

**INTERQUEST NORTH BUSINESS IMPROVEMENT DISTRICT
El Paso County, Colorado**

**FINANCIAL STATEMENTS
December 31, 2017**

E

RECEIVED

Office of the State Auditor

March 20, 2018

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements	
Balance Sheet - Governmental Funds	3
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	4
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	5
General Fund - Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual.....	6
Notes to Financial Statements.....	7
SUPPLEMENTARY INFORMATION	20
Debt Service Fund - Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual.....	21
Schedule of Debt Service Requirements to Maturity.....	22
Schedule of Assessed Valuation, Mill Levy and Property Taxes Collected	23



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Interquest North Business Improvement District
El Paso County, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Interquest North 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
March 7, 2018

BASIC FINANCIAL STATEMENTS

**INTERQUEST NORTH BUSINESS IMPROVEMENT DISTRICT
STATEMENT OF NET POSITION
December 31, 2017**

	Governmental Activities
ASSETS	
Cash and investments	\$ 253,885
Cash and investments - Restricted	1,688,691
Receivable - County Treasurer	4,203
Receivable - PIF	95,291
Prepaid insurance	1,812
Property taxes receivable	1,139,247
Capital assets, net	8,738,787
Total assets	11,921,916
LIABILITIES	
Accounts payable	3,318
Accrued interest payable	68,516
Noncurrent liabilities	
Due within one year	120,000
Due in more than one year	13,575,079
Total liabilities	13,766,913
DEFERRED INFLOWS OF RESOURCES	
Property tax revenue	1,139,247
Total deferred inflows of resources	1,139,247
NET POSITION	
Net investment in capital assets	(1,511,899)
Restricted for:	
Emergency reserves	4,100
Debt service	1,711,366
Unrestricted	(3,187,811)
Total net position	\$ (2,984,244)

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

**INTERQUEST NORTH 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) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government:					
Government activities:					
General government	\$ 412,222	\$ -	\$ -	\$ -	\$ (412,222)
Interest on long-term debt and related costs	904,153	-	-	-	(904,153)
	<u>\$ 1,316,375</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,316,375)</u>
General revenues:					
Property taxes					858,818
Specific ownership taxes					116,244
Public improvement fees					714,851
Net investment income					23,637
Total general revenues					<u>1,713,550</u>
Change in net position					397,175
Net position - Beginning					(3,381,419)
Net position - Ending					<u>\$ (2,984,244)</u>

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

**INTERQUEST NORTH BUSINESS IMPROVEMENT DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2017**

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash and investments	\$ 253,885	\$ -	\$ 253,885
Cash and investments - Restricted	4,100	1,684,591	1,688,691
Accounts receivable - County Treasurer	8,895	-	8,895
Receivable - PIF	-	95,291	95,291
Prepaid insurance	1,812	-	1,812
Property taxes receivable	22,338	1,116,909	1,139,247
TOTAL ASSETS	291,030	2,896,791	3,187,821
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable	3,318	-	3,318
Due to County Treasurer	-	4,692	4,692
Total liabilities	3,318	4,692	8,010
DEFERRED INFLOWS OF RESOURCES			
Property tax revenue	22,338	1,116,909	1,139,247
Total deferred inflows of resources	22,338	1,116,909	1,139,247
FUND BALANCES			
Nonspendable:			
Prepaid expenses	1,812	-	1,812
Restricted for:			
Emergency reserves (TABOR)	4,100	-	4,100
Debt service	-	1,775,190	1,775,190
Unassigned:			
Total fund balances	265,374	1,775,190	2,040,564
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 291,030	\$ 2,896,791	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the funds.	8,738,787
Long-term liabilities, including bonds payable and Developer advance payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Bonds payable	(10,780,000)
Accrued interest payable - Bonds	(68,516)
Developer advance	(866,756)
Accrued interest payable - Developer advance	(2,048,323)
Net position of governmental activities	\$ (2,984,244)

