

**City of Central Business Improvement District
(Gilpin County, Colorado)**

FINANCIAL STATEMENTS

December 31, 2017

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Office of the State Auditor

July 27, 2018

City of Central Business Improvement District

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December 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
City of Central Business Improvement District
Gilpin County, Colorado

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2017, and the respective changes in financial position thereof, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

I

Fiscal Focus Partners, LLC

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, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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 listed in the table of contents is presented for purposes of legal compliance and 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. The 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Fiscal Focus Partners, LLC

Lakewood, Colorado
July 25, 2018

BASIC FINANCIAL STATEMENTS

CITY OF CENTRAL BUSINESS IMPROVEMENT DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2017

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 191,733
Cash and investments - Restricted	201,179
Receivable - County Treasurer	7,349
Property taxes receivable	1,620,390
Total assets	<u>2,020,651</u>
LIABILITIES	
Accounts payable	110
Tax Prepayment Note payable	346,875
Noncurrent liabilities:	
Due within one year	23,580,000
Due in more than one year	61,351,444
Total liabilities	<u>85,278,429</u>
DEFERRED INFLOWS OF RESOURCES	
Property tax revenue	1,620,390
Total deferred inflows of resources	<u>1,620,390</u>
NET POSITION	
Restricted for:	
Emergency reserves	10,000
Debt service	207,986
Unrestricted	\$ (85,096,154)
Total net position	<u>\$ (84,878,168)</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

CITY OF CENTRAL BUSINESS IMPROVEMENT DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Governmental Activities</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		
Primary government					
General government	\$ 320,656	\$ 122,117	\$ -	\$ -	\$ (198,539)
Interest on long-term debt and related costs	1,282,107	-	-	-	(1,282,107)
Total governmental activities	<u>\$ 1,602,763</u>	<u>\$ 122,117</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,480,646)</u>
General revenues:					
Property taxes					1,601,252
Specific ownership taxes					109,859
Interest income					6,450
Total general revenues					<u>1,717,561</u>
Special item - forgiveness of debt					<u>1,292,647</u>
Change in net position					1,529,562
Net position - beginning (restated)					<u>(86,407,730)</u>
Net position - ending					<u>\$ (84,878,168)</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

CITY OF CENTRAL BUSINESS IMPROVEMENT DISTRICT

**BALANCE SHEET
GOVERNMENTAL FUNDS**

DECEMBER 31, 2017

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and investments	\$ 191,733	-	\$ 191,733
Cash and investments - restricted	-	201,179	201,179
Receivable - County Treasurer	432	6,917	7,349
Property taxes receivable	95,317	1,525,073	1,620,390
Total assets	<u>\$ 287,482</u>	<u>\$ 1,733,169</u>	<u>\$ 2,020,651</u>
LIABILITIES			
Accounts payable	-	110	110
Total liabilities	<u>-</u>	<u>110</u>	<u>110</u>
DEFERRED INFLOWS OF RESOURCES			
Property tax revenue	95,317	1,525,073	1,620,390
Total deferred inflows of resources	<u>95,317</u>	<u>1,525,073</u>	<u>1,620,390</u>
FUND BALANCES			
Restricted for:			
Emergencies	10,000	-	10,000
Debt service	-	207,986	207,986
Unassigned	182,165	-	182,165
Total fund balances	<u>192,165</u>	<u>207,986</u>	<u>400,151</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 287,482</u>	<u>\$ 1,733,169</u>	

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not report in the funds

Long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds:

Bonds payable	(45,200,000)
Maximum remaining interest obligation accrual	(39,731,444)
Tax Prepayment Note payable	(346,875)
Net position of governmental activities	<u>\$ (84,878,168)</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

