

**CREEKWALK MARKETPLACE BUSINESS IMPROVEMENT DISTRICT  
El Paso County, Colorado**

**FINANCIAL STATEMENTS  
December 31, 2017**

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Office of the State Auditor

May 1, 2018

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## INDEPENDENT AUDITOR'S REPORT

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Board of Directors  
**Creekwalk Marketplace 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 Creekwalk Marketplace Business Improvement District ("District"), a component unit of the City of Colorado Springs, Colorado, as of and for the year ended December 31, 2017, 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, 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  
April 26, 2018

## **BASIC FINANCIAL STATEMENTS**

**CREEKWALK MARKETPLACE BUSINESS IMPROVEMENT DISTRICT**  
**STATEMENT OF NET POSITION**  
**December 31, 2017**

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Cash and investments - Restricted	\$ 11,833
Accounts receivable - County Treasurer	447
Property taxes receivable	<u>23,402</u>
Total assets	<u>35,682</u>
<b>LIABILITIES</b>	
Accounts payable	4,711
Noncurrent liabilities	
Due in more than one year	<u>59,039</u>
Total liabilities	<u>63,750</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property tax revenue	<u>23,402</u>
Total deferred inflows of resources	<u>23,402</u>
<b>NET POSITION</b>	
Restricted for:	
Emergency reserves	100
Debt service	18,893
Unrestricted	<u>(70,463)</u>
Total net position	<u>\$ (51,470)</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**CREEKWALK MARKETPLACE BUSINESS IMPROVEMENT DISTRICT**  
**STATEMENT OF ACTIVITIES**  
Year Ended December 31, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u> <u>Revenue and</u> <u>Changes in</u> <u>Net Position</u>
		<u>Charges</u> <u>for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Capital</u> <u>Grants and</u> <u>Contributions</u>	<u>Governmental</u> <u>Activities</u>
Primary government:					
Government activities:					
General government	\$ 71,768	\$ -	\$ -	\$ -	\$ (71,768)
Interest on long-term debt and related costs	1,918	-	-	-	(1,918)
	<u>\$ 73,686</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(73,686)</u>
General revenues:					
Property taxes					19,565
Specific ownership taxes					2,651
Total general revenues					<u>22,216</u>
Change in net position					(51,470)
Net position - Beginning					-
Net position - Ending					<u>\$ (51,470)</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**CREEKWALK MARKETPLACE BUSINESS IMPROVEMENT DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2017**

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and investments - Restricted	\$ -	\$ 11,833	\$ 11,833
Accounts receivable - County Treasurer	447	-	447
Due from other funds	-	7,060	7,060
Property taxes receivable	459	22,943	23,402
<b>TOTAL ASSETS</b>	<u>\$ 906</u>	<u>\$ 41,836</u>	<u>\$ 42,742</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 4,711	\$ -	\$ 4,711
Due to other funds	7,060	-	7,060
Total liabilities	<u>11,771</u>	<u>-</u>	<u>11,771</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred property tax revenue	459	22,943	23,402
Total deferred inflows of resources	<u>459</u>	<u>22,943</u>	<u>23,402</u>
<b>FUND BALANCES</b>			
Restricted for:			
Emergencies (TABOR)	100	-	100
Debt service	-	18,893	18,893
Unassigned	(11,424)	-	(11,424)
Total fund balances	<u>(11,324)</u>	<u>18,893</u>	<u>7,569</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 906</u>	<u>\$ 41,836</u>	
Amounts reported for governmental activities in the statement of net position are different because:			
Long-term liabilities, including Developer advance payable, are not due and payable in the current period and, therefore, are not reported in the funds.			
Developer advance payable			(57,121)
Accrued interest payable - Developer advances			(1,918)
Net position of governmental activities			<u>\$ (51,470)</u>

These financial statements should be read only in connection with the accompanying notes to financial statements.

**CREEKWALK MARKETPLACE BUSINESS IMPROVEMENT DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
Year Ended December 31, 2017**

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Property taxes	\$ 384	\$ 19,181	\$ 19,565
Specific ownership taxes	2,651	-	2,651
Total revenues	<u>3,035</u>	<u>19,181</u>	<u>22,216</u>
<b>EXPENDITURES</b>			
Current			
County Treasurer's fees	6	288	294
Legal	68,925	-	68,925
Miscellaneous	549	-	549
Director's fees	2,000	-	2,000
Total expenditures	<u>71,480</u>	<u>288</u>	<u>71,768</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	(68,445)	18,893	(49,552)
<b>OTHER FINANCING SOURCES</b>			
Developer advance	57,121	-	57,121
Total other financing sources	<u>57,121</u>	<u>-</u>	<u>57,121</u>
<b>NET CHANGE IN FUND BALANCES</b>	(11,324)	18,893	7,569
<b>EXCESS OF REVENUES OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>			
	(11,324)	18,893	7,569
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ (11,324)</u>	<u>\$ 18,893</u>	<u>\$ 7,569</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**CREEKWALK MARKETPLACE BUSINESS IMPROVEMENT DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF THE  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended December 31, 2017**