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

**INTERQUEST NORTH 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>
REVENUES			
Property taxes	\$ 16,875	\$ 841,943	\$ 858,818
Specific ownership taxes	116,244	-	116,244
Public improvement fees	-	714,851	714,851
Net investment income	2,252	21,385	23,637
Total revenues	<u>135,371</u>	<u>1,578,179</u>	<u>1,713,550</u>
EXPENDITURES			
Current			
Accounting	17,920	-	17,920
Audit	3,500	-	3,500
County Treasurer's fees	254	12,687	12,941
Dues and licenses	305	-	305
Insurance and bonds	1,812	-	1,812
Legal	12,259	-	12,259
Management	3,648	-	3,648
Miscellaneous	794	-	794
PIF collection expense	2,951	-	2,951
Street repairs	20,510	-	20,510
Debt service			
Bond principal	-	115,000	115,000
Bond interest	-	831,575	831,575
Total expenditures	<u>63,953</u>	<u>959,262</u>	<u>1,023,215</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	71,418	618,917	690,335
OTHER FINANCING SOURCES (USES)			
Developer advances	20,510	-	20,510
Repayment of Developer advance - Principal	(20,510)	-	(20,510)
Transfers from (to) other funds	20,510	(20,510)	-
Total other financing sources (uses)	<u>20,510</u>	<u>(20,510)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	91,928	598,407	690,335
FUND BALANCES - BEGINNING OF YEAR	<u>173,446</u>	<u>1,176,783</u>	<u>1,350,229</u>
FUND BALANCES - END OF YEAR	<u>\$ 265,374</u>	<u>\$ 1,775,190</u>	<u>\$ 2,040,564</u>

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

**INTERQUEST NORTH 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	\$	690,335
--	----	---------

Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense, the allocation of the cost of any depreciable asset over the estimated useful life of the asset. Capital outlay, the conveyance of capital assets to other governments and depreciation expense in the current period are as follows:

Depreciation expense		(348,269)
----------------------	--	-----------

The issuance of long-term debt (e.g., bonds, the receipt of Developer advances) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences is the treatment of long-term debt and related items as follows:

Developer advance		(20,510)
Repayment of developer advance - principal		20,510
Bond principal payment		115,000

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

Accrued interest on bonds payable - Change in liability		782
Accrued interest on developer advances - Change in liability		(60,673)

Change in net position of governmental activities	<u>\$</u>	<u>397,175</u>
---	-----------	----------------

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

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

	Budgets		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 16,859	\$ 16,953	\$ 16,875	\$ (78)
Specific ownership taxes	94,380	115,000	116,244	1,244
Net investment income	990	2,100	2,252	152
Total revenues	<u>112,229</u>	<u>134,053</u>	<u>135,371</u>	<u>1,318</u>
EXPENDITURES				
Current				
Accounting	15,000	20,000	17,920	2,080
Audit	3,500	3,500	3,500	-
County Treasurer's fees	253	254	254	-
Dues and licenses	300	305	305	-
Insurance and bonds	2,000	1,812	1,812	-
Legal	15,000	15,000	12,259	2,741
Management	7,000	5,000	3,648	1,352
Miscellaneous	1,000	1,000	794	206
PIF collection expense	7,500	4,500	2,951	1,549
Street repairs	-	20,511	20,510	1
Contingency	3,447	3,118	-	3,118
Total expenditures	<u>55,000</u>	<u>75,000</u>	<u>63,953</u>	<u>11,047</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	57,229	59,053	71,418	12,365
OTHER FINANCING SOURCES (USES)				
Developer advance	-	-	20,510	20,510
Repayment of Developer advance - Principal	-	(20,000)	(20,510)	(510)
Transfers from (to) other funds	-	20,511	20,510	(1)
Total other financing sources (uses)	<u>-</u>	<u>511</u>	<u>20,510</u>	<u>19,999</u>
NET CHANGE IN FUND BALANCES	57,229	59,564	91,928	32,364
FUND BALANCES - BEGINNING OF YEAR	<u>169,275</u>	<u>173,446</u>	<u>173,446</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 226,504</u>	<u>\$ 233,010</u>	<u>\$ 265,374</u>	<u>\$ 32,364</u>