CITY OF CENTRAL BUSINESS IMPROVEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Property tax	\$ 94,190	\$ 1,507,062	\$ 1,601,252
Specific ownership tax	109,859	-	109,859
Marketing services	122,117	-	122,117
Net investment income	-	6,450	6,450
Total revenues	<u>326,166</u>	<u>1,513,512</u>	<u>1,839,678</u>
Expenditures			
Current			
Accounting	6,151	-	6,151
Bank fees	1,457	-	1,457
Contract services	36,500	-	36,500
Dues/memberships	581	-	581
Events	54,615	-	54,615
Insurance	4,298	-	4,298
Legal	21,920	-	21,920
Maintenance - City Parkway	20,000	-	20,000
Marketing	152,486	-	152,486
Promotion	10,000	-	10,000
Treasurer fees	1,891	30,259	32,150
Debt service			
Bond interest	-	1,280,107	1,280,107
Paying agent fees	-	2,000	2,000
Total expenditures	<u>309,899</u>	<u>1,312,366</u>	<u>1,622,265</u>
Excess of revenues over (under) expenditures	<u>16,267</u>	<u>201,146</u>	<u>217,413</u>
Other financing sources (uses)			
Transfers (to) from other funds	1,360	(1,360)	-
Total other financing sources and (uses)	<u>1,360</u>	<u>(1,360)</u>	<u>-</u>
Net change in fund balances	17,627	199,786	217,413
Fund balances - beginning	<u>174,538</u>	<u>8,200</u>	<u>182,738</u>
Fund balances - ending	<u>\$ 192,165</u>	<u>\$ 207,986</u>	<u>\$ 400,151</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

CITY OF CENTRAL BUSINESS IMPROVEMENT DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

Net change in fund balances - governmental funds:	\$ 217,413
Amounts reported for governmental activities in the statement of activities are different because:	
<p>The issuance of long-term debt (e.g., bond, leases) 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 issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>	
Capital lease principal	19,502
Forgiveness of debt does not provide current financial resources but increases overall net position	1,292,647
Change in net position of governmental activities	\$ 1,529,562

The accompanying Notes to the Financial Statements are an integral part of these statements.

CITY OF CENTRAL BUSINESS IMPROVEMENT DISTRICT

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

FOR THE YEAR ENDED DECEMBER 31, 2017

	Original and Final Budget Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Property tax	\$ 94,525	\$ 94,190	\$ (335)
Specific ownership tax	115,300	109,859	(5,441)
Marketing services	160,000	122,117	(37,883)
Other	6,000	-	(6,000)
Total revenues	<u>375,825</u>	<u>326,166</u>	<u>(49,659)</u>
Expenditures			
Current			
Accounting	5,400	6,151	(751)
Audit	5,400	0	5,400
Bank fees	-	1,457	(1,457)
Contract services	36,000	36,500	(500)
Dues/memberships	-	581	(581)
Events	-	54,615	(54,615)
Insurance	6,000	4,298	1,702
Legal	14,000	21,920	(7,920)
Maintenance - City Parkway	20,000	20,000	-
Marketing	160,000	152,486	7,514
Miscellaneous	5,500	-	5,500
Promotion	55,000	10,000	45,000
Treasurer fees	2,400	1,891	509
Emergency reserves	20,000	-	20,000
Total expenditures	<u>329,700</u>	<u>309,899</u>	<u>19,801</u>
Excess of revenues over (under) expenditures	<u>46,125</u>	<u>16,267</u>	<u>(29,858)</u>
Other financing sources (uses)			
Transfers (to) from other funds	-	1,360	1,360
Total other financing sources and (uses)	<u>-</u>	<u>1,360</u>	<u>1,360</u>
Net change in fund balances	46,125	17,627	(28,498)
Fund balances - beginning	217,193	174,538	(42,655)
Fund balances - ending	<u>\$ 263,318</u>	<u>\$ 192,165</u>	<u>\$ (71,153)</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

City of Central Business Improvement District

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

Note 1 – Definition of Reporting Entity

City of Central Business Improvement District (the District), is a quasi-municipal organization and political subdivision of the State of Colorado. The District was organized on December 15, 1998, and is governed pursuant to the provisions of the Colorado Business Improvement District Act (CR.S. 31-25 part 12). The District was organized by the City of Central (City) pursuant to the city Ordinance No. 98-29. The District comprises the commercially assessed properties in the City's gaming district with the exception of real property containing mineral interests. The District was established for the purpose of providing various public services and improvements within the service area of the District, particularly the Central City Parkway. The District's primary revenues are property taxes. The District is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the 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 pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

The District has no employees and all operations and administrative functions are contracted.

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 (i.e., the statement of net position and the statement of activities) report information on 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 (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position.

City of Central Business Improvement District

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2017

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 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. Property taxes are recognized as revenues in the year they are collected.

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

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

Debt Service Fund - The Debt Service Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs.

Budgets

In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The total appropriation can only be modified upon completion

City of Central Business Improvement District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2017

of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

The District's 2018 budget in the debt service fund, adopted during 2017, anticipates a small negative fund balance at December 31, 2018. This may be a violation of state budget law. The ending debt service fund balance as of December 31, 2017 was greater than anticipated at the time of adoption of the 2018 debt service fund budget and consequently will not result in a negative fund balance on 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 minimum number of bank accounts. 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.

