invested in capital assets, net of related debt", or "restricted net assets."

**Employee benefits** - The District has no employees, all services are contracted out.

**Fair value of financial instruments** - Financial instruments include cash and cash equivalents, accounts receivable, and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2016 does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

**Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**GREATER DOWNTOWN COLORADO SPRINGS  
BUSINESS IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Budgetary information** - An annual budget is adopted on a basis consistent with generally accepted accounting principles for the general fund. Colorado law requires that all funds have legally adopted budgets and total expenditures for each fund cannot exceed the amount appropriated. Appropriations for a fund may be increased provided they are offset by unanticipated revenues. Appropriations are adopted by resolution for each fund in total. Over expenditures are not deemed to exist unless the fund as a total has expenditures in excess of appropriations. All appropriations lapse at year-end.

**NOTE 1 – DEPOSITS**

**Deposits** - 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. The PDPA allows the depository 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 equal to 102% of the uninsured deposits.

Deposits are categorized to give an indication of risk assumed by the District at the end of the year. Category a) Uncollateralized, Category b) Collateralized with securities held by pledging institution, Category c) Collateralized with securities held by the pledging institution's trust department or agent but not in the depositor-government's name.

**Custodial credit risk deposits** - Custodial credit risk is the risk that in the event of bank failure, the District's deposits will not be returned to it. The District does not currently have a policy related to custodial credit risk. As of December 31, 2016, deposits with a bank balance of \$130,946 and book balance of \$98,710 are uninsured but are not exposed to custodial credit risk because they are collateralized with securities held by the pledging financial institution through the PDPA.

**NOTE 2 – CASH AND CASH EQUIVALENTS**

As of December 31, 2016, cash and cash equivalents consisted of the following:

Cash	\$ 56,990
Money Market Funds	291,720
	<u>\$ 348,710</u>

**GREATER DOWNTOWN COLORADO SPRINGS  
BUSINESS IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 – CAPITAL ASSETS**

The following is a summary of changes in capital assets:

<u>Description</u>	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>
Machinery & equipment	\$ 100,495	\$ -	\$ -	\$ 100,495
Web site	5,000	-	-	5,000
Less: accumulated depreciation	<u>(82,901)</u>	<u>(7,847)</u>	<u>-</u>	<u>(90,748)</u>
Government activities capital assets net	<u>\$ 22,594</u>	<u>\$ (7,847)</u>	<u>\$ -</u>	<u>\$ 14,747</u>

Depreciation expense for the year ended December 31, 2016, was \$7,847.

**NOTE 4 – FUND BALANCE**

As of December 31, 2016, fund balances are composed of the following amounts:

	<u>General fund</u>
Nonspendable	
Prepaid tile inventory	\$ 5,207
Other prepaid expenses	<u>21,318</u>
	26,525
Restricted	
Emergency	17,849
Committed	
Capital reserve	27,243
Assigned	
Operating reserve	276,208
Unassigned	<u>20,285</u>
<b>Total fund balance</b>	<u><u>\$ 368,110</u></u>

As required by a Colorado constitutional amendment (TABOR), the District has established an emergency reserve in the amount of \$17,849 as of December 31, 2016. This reserve represents 3% of the 2016 fiscal year spending. The capital reserve was committed through a resolution of the District's Board of Directors for future equipment and capital asset purchases and replacements. The District's also maintains a six-month operating reserve for future operating needs.

**GREATER DOWNTOWN COLORADO SPRINGS  
BUSINESS IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 – AMENDMENT TO COLORADO CONSTITUTION**

In November 1992, the voters of Colorado approved the Taxpayer's Bill of Rights (TABOR), which added Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations that apply to the State of Colorado and all local governments.

TABOR also requires local governments to establish emergency reserve funds. The reserve fund must consist of at least 3% of fiscal year spending. TABOR allows local governments to impose emergency taxes (other than property taxes) if certain conditions are met. Local governments are not allowed to use emergency reserves to compensate for economic conditions, revenue shortfall, or local government salary or benefit increases.

The District voters elected to override the TABOR amendment for 2003 and future years. However, the above-mentioned emergency reserve requirement remains.

TABOR is complex and subject to interpretation. Ultimate implementation may depend upon litigation and legislative guidance. The District believes it has complied with all appropriate aspects of the TABOR amendment.