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

INTERQUEST NORTH BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 - DEFINITION OF REPORTING ENTITY

Interquest North Business Improvement District (the District), a quasi-municipal corporation was organized by ordinance of the City of Colorado Springs (the City) on October 26, 2004, and is governed pursuant to provisions of the Colorado Business Improvement Act (Title 31). The District's service area is located entirely within the City in El Paso County, Colorado. The District was organized to provide the financing, acquisition, construction, completion, installation, replacement and/or operation and maintenance of all of the services and public improvements allowed under Colorado law for business improvement districts. Specific improvements and services provided by the District include parking facilities, roadways, lighting, driveways, public utilities and landscaping.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

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

The District's annual budget is required to be submitted to and approved by the City, thus enabling the City to impose its will on the District. Consequently, the District is considered to be a component unit of the City.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the District are described as follows:

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by property taxes.

The statement of net position reports all financial and capital resources of the District. The difference between the sum of assets and deferred outflows of resources and the sum of liabilities and deferred inflows of resources is reported as net position.

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.

**INTERQUEST NORTH BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 revenues susceptible to accrual are property taxes and public improvement fees. 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.

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.

INTERQUEST NORTH BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pooled Cash and Investments

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash and investments.

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflow of resources in the year they are levied and measurable. The unearned property tax revenues are recorded as revenue in the year they are available or collected.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. streets), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress, and are not included in the calculation of net investment in capital assets component of the District's net position.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

Streets	30 years
Storm drainage	30 years

INTERQUEST NORTH BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.
- *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.

**INTERQUEST NORTH BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- *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	\$ 253,885
Cash and investments - Restricted	<u>1,688,691</u>
Total cash and investments	<u>\$ 1,942,576</u>

Cash and investments as of December 31, 2017, consist of the following:

Deposits with financial institutions	\$ 3,052
Investments	<u>1,939,524</u>
Total cash and investments	<u>\$ 1,942,576</u>

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's cash deposits had a bank balance of \$3,052 and a carrying balance of \$3,052.

Investments

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

**INTERQUEST NORTH BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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 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 the following investments:

Investment	Maturity	Amount
Colorado Local Government Liquid Asset Trust (Colotrust)	Weighted average under 60 days	<u>\$ 1,939,524</u>

INTERQUEST NORTH BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAM by Standard & Poor's. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

**INTERQUEST NORTH BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2017, follows:

	<u>Balance at December 31, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2017</u>
Governmental Activities:				
Capital assets, being depreciated:				
Streets	\$ 9,848,062	\$ -	\$ -	\$ 9,848,062
Storm drainage	600,000	-	-	600,000
Total capital assets, being depreciated:	<u>10,448,062</u>	<u>-</u>	<u>-</u>	<u>10,448,062</u>
Less accumulated depreciation for:				
Streets	(1,359,346)	(328,269)	-	(1,687,615)
Storm drainage	(1,660)	(20,000)	-	(21,660)
Total accumulated depreciation	<u>(1,361,006)</u>	<u>(348,269)</u>	<u>-</u>	<u>(1,709,275)</u>
Total capital assets being depreciated, net	<u>9,087,056</u>	<u>(348,269)</u>	<u>-</u>	<u>8,738,787</u>
Capital assets, net	<u>\$ 9,087,056</u>	<u>\$ (348,269)</u>	<u>\$ -</u>	<u>\$ 8,738,787</u>

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

Governmental activities	
General government	\$ 348,269
Total depreciation expense - Governmental activities	<u>\$ 348,269</u>

**INTERQUEST NORTH BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 5 - LONG-TERM OBLIGATIONS

The following is an analysis of changes in the District's long-term obligations for the year ended December 31, 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>
Series 2010 General Obligation Bonds	\$ 6,170,000	\$ -	\$ 95,000	\$ 6,075,000	\$ 100,000
Series 2016 General Obligation Bonds	4,725,000	-	20,000	4,705,000	20,000
Developer advances	866,756	20,510	20,510	866,756	-
Interest on Developer advances	1,987,650	60,673	-	2,048,323	-
	<u>\$ 13,749,406</u>	<u>\$ 81,183</u>	<u>\$ 135,510</u>	<u>\$ 13,695,079</u>	<u>\$ 120,000</u>

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

\$6,500,000 Limited Tax General Obligation Bonds, Series 2010

On December 3, 2010, the District issued \$6,500,000 in Limited Tax General Obligation Bonds (Series 2010 Bonds) dated December 3, 2010, for street improvements. The Series 2010 Bonds bear interest at a rate of 8.5% and are due December 1, 2040. Bond interest and principal payments are payable annually on December 1. Any accrued and unpaid interest will compound on December 1 of each year. The Series 2010 Bonds are subject to redemption prior to maturity, at the option of the District, without redemption premium.