Investments for the District are reported at fair value.

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's 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, 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 inflows 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. roads, bridges, sidewalks, and similar items), are reported 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 and an estimated useful life in excess of two years. Such assets are recorded at historical

City of Central Business Improvement District

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2017

cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets 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 using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated.

The District has conveyed all of its capital assets to the City.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflow of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item that qualifies for reporting in this category. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

Interfund Balances

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds”. These amounts are eliminated in the statement of net position.

Fund Equity

Net Position

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

City of Central Business Improvement District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2017

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 spending constraints:

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

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

Committed fund balance – The portion of fund balance constrained for specific purposes according to limitations imposed by the District’s highest level of decision making authority, the Board of Directors, prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Board of Directors.

Assigned fund balance – The portion of fund balance that is constrained by the government’s intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts 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 above criteria.

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that District management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

City of Central Business Improvement District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2017

Note 3 – Cash and Investments

Cash and investments as of December 31, 2017 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$ 191,733
Cash and investments - Restricted	201,179
Total cash and investments	<u>\$ 392,912</u>

Cash and investments as of December 31, 2016 consist of the following:

Deposits with financial institutions	\$ 295,552
Investments	
Federated Treasury Obligations Fund	97,360
Total cash and investments	<u>\$ 392,912</u>

At December 31, 2017, the District's cash deposits had bank balances of \$361,007 and carrying balances of \$295,552.

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. As of December 31, 2017, the federal insurance limit was \$250,000. 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.

Investments

The District has not adopted a formal investment policy; however the District follows state statutes regarding investments.

The District primarily limits its investments to local government investments pools, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk.

City of Central Business Improvement District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2017

Additionally, the District is not subject to concentration risk disclosure requirements or subject to custodial credit risk 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
- 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

Fair Value Measurement and Application

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series); money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee); and CSAFE which record their investments at amortized cost.

As of December 31, 2017, the District had the following investments:

Investment	Maturity	Value
Federated Treasury Obligations Fund	Weighted average under one year	\$ 97,360

Federated Treasury Obligations Fund

During 2017, the District's funds that were included in the trust account at the UMB Bank were invested in the Federated Treasury Obligations Fund. This fund is a money market fund and each share is equal in value to \$1.00. The fund is AAAM rated and invests exclusively in U.S. Treasury

City of Central Business Improvement District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2017

securities and repurchase agreements collateralized by U.S. Treasury securities. The maturity of the underlying securities is 397 days or less. As of December 31, 2017 the District has \$97,360 invested in the fund, of which \$4,555 was restricted for the repayment of bond principal and interest.

Note 4 – Capital Assets

The Parkway Project consisted of the acquisition, construction, and installation of the Central City Parkway, a four-lane eight-mile parkway from Interstate I-70 to the City. The project was substantially completed and operational by late 2004. During 2004, the City assumed operational responsibility for the Central City Parkway. The assets were transferred to the City in February 2007 upon completion of the two-year warranty period. Under the terms of an amendment to the intergovernmental agreement between the District and the City, the District agreed to pay the City \$20,000 per year in support of the maintenance of the parkway.

Note 5 – Long-Term Debt

The following is an analysis of changes in the District's long-term debt for the year ended December 31, 2017:

	Balance at December 31, 2016	Additions	Reductions	Balance at December 31, 2017	Amounts Due Within One Year
Limited Tax General Obligation					
Bonds - Series 2003A	\$ 45,200,000	\$ -	\$ -	\$ 45,200,000	\$ 23,580,000
Accrued interest on Series 2003A GO Bond	41,011,551	-	1,280,107	39,731,444	-
Tax Prepayment Agreement	346,875	-	-	346,875	-
	<u>\$ 86,558,426</u>	<u>\$ -</u>	<u>\$ 1,280,107</u>	<u>\$ 85,278,319</u>	<u>\$ 23,580,000</u>

A description of the long-term obligations as of December 31, 2017 are as follows:

Limited Tax General Obligation Bonds – Series 2003A

On June 17, 2003, the District issued \$45,200,000 of Limited Tax General Obligation Bonds. The bonds are due December 1, 2023, with interest payable semi-annually on June 1 and December 1 of each year, commencing December 1, 2003, at an interest rate of 9.75% per annum. The bonds were issued for the purposes of (i) financing costs of the acquisition, construction, and installation of the Central City Parkway, and (ii) paying certain costs and expenses in connection with the issuance of the bonds. The Bonds were issued in increments of \$100,000 and any integral multiples of \$5,000

City of Central Business Improvement District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2017

in excess thereof. The bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$5,000 on December 1, 2013, and on any date thereafter at a redemption price equal to the principal amount of the bonds plus accrued interest without redemption premium.