**NOTE 6 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

**NOTE 7 – CONTRACTS FOR SERVICES**

The District entered into a Contract for Services Agreement with the Downtown Partnership for a twelve-month period ending December 31, 2016. Terms of the agreement specify that the Downtown Partnership would manage and administer the District in accordance with the 2016 budget and operating plan. The Downtown Partnership's compensation under this agreement was \$166,109.

Effective January 1, 2017, the District entered into an agreement, similar to the above, for 2017 services. The Downtown Partnership's compensation under this agreement is \$171,092.

The District entered into a Contract for Service Agreement with a company for a twelve-month period ending December 31, 2016. Terms of the agreement specify the company would provide services for public space management and landscape services. The company's compensation under this agreement was \$222,074.

Effective January 1, 2017, the District entered into a agreement, similar to above, for 2017 public space management services. The total compensation under this agreement is \$223,200.

Effective January 1, 2017, the District entered into a twelve-month agreement for landscaping services for 2017. Compensation under this agreement is based on hourly rates and actual material costs.

**GREATER DOWNTOWN COLORADO SPRINGS  
BUSINESS IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 – SUBSEQUENT EVENTS**

See NOTE 7 – Contracts for Services regarding contracts entered into by the District for 2017.

The District has evaluated subsequent events through February 21, 2017, that date on which the financial statements were available to be issued.

***REQUIRED SUPPLEMENTAL INFORMATION***

**GREATER DOWNTOWN COLORADO SPRINGS  
BUSINESS IMPROVEMENT DISTRICT  
SCHEDULE OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
YEAR ENDED DECEMBER 31, 2016**

<b>Expenditures</b>	<b>Budgeted amounts</b>		<b>Actual</b>	<b>Variance with final budget favorable (unfavorable)</b>
	<b>Original</b>	<b>Final</b>		
Public space management	\$ 334,978	\$ 334,978	\$ 391,303	\$ (56,325)
Marketing	172,250	172,250	161,298	10,952
Direct overhead	44,179	44,179	42,368	1,811
Other expenses	50,000	50,000	-	50,000
<b>Total expenditures</b>	<u>601,407</u>	<u>601,407</u>	<u>594,969</u>	<u>6,438</u>
 <b>Revenue</b>				
Program revenue	<u>15,940</u>	<u>15,940</u>	<u>20,346</u>	<u>4,406</u>
<b>Net expenditures</b>	<u>585,467</u>	<u>585,467</u>	<u>574,623</u>	<u>10,844</u>
 General revenue				
Property taxes	479,547	479,547	484,539	4,992
Specific ownership tax	50,000	50,000	59,020	9,020
Interest	25	25	1,389	1,364
<b>Total general revenue</b>	<u>529,572</u>	<u>529,572</u>	<u>544,948</u>	<u>15,376</u>
 <b>Revenue over expenditures</b>	 (55,895)	 (55,895)	 (29,675)	 26,220
 <b>Beginning fund balance, January 1</b>	 <u>397,785</u>	 <u>397,785</u>	 <u>397,785</u>	 <u>-</u>
 <b>Ending fund balance, December 31</b>	 <u>\$ 341,890</u>	 <u>\$ 341,890</u>	 <u>\$ 368,110</u>	 <u>\$ 26,220</u>

See notes to required supplemental information

**GREATER DOWNTOWN COLORADO SPRINGS  
BUSINESS IMPROVEMENT DISTRICT  
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Budget accounting** - Budgets are prepared in accordance with the requirements of Colorado Revised Statutes - (29-1-103) and accordingly include "anticipated income and other means of financing proposed expenditures." Expenditures also include, in addition to those shown in the operating statements, debt redemptions and capital expenditures.

**Budgets** - The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements.

- A. Budgets are required by State law for all funds. During September, the proposed budget is submitted to the Board of Directors by the budget officer for the fiscal year commencing the following January 1. The budget includes proposed expenditures and means of financing them.
- B. Public hearings are conducted by the Board of Directors to obtain taxpayer comments.
- C. Prior to December 31, the budget is adopted and appropriations made by formal resolution.
- D. Expenditures may not legally exceed appropriations at the fund level. Board of Director approval is required for changes in the total budget of any fund or changes in project or department budgets. Budget amounts included in the financial statements are based on the final, legally amended budget.
- E. Budget appropriations lapse at the end of each year.

Accordingly, budget comparisons are of the legally adopted budget. The level of budget control is determined by the resolution appropriating sums of monies. Encumbrances are neither recorded on the books of the District nor included in the budget. The Board of Directors has the authority to make budget amendments.