\$4,765,000 Series Limited Tax General Obligation Bonds, Series 2016

On June 8, 2016, the District issued \$4,765,000 in Limited Tax General Obligation Bonds (Series 2016 Bonds). The Series 2016 Bonds mature on December 1, 2045, and bear an interest rate of 6.5% paid annually on December 1, with an optional call date on December 1, 2025. The first principal and interest payments are due on December 1, 2016. The proceeds from the Series 2016 Bonds were used to reimburse the Developer for capital infrastructure costs and to pay bond issuance costs.

The Series 2010 Bonds and the Series 2016 Bonds are secured by and payable from Pledged Revenue consisting of monies derived by the District from the following sources, net of any collection costs: 1) the Required Mill Levy, 2) the PIF Revenue, and 3) any other legally available monies that the District determines to be treated as Pledged Revenue. Required Mill Levy means an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient to pay the principal, premium if any, and interest on the bonds as the

**INTERQUEST NORTH BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

same become due and payable. The maximum Required Mill Levy is 50.000 mills, adjusted for changes in the ratio of actual value to assessed value of property within the District. As of December 31, 2017, the adjusted maximum mill levy is 50.000 for debt service. For collection year 2017, the District levied 50.000 mills for debt service. PIF Revenue means the revenue derived from the imposition of the PIF and payable to the District pursuant to the PIF Covenant.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 120,000	\$ 822,200	\$ 942,200
2019	135,000	812,400	947,400
2020	150,000	801,425	951,425
2021	160,000	789,275	949,275
2022	175,000	776,275	951,275
2023-2027	1,105,000	3,645,225	4,750,225
2028-2032	1,630,000	3,115,075	4,745,075
2033-2037	2,420,000	2,332,500	4,752,500
2038-2042	3,015,000	1,236,100	4,251,100
2043-2045	1,870,000	248,300	2,118,300
	<u>\$ 10,780,000</u>	<u>\$ 14,578,775</u>	<u>\$ 25,358,775</u>

Authorized Debt

On November 2, 2004, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$9,900,000 at an interest rate not to exceed 12% per annum. On November 1, 2005, the District's electors authorized additional indebtedness of \$3,100,000 at an interest rate not to exceed 12% per annum. At December 31, 2017, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	<u>Authorized November 2, 2004 Election</u>	<u>Authorized November 1, 2005 Election</u>	<u>Authorization Used - Series 2010 Bonds</u>	<u>Authorization Used - Series 2016 Bonds</u>	<u>Remaining at December 31, 2017</u>
Streets	\$ 9,900,000	\$ -	\$ 6,500,000	\$ 2,639,900	\$ 760,100
Water	-	2,500,000	-	1,525,100	974,900
Storm drainage	-	600,000	-	600,000	-
	<u>\$ 9,900,000</u>	<u>\$ 3,100,000</u>	<u>\$ 6,500,000</u>	<u>\$ 4,765,000</u>	<u>\$ 1,735,000</u>

As set forth in the District's 2005 Operating Plan, the City has limited the amount of debt to be issued by the District to a total of \$9,900,000, without future approval by the City.

**INTERQUEST NORTH BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Developer Advances

The District entered into a Facilities Funding and Reimbursement Agreement (Agreement) with the Developer (see Note 7). The District agrees to repay the Developer along with accrued interest, at a rate of 7% on the first day of the following year in which the advances were made. The Agreement does not constitute a multiple-fiscal year obligation. During 2010, the District's engineer certified \$12,427,631 of public improvements constructed by the Developer on behalf of the District. The principal amount of these improvements was recorded by the District as bonds were issued. During 2016, the accrued interest associated with these improvements was recognized by the District, along with additional improvements accepted by the District in 2016.