Upon issuance of the bonds, all of the bonds were deposited into an escrow account. Bonds were released from the escrow account as needed to fund the periodic project disbursements. No bond will bear interest prior to its release date. As of December 31, 2006, all bonds had been released.

The bonds are secured by the pledge of receipts from a limited mill levy by the District of general ad valorem taxes. The initial mill levy is 80 mills and may vary depending on the total assessed valuation, subject to a maximum limit of 80 mills. Failure to make scheduled principal and interest payments as a result of insufficient ad valorem tax revenues from the limited mill levy does not constitute a default under the Indenture of Trust.

During 2017, the District did not pay its scheduled 2017 debt service interest payment. The total outstanding interest due as of December 31, 2017 is \$39,731,444, which includes the maximum allowable interest on the outstanding unpaid interest from 2006 through 2017. Additions to accrued interest, subject to the \$114,000,000 limitation discussed below, include current interest, accrued interest and compounded interest. Outstanding interest compounds on each interest payment date at the interest rate borne by the bonds.

On January 5, 2007, the District approved the First Supplement to Indenture of Trust which amended the original bond indenture by providing that on the first business day of any month, if the amount on deposit in the Debt Service Fund is at least \$50,000, the District shall make a payment to the bondholders towards any past due debt service.

The ability of the District to make the scheduled payments of principal and interest along with the unpaid interest from 2006 through 2017 with the anticipated revenues for 2018 is in doubt under the current structure. The District continues to negotiate a restructure of the bonds. The District's election approving the issuance of the 2003A Bonds limits the maximum principal and interest that can be paid on District indebtedness, including the Series 2003A Bonds, to \$114,000,000. The District has made interest payments from 2003 through 2017 totaling \$29,068,556. Those interest payments, in addition to the \$45,200,000 in principal and \$39,731,444 in accrued interest account for the full \$114,000,000.

Tax Prepayment Agreement

On November 29, 2005, the District entered into a Tax Prepayment Agreement with Centaur Colorado, LLC. Under the terms of the agreement, on or before December 1, 2005, Centaur remitted \$346,875 to the District for deposit in the Debt Service Fund. The funds represent a credit which will be applied against the payment of taxes owed to the District by Centaur when and to the extent that the District's revenues exceed the amounts required for debt service. Centaur intends that its payment be recognized as a prepayment of taxes currently due or to become due in the next

City of Central Business Improvement District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2017

tax collection year. The District recognizes the credit as a tax prepayment for the benefit of Centaur. Centaur shall be able to apply the credit against any amounts owed to the District on the earlier of either immediately before refunding obligations are issued or when the District has available funds from revenues that are not obligated to the debt service payment.

The initial term of the agreement matured December 31, 2005. The term can be extended upon appropriation of the credit in the subsequent year. If in the budget in the subsequent year, the District is unable to pay the full amount of debt service, the District is not obligated to recognize the credit in that year and the term is automatically extended from year to year.

Debt Authorization

As of December 31, 2017, the District had no authorized but unissued indebtedness.

Note 6 – Net Position

The District has net position consisting of two components – restricted and unrestricted.

The restricted component of 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. As of December 31, 2017, the District had restricted net position as follows:

	<u>Governmental Activities</u>
Restricted net position:	
Emergencies	\$ 10,000
Debt Service	207,986
	<u>\$ 217,986</u>

As of December 31, 2017, the District had unrestricted net position of \$(85,096,154). This deficit amount is a result of the District being responsible for the repayment of bonds and interest issued for public improvements, which have been conveyed to other governmental entities.

Note 7 – Related Party

A majority of the members of the Board of Directors are either owners or representatives of the gaming properties within the District.

City of Central Business Improvement District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2017

Note 8 – Risk Management

Except as may be provided in and by the Colorado Governmental Immunity Act, Section 24-10-101, et seq., C.R.S., as may be amended from time to time, the District may be 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 was a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2017. The Pool is an organization created by intergovernmental agreement to provide property, liability, public official's liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials' liability, and property and general 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.

In May 2012, a majority of the District's voters approved certification of an operations mill levy of up to 5.000 mills. The voters also authorized the District to retain all revenues generated by said mill levy, thereby waiving the 5.5% revenue limit.