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

Net change in fund balances - Total governmental funds	\$	7,569
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The issuance of long-term debt (e.g., bonds, leases, and the receipt of Developer advances) provides current financial resources to governmental funds, while the repayment of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Developer advance		(57,121)
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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 Developer advance - Change in liability		(1,918)
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Change in net position of governmental activities	\$	<u>(51,470)</u>
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These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**CREEKWALK MARKETPLACE BUSINESS IMPROVEMENT DISTRICT  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
Year Ended December 31, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Property taxes	\$ 384	\$ 384	\$ 384	\$ -
Specific ownership taxes	100	100	2,651	2,551
Total revenues	<u>484</u>	<u>484</u>	<u>3,035</u>	<u>2,551</u>
<b>EXPENDITURES</b>				
Current				
Accounting	5,500	5,500	-	5,500
County Treasurer's fees	-	-	6	(6)
Director's fees	-	2,000	2,000	(2,000)
Insurance	1,000	-	-	1,000
Legal	16,000	69,000	68,925	(52,925)
Management	1,200	-	-	1,200
Miscellaneous	1,200	600	549	651
Total expenditures	<u>24,900</u>	<u>77,100</u>	<u>71,480</u>	<u>(46,580)</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	(24,416)	(76,616)	(68,445)	(44,029)
<b>OTHER FINANCING SOURCES</b>				
Developer advance	25,000	77,000	57,121	32,121
Total other financing sources	<u>25,000</u>	<u>77,000</u>	<u>57,121</u>	<u>32,121</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	584	384	(11,324)	(11,908)
<b>FUND BALANCES - BEGINNING OF YEAR</b>	-	-	-	-
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 584</u>	<u>\$ 384</u>	<u>\$ (11,324)</u>	<u>\$ (11,908)</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**CREEKWALK MARKETPLACE BUSINESS IMPROVEMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 1 - DEFINITION OF REPORTING ENTITY**

Creekwalk Marketplace Business Improvement District (the District), a quasi-municipal corporation, was organized by ordinance of the City of Colorado Springs (the City) on February 23, 2016, 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 water services, traffic and safety protection, sanitation services, street improvements, parks and recreation, transportation, television relay and translation, mosquito control, security, fire protection and emergency medical.

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 sum of assets and deferred outflows and the sum of liabilities and deferred inflows is reported as net position.

**CREEKWALK MARKETPLACE BUSINESS IMPROVEMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 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 debt of the governmental funds.

**CREEKWALK MARKETPLACE BUSINESS IMPROVEMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**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, 2017.

**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.

**Interfund Balances**

The District reports interfund balances that are representative of lending/borrowing arrangements between funds in the fund financial statements as due to/from other funds (current portion of interfund loans). The interfund balances have been eliminated in the government-wide statements.

**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.

**CREEKWALK MARKETPLACE BUSINESS IMPROVEMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

**Deferred Inflow 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.
- *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.

**CREEKWALK MARKETPLACE BUSINESS IMPROVEMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- *Assigned fund balance* – The portion of fund balance that is constrained by the government’s intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.
- *Unassigned fund balance* – The residual portion of fund balance that does not meet any of the criteria described above.

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

**NOTE 3 - CASH AND INVESTMENTS**

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

Statement of net position:

Cash and investments - Restricted	<u>\$11,833</u>
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Cash and investments as of December 31, 2017, consist of the following:

Deposits with financial institutions	<u>\$11,833</u>
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**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, 2017, the District had cash deposits and a bank and carrying balance of \$11,833.

**CREEKWALK MARKETPLACE BUSINESS IMPROVEMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

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

**Investments**

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

The District generally limits its concentration of investments to those noted with an asterisk (\*) below, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- . Obligations of the United States, certain U.S. government agency securities and securities of the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Certain certificates of participation
- . Certain securities lending agreements
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- . Local government investment pools

As of December 31, 2017, the District had no investments.

**CREEKWALK MARKETPLACE BUSINESS IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 4 - LONG-TERM OBLIGATIONS**

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

	<u>Balance at December 31, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at December 31, 2017</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Developer advances	\$ -	\$ 57,121	\$ -	\$ 57,121	\$ -
Accrued interest on Developer advances	-	1,918	-	1,918	-
	<u>\$ -</u>	<u>\$ 59,039</u>	<u>\$ -</u>	<u>\$ 59,039</u>	<u>\$ -</u>

**Authorized Debt**

On May 3, 2016, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$600,000,000 at an interest rate not to exceed 18% per annum. At December 31, 2017, the District has authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	<u>Authorized May 3, 2016 Election</u>	<u>Authorized But Unissued</u>
Street improvements	\$ 50,000,000	\$ 50,000,000
Water supply improvements	50,000,000	50,000,000
Sanitary sewer	50,000,000	50,000,000
Traffic and safety	50,000,000	50,000,000
Parks and recreation	50,000,000	50,000,000
Transportation	50,000,000	50,000,000
Television Relay and Translation	50,000,000	50,000,000
Mosquito control	50,000,000	50,000,000
Security	50,000,000	50,000,000
Fire Protection and emergency medical	50,000,000	50,000,000
Operations and maintenance	\$ 50,000,000	50,000,000
Debt Refunding	50,000,000	50,000,000
	<u>\$ 600,000,000</u>	<u>\$ 600,000,000</u>

As set forth in the District's 2016 Operating Plan, the City has limited the amount of debt to be issued by the District to a total of \$50,000,000 without future approval by the City. The District may levy up to 50.000 mills for debt service and up to 10.000 mills for general operations and administrative expenses due to the on-going operations and maintenance to be undertaken by the District.