As of December 31, 2017, outstanding Developer advances totaled \$866,756 and accumulated accrued interest totaled \$2,048,323.

NOTE 6 - NET POSITION

The District has net position consisting of three components – net investment in capital assets, restricted and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2017, the District had net investment in capital assets calculated as follows:

Net investment in capital assets	
Capital assets, net	\$ 8,738,787
Current portion of outstanding long-term obligations	(104,539)
Noncurrent portion of outstanding long-term obligations	<u>(10,146,147)</u>
Net investment in capital assets	<u>\$ (1,511,899)</u>

Restricted net position consists of assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position as of December 31, 2017, as follows:

Restricted net position:	
Emergency reserves (see Note 11)	\$ 4,100
Debt service (see Note 5)	<u>1,711,366</u>
Total restricted net position	<u>\$ 1,715,466</u>

The District's unrestricted net position as of December 31, 2017 is \$(3,187,811). This deficit amount is a result of the District being responsible for the repayment of developer advances (and accrued interest on those advances) and bonds issued for public improvements, some of which have been transferred to other governmental entities for ownership and maintenance.

**INTERQUEST NORTH BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 7 - RELATED PARTIES

The Developer of the property which constitutes the District is Nor'wood Development Group. The members of the Board of Directors are officers of, employees of, or associated with the Developer and may have conflicts of interest in dealing with the District.

NOTE 8 – INTERFUND TRANSFERS

The transfer of \$20,510 from the Debt Service Fund to the General Fund was to fund repayment of developer advances from public improvement fees.

NOTE 9 – AGREEMENTS AND COMMITMENTS

Interquest Marketplace Public Improvement Fee Covenant Agreement

On March 7, 2008, Interquest North LLC and Interquest Marketplace LLC entered into an agreement that authorized the Declaration of Covenants imposing and implementing the Interquest Marketplace Public Improvement Fee (PIF), naming the District as the collection agent and the recipient of such fees. The PIF, in the amount of one and one-fourth percent (1-¼%), is imposed on certain retail sales transactions occurring within the Interquest Marketplace PIF property area, upon which a sales tax would be payable to the State pursuant to the provisions of the State Sales Tax Statutes. The collection of the PIF revenues will be used by the District for the repayment of public improvement costs, as may be required to fulfill any bond requirements. During 2017, the District recorded \$714,851 in PIF revenue.

Ground Lease

On December 1st, 2010, the District entered into a lease agreement with Interquest Marketplace LLC to lease an area within the Demised Premises, for the purpose of public parking, traffic and pedestrian circulation areas, landscaping, utilities, signage, drainage, sidewalks, pedestrian ways, public art, shelters, bus stops, ramps and curbs, and other similar facilities and for public events, festivals, recreation, concerts, and other public uses and services. This agreement does not represent a multi-fiscal year obligation and renews annually at the option of the District at the rate of \$100 per year upon appropriation in the District's annual budget. The lease agreement will expire on December 31, 2050.

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

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

INTERQUEST NORTH BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 10 - RISK MANAGEMENT (CONTINUED)

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

NOTE 11 - TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

On November 2, 2004, the District's voters authorized the District to increase property taxes \$50,000 annually, adjusted for inflation plus annual local growth in each subsequent fiscal year thereafter, at a mill levy rate not to exceed one mill for general operations and maintenance.

The election also allows the District to collect, spend and retain all revenues without regard to the limitations contained within Article X, Section 20 of the Colorado Constitution (TABOR).

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

SUPPLEMENTARY INFORMATION

**INTERQUEST NORTH BUSINESS IMPROVEMENT DISTRICT
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
December 31, 2017**