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.

SUPPLEMENTARY INFORMATION

CITY OF CENTRAL BUSINESS IMPROVEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Original and Final Budget Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Property taxes	\$ 1,512,395	\$ 1,507,062	\$ (5,333)
Investment income	30,000	6,450	(23,550)
Total revenues	<u>1,542,395</u>	<u>1,513,512</u>	<u>(28,883)</u>
EXPENDITURES			
Legal	4,500	-	4,500
Treasurer fees	46,500	30,259	16,241
Bond interest	1,500,000	1,280,107	219,893
Paying agent fees	4,000	2,000	2,000
Total expenditures	<u>1,555,000</u>	<u>1,312,366</u>	<u>242,634</u>
Excess of expenditures over (under) revenues	<u>(12,605)</u>	<u>201,146</u>	<u>213,751</u>
OTHER FINANCING SOURCES (USES)			
Transfers (to) from other funds	-	(1,360)	(1,360)
Total other financing sources (uses)	<u>-</u>	<u>(1,360)</u>	<u>(1,360)</u>
Net change in fund balances	<u>(12,605)</u>	<u>199,786</u>	<u>212,391</u>
Fund balances - beginning	<u>229,879</u>	<u>8,200</u>	<u>(221,679)</u>
Fund balances - ending	<u>\$ 217,274</u>	<u>\$ 207,986</u>	<u>\$ (9,288)</u>

**CITY OF CENTRAL BUSINESS IMPROVEMENT DISTRICT
DEBT SERVICE REQUIREMENTS TO MATURITY**

DECEMBER 31, 2017

	\$45,200,000		
	General Obligation Bonds		
	Series 2003		
	Dated June 18, 2003		
Bonds and Interest Maturing/Due in the Year Ending December 31,	Interest Payable on June 1 and Principal and Interest Payable December 1		
	Principal	Interest*	Total
Prior interest accrued	\$ -	\$ 39,731,444	\$ 39,731,444
2018	23,580,000	-	23,580,000
2019	3,560,000	-	3,560,000
2020	3,905,000	-	3,905,000
2021	4,265,000	-	4,265,000
2022	4,705,000	-	4,705,000
2023	5,185,000	-	5,185,000
	\$ 45,200,000	\$ 39,731,444	\$ 84,931,444

* Scheduled interest payments for 2018-2023 are reset to zero in this schedule as the District reached it's maximum authorized debt service limitation with interest paid and accrued through 2017

**CITY OF CENTRAL BUSINESS IMPROVEMENT DISTRICT
SUMMARY OF ASSESSED VALUATION,
MILL LEVY, AND PROPERTY TAXES COLLECTED**

December 31, 2017

Year ended December 31,	Prior year assessed valuation for current year property tax levy	Mills levied for General fund	Mills levied for Debt Service fund	Total property taxes		Percent collected to levied
				Levied	Collected	
2004	\$ 9,643,190	-	80.000	\$ 771,455	\$ 770,034	99.8%
2005	\$ 8,353,630	-	80.000	\$ 668,290	\$ 659,884	98.7%
2006	\$ 14,818,690	-	80.000	\$ 1,185,495	\$ 1,181,704	99.7%
2007	\$ 18,114,010	-	80.000	\$ 1,449,121	\$ 1,429,927	98.7%
2008	\$ 32,203,790	-	80.000	\$ 2,576,303	\$ 2,536,242	98.4%
2009	\$ 30,614,720	-	80.000	\$ 2,449,178	\$ 2,433,213	99.3%
2010	\$ 28,881,476	-	80.000	\$ 2,310,518	\$ 2,246,744	97.2%
2011	\$ 28,096,299	-	80.000	\$ 2,247,704	\$ 2,210,065	98.3%
2012	\$ 22,727,598	-	80.000	\$ 1,818,208	\$ 1,780,180	97.9%
2013	\$ 26,522,420	5.000	80.000	\$ 2,254,406	\$ 2,096,721	93.0%
2014	\$ 24,175,067	5.000	80.000	\$ 2,054,881	\$ 1,966,251	95.7%
2015	\$ 23,301,050	5.000	80.000	\$ 1,980,589	\$ 1,964,118	99.2%
2017	\$ 18,916,186	5.000	80.000	\$ 1,606,976	\$ 1,601,252	99.6%

Estimated for
calendar year ending
December 31,
2018

\$	19,063,416	5.000	80.000	\$ 1,620,390
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Note:

Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.