**CREEKWALK MARKETPLACE BUSINESS IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)**

**Developer Advances**

Subsequent to year end, on March 14, 2018, the District entered into an Operations Reimbursement Agreement with SNA Development LLC. The advances made to the District will accrue interest from the date of the advance to the date of repayment at a rate of 8.0% compounding annually from the date of the advance. The total operations advances made by the Developer to the District totaled \$57,121 with accrued interest of \$1,918 as of December 31, 2017.

**NOTE 5 - 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. The District had restricted net position as of December 31, 2017, as follows:

	<b>Governmental Activities</b>
Restricted net position:	
Emergency reserves (see Note 10)	\$ 100
Debt service (see Note 4)	18,893
Total restricted net position	<b>\$ 18,993</b>

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.

**NOTE 6 - RELATED PARTIES**

The Developer of the property which constitutes the District is SNA Development LLC. 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 7 – ECONOMIC DEPENDENCY**

The District has not yet established a revenue base sufficient to pay operational expenditures. Until an independent revenue base is established, continuation of operations in the District will be dependent upon funding by the Developer.

**CREEKWALK MARKETPLACE BUSINESS IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 8 – AGREEMENTS**

**Facilities Fund and Reimbursement Agreement**

The District entered into a Facilities Funding and Reimbursement Agreement (Agreement) on October 12, 2017 with 1609 South Nevada Avenue, LLC (the Company) whereby the District agrees to reimburse the Company for the costs related to the public improvements within the District. The District agrees to repay the Company along with accrued interest at a rate of 6.0% from the date of acceptance by the District through the date of repayment. The parties agree that no payment shall be required of the District for public improvements acquired under the terms of the Agreement unless and until the District issues debt or has other legally available revenue to repay for the purpose as in an amount sufficient to acquire all or a portion of the completed public improvements. The Parties agree that the Company shall be reimbursed up to \$85,000 as a first priority payment from the proceeds of any debt issued by the District, subject to compliance by the Company with the requirements of this Agreement. Any remaining reimbursement obligation to the Company shall be paid from excess Public Improvement Fee revenue of the District generated from the property owned by the Company up to a total reimbursement amount of \$150,000 plus any accrued interest thereon. The term of this Agreement shall extend from the date hereof through and including December 31, 2035, unless terminated earlier by the mutual written agreement of the Parties.

**NOTE 9 - 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; and natural disasters. The District did not carry commercial insurance during 2017. Any claim settlements and judgements will be settled out of its District Fund resources.

**NOTE 10 - 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.

**CREEKWALK MARKETPLACE BUSINESS IMPROVEMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 10 - 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.

The voters also approved an annual increase in taxes of up to \$5,000,000 at a mill levy rate without limitation or with such limitations as may be determined by the board for the purpose of the District's operations, maintenance, and other expenses and an annual increase in taxes of up to \$25,000,000 at a mill levy rate without limitation or with such limitations as determined by the board for the purpose of the District's capital expenditures. 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.

This information is an integral part of the accompanying financial statements.

**SUPPLEMENTARY INFORMATION**

**CREEKWALK MARKETPLACE BUSINESS IMPROVEMENT DISTRICT  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
Year Ended December 31, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Property taxes	\$ 19,181	\$ 19,181	\$ 19,181	\$ -
Total revenues	<u>19,181</u>	<u>19,181</u>	<u>19,181</u>	<u>-</u>
<b>EXPENDITURES</b>				
County Treasurer's fees	-	500	288	(288)
Total expenditures	<u>-</u>	<u>500</u>	<u>288</u>	<u>(288)</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	19,181	18,681	18,893	(288)
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 19,181</u>	<u>\$ 18,681</u>	<u>\$ 18,893</u>	<u>\$ (288)</u>

**CREEKWALK MARKETPLACE BUSINESS IMPROVEMENT DISTRICT  
SCHEDULE OF ASSESSED VALUATION,  
MILL LEVY AND PROPERTY TAXES COLLECTED  
December 31, 2017**

<b>Year Ended December 31,</b>	<b>Prior Year Assessed Valuation for Current Year Tax Levy</b>	<b>Mills Levied</b>	<b>Total Property Taxes</b>		<b>Percent Collected to Levied</b>
			<u>Levied</u>	<u>Collected</u>	
2017	\$ 383,620	51.000	\$ 19,565	\$19,565	100.00%
Estimated for the year ending December 31, 2018	\$ 458,870	51.000	\$ 23,402		

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.