	<u>Budgets</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 841,139	\$ 845,821	\$ 841,943	\$ (3,878)
Public improvement fees	250,000	782,000	714,851	(67,149)
Net investment income	5,950	19,600	21,385	1,785
Total revenues	<u>1,097,089</u>	<u>1,647,421</u>	<u>1,578,179</u>	<u>(69,242)</u>
EXPENDITURES				
Current				
County Treasurer's fee	12,617	12,687	12,687	-
Bond principal - Series 2010	95,000	95,000	95,000	-
Bond principal - Series 2016	20,000	20,000	20,000	-
Bond interest - Series 2010	524,450	524,450	524,450	-
Bond interest - Series 2016	307,125	307,125	307,125	-
Contingency	1,808	227	-	227
Total expenditures	<u>961,000</u>	<u>959,489</u>	<u>959,262</u>	<u>227</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	136,089	687,932	618,917	(69,015)
OTHER FINANCING SOURCES (USES)				
Transfers from (to) other funds	-	(20,511)	(20,510)	1
Total other financing sources (uses)	<u>-</u>	<u>(20,511)</u>	<u>(20,510)</u>	<u>1</u>
NET CHANGE IN FUND BALANCES	136,089	667,421	598,407	(69,014)
FUND BALANCES - BEGINNING OF YEAR	<u>1,122,972</u>	<u>1,176,783</u>	<u>1,176,783</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,259,061</u>	<u>\$ 1,844,204</u>	<u>\$ 1,775,190</u>	<u>\$ (69,014)</u>

**INTERQUEST NORTH BUSINESS IMPROVEMENT DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2017**

\$6,500,000
Series 2010 General Obligation
Refunding Bonds
Dated December 3, 2010
Interest Rate 8.50%
Principal and Interest
Due December 1

\$4,765,000
Series 2016 Limited Tax
General Obligation Bonds
Dated June 8, 2016
Interest Rate 6.50%
Principal and Interest
Due December 1

	Principal		Interest		Principal		Interest		Total
									All Bonds
2018	\$	100,000	\$	516,375	\$	20,000	\$	305,825	\$ 942,200
2019		110,000		507,875		25,000		304,525	947,400
2020		120,000		498,525		30,000		302,900	951,425
2021		130,000		488,325		30,000		300,950	949,275
2022		140,000		477,275		35,000		299,000	951,275
2023		150,000		465,375		35,000		296,725	947,100
2024		165,000		452,625		40,000		294,450	952,075
2025		180,000		438,600		40,000		291,850	950,450
2026		195,000		423,300		45,000		289,250	952,550
2027		210,000		406,725		45,000		286,325	948,050
2028		230,000		388,875		50,000		283,400	952,275
2029		250,000		369,325		50,000		280,150	949,475
2030		270,000		348,075		55,000		276,900	949,975
2031		290,000		325,125		60,000		273,325	948,450
2032		315,000		300,475		60,000		269,425	944,900
2033		345,000		273,700		70,000		265,525	954,225
2034		375,000		244,375		70,000		260,975	950,350
2035		405,000		212,500		70,000		256,425	943,925
2036		355,000		178,075	165,000			251,875	949,950
2037		385,000		147,900	180,000			241,150	954,050
2038		415,000		115,175	185,000			229,450	944,625
2039		450,000		79,900	200,000			217,425	947,325
2040		490,000		41,650	210,000			204,425	946,075
2041		-		-	515,000			190,775	705,775
2042		-		-	550,000			157,300	707,300
2043		-		-	585,000			121,550	706,550
2044		-		-	620,000			83,525	703,525
2045		-		-	665,000			43,225	708,225
	\$	6,075,000	\$	7,700,150	\$	4,705,000	\$	6,878,625	\$ 25,358,775

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

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Tax Levy</u>	<u>Mills Levied</u>	<u>Total Property Taxes</u>		<u>Percent Collected to Levied</u>
			<u>Levied</u>	<u>Collected</u>	
2013	\$ 12,053,870	59.420 (1)	\$ 716,242	\$ 707,280	98.75%
2014	\$ 13,342,650	51.000	\$ 680,476	\$ 680,476	100.00%
2015	\$ 13,366,930	51.000	\$ 681,713	\$ 681,713	100.00%
2016	\$ 13,569,270	51.000	\$ 692,033	\$ 599,874	86.68%
2017	\$ 15,029,140	57.089 (2)	\$ 857,998	\$ 858,818	100.10%
Estimated for the year ending December 31, 2018	\$ 22,338,180	51.000	\$ 1,139,247		

Notes:

(1) Includes a levy of 8.420 for collection of refunds and abatements from the prior year.

(2) Includes a levy of 6.089 for collection of refunds and abatements from the prior year.

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 if delinquent taxes are collected.