

**FIDDLER'S BUSINESS IMPROVEMENT DISTRICT**

**Financial Statements  
and  
Independent Auditors' Report  
December 31, 2017**

**EKS&H**

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Office of the State Auditor

July 24, 2018

# FIDDLER'S BUSINESS IMPROVEMENT DISTRICT

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## **INTRODUCTORY SECTION**

## **TRANSMITTAL LETTER**

To the Members of the Governing Body of  
Fiddler's Business Improvement District

State law requires that all general-purpose local governments publish within seven months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles in the United States of America ("U.S. GAAP") and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the annual financial report of Fiddler's Business Improvement District (the "District") for the fiscal year ended December 31, 2017.

This report consists of management's representations concerning the finances of the District. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with U.S. GAAP. Because the cost of internal controls should not outweigh the benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The District's financial statements have been audited by EKS&H LLLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended December 31, 2017 are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the District's financial statements for the fiscal year ended December 31, 2017 are fairly presented in conformity with U.S. GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

To the Members of the Governing Body of  
Fiddler's Business Improvement District

U.S. GAAP requires that management provides a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis ("MD&A"). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.

### **Profile of the Government**

The District, established in 1999, is located in the city of Greenwood Village (the "City"). The District is empowered to levy a property tax on both real and personal properties located within its boundaries.

The District provides parking for offices, public parking, and cultural events. In addition, the District provides public amenities, including an art gallery/museum in the Palazzo Verdi office building.

The annual budget serves as the foundation for the District's financial planning and control. The government's manager then presents this proposed budget to the Board of Directors ("Board") for review prior to October 15. The Board is required to hold a public hearing on the proposed budget and to adopt a final budget by no later than December 15. The appropriated budget is prepared by fund and function. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

### **Cash Management Policies and Practices**

Cash temporarily idle during the year was invested in COLOTRUST's investment pool.

The District has no employees and contracts all management, maintenance, and professional activities.

Respectfully submitted,

/s/ Francis A. Nemecek  
President

July 19, 2018

## **LIST OF PRINCIPAL OFFICIALS**

President - Francis A. Nemecek

Secretary - Treasurer - John W. Madden, Jr.

Director - James R. Sullivan

Director - Bernie Radochonski



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## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Fiddler's Business Improvement District  
Greenwood Village, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Fiddler's 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**

The District's 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.

### **AUDITORS' 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 auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **OPINION**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Fiddler's Business Improvement District as of December 31, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **OTHER MATTERS**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6-12 and budgetary comparison information on pages 32-34 be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **OTHER INFORMATION**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fiddler's Business Improvement District's basic financial statements. The introductory section is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*EKS+H LLLP*  
EKS&H LLLP

July 19, 2018  
Denver, Colorado

# FIDDLER'S BUSINESS IMPROVEMENT DISTRICT

## Management's Discussion and Analysis

As management of the Fiddler's Business Improvement District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the activities of the District for the fiscal year ended December 31, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our transmittal letter, which can be found on pages 1 and 2 of this report.

### Financial Highlights

- The governmental funds balance sheet shows total current and other assets of \$4,341,646, total liabilities of \$175,992, and total deferred inflows of resources of \$2,983,059.
- In the statement of net position, the liabilities and deferred inflows of the District exceeded its assets and deferred outflows by \$16,626,198. Of this amount, \$(12,860,189) represents unrestricted deficit, \$571,047 is restricted for debt service, and \$610,950 is restricted for land purchase and improvements. The remainder of the net position, \$(4,948,006), is the deficit of capital assets over related debt.
- The District's total net position decreased by \$1,240,493 due primarily to depreciation of capital assets, interest, and letter-of-credit fees.
- The District's revenue from the debt fund increased from \$3,253,262 for the year ended December 31, 2016 to \$8,891,423 for the year ended December 31, 2017. The increase is attributable mostly to bond proceeds.
- The District's long-term debt increased by \$1,845,000 during the current fiscal year as a result of the issuance of the Series 2017 bonds.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,182,595, an increase of \$529,649 in comparison to the prior year. This increase was primarily due to the construction of capital assets in the amount of \$1,453,291 throughout 2017, which were purchased with cash from the capital and bond proceeds fund of \$2,050,000.
- At the end of the current fiscal year, unrestricted fund balance for the general fund was \$598 or 0.1% of total general fund expenditures.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

# FIDDLER'S BUSINESS IMPROVEMENT DISTRICT

## Management's Discussion and Analysis

### Overview of the Financial Statements (continued)

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad view of the District's finances in a manner similar to a private-sector business.

The statement of net position presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and accrued interest).

The government-wide financial statements of the District are principally supported by taxes (governmental activities) and user fees and charges. The governmental activities of the District are to provide parking facilities for individuals, businesses, and the public.

The government-wide financial statements include only the District itself.

The government-wide financial statements can be found on pages 13 and 14 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or District objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related District legal requirements. As all of the funds of the District are classified as governmental funds, the fund financial statements are combined with the government-wide financial statements.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet/statement of net position and the statement of governmental fund revenues, expenditures, and changes in fund balances/statement of activities provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains these individual governmental funds, each of which had current year activity. Information is presented separately in the governmental funds balance sheet and the statement of governmental fund revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and the capital and bond proceeds fund, all of which are considered to be major funds.

# FIDDLER'S BUSINESS IMPROVEMENT DISTRICT

## Management's Discussion and Analysis

### Overview of the Financial Statements (continued)

The District adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with this requirement.

The basic governmental fund financial statements can be found on pages 13 and 14 of this report.

### Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows exceeded assets and deferred outflows by \$16,626,198 at the close of the most recent fiscal year. This change from the prior year is due largely to the District's interest and depreciation expense. The following table provides a summary of the District's net position:

#### Condensed Statements of Net Position

|   | December 31,           |                        |
|---|------------------------|------------------------|
|   | 2017                   | 2016                   |
| Assets  |                        |                        |
| Current and other assets                      | \$ 4,341,646           | \$ 3,088,063           |
| Capital assets, net                           | <u>45,550,838</u>      | <u>45,263,803</u>      |
| Total assets                                  | <u>49,892,484</u>      | <u>48,351,866</u>      |
| Deferred outflows of resources                |                        |                        |
| Deferred charge on refunding                  | <u>1,448,891</u>       | <u>1,596,068</u>       |
| Total deferred outflows of resources          | <u>1,448,891</u>       | <u>1,596,068</u>       |
| Liabilities                                   |                        |                        |
| Other liabilities                             | 3,754,014              | 3,539,932              |
| Long-term liabilities                         | <u>61,230,500</u>      | <u>59,385,500</u>      |
| Total liabilities                             | <u>64,984,514</u>      | <u>62,925,432</u>      |
| Deferred inflows of resources                 |                        |                        |
| Unavailable revenue – property taxes          | <u>2,983,059</u>       | <u>2,408,207</u>       |
| Total deferred inflows of resources           | <u>2,983,059</u>       | <u>2,408,207</u>       |
| Net position                                  |                        |                        |
| Net investment in capital assets              | (4,948,006)            | 4,018,077              |
| Restricted for debt service                   | 571,047                | 517,037                |
| Restricted for land purchase and improvements | 610,950                | -                      |
| Unrestricted (deficit)                        | <u>(12,860,189)</u>    | <u>11,884,665</u>      |
| Total net position                            | <u>\$ (16,626,198)</u> | <u>\$ (15,385,705)</u> |

# FIDDLER'S BUSINESS IMPROVEMENT DISTRICT

## Management's Discussion and Analysis

### Government-Wide Financial Analysis (continued)

The District has a \$(4,948,006) (deficit) of net position related to an investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from taxes, parking fees, and other resources, since the capital assets themselves cannot produce sufficient revenue to liquidate these liabilities.

A portion, \$571,047, of the District's net position represents resources that are subject to external restrictions requiring it to be used for debt service. Another \$610,950 of the District's net position represents resources that are subject to restrictions for land purchase and improvements. The remaining balance of \$(12,860,189) (deficit) represents unrestricted net position.

At the end of the current fiscal year, the District reported positive balances in two of four categories of net position and all of its separate governmental activities.

The District's net position decreased by \$1,240,493 during the current fiscal year due primarily to depreciation expense, interest, and letter-of-credit fees, which is discussed in the Financial Highlights on page 6. Over time, the District's net position is expected to increase as reductions to its debt from principal payments exceed reductions to its capital assets from depreciation.

**Governmental activities.** Governmental activities increased the District's fund balance by \$529,649, primarily driven by the 2017 bond proceeds for the construction of capital assets, as previously discussed.

# FIDDLER'S BUSINESS IMPROVEMENT DISTRICT

## Management's Discussion and Analysis

### Government-Wide Financial Analysis (continued)

#### Condensed Summary of Changes in Net Position

|                                      | December 31,    |                 |
|--------------------------------------|-----------------|-----------------|
|                                      | 2017            | 2016            |
| Revenues                             |                 |                 |
| Parking                              | \$ 1,156,951    | \$ 1,033,917    |
| Property taxes                       | 2,372,092       | 2,389,242       |
| Specific ownership                   | 203,446         | 181,666         |
| Investment earnings                  | 11,747          | 672             |
| Total revenues                       | 3,744,236       | 3,605,497       |
| Expenditures/expenses                |                 |                 |
| Parking operations and maintenance   | 202,894         | 164,571         |
| Professional services                | 184,410         | 146,140         |
| Insurance                            | 28,341          | 26,075          |
| Rent                                 | 15,132          | 2,901           |
| Other                                | 2,179           | 11,874          |
| Financing fees                       | 540,500         | 1,312           |
| Lease termination fee                | 800,000         | -               |
| Depreciation                         | 1,166,256       | 1,154,475       |
| Interest and letter-of-credit fees   | 2,045,017       | 2,673,325       |
| Total expenditures                   | 4,984,729       | 4,180,673       |
| Deficiency of revenues over expenses | (1,240,493)     | (575,176)       |
| Fund balances/net position           |                 |                 |
| Beginning of the year                | (15,385,705)    | (14,810,529)    |
| End of the year                      | \$ (16,626,198) | \$ (15,385,705) |

### Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, an unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,182,595, an increase of \$529,649 from 2016. Approximately 0.1% of this total amount constitutes unassigned fund balance, which is available for spending at the District's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been restricted to pay debt service.

# FIDDLER'S BUSINESS IMPROVEMENT DISTRICT

## Management's Discussion and Analysis

### Financial Analysis of the District's Funds (continued)

Total fund revenue amounted to \$3,744,236, including \$1,156,951 in parking revenues and \$2,372,092 in property tax revenues. Total fund expenditures amounted to \$4,984,729, including \$2,045,017 in interest and other debt-related fees.

The general fund is the main operating fund of the District. At the end of the current fiscal year, the unrestricted fund balance was \$598. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. The unassigned fund balance or total fund balance represents 0.1% of total general fund expenditures in 2017.

The fund balance of the District's general fund decreased by \$135,311 during the current fiscal year. This change is the combined result of interfund transfers and a deficiency in revenues under expenditures.

The debt service fund has a total fund balance of \$571,047, all of which is restricted for the payment of debt service.

### Capital Asset and Debt Administration

**Capital assets.** The District's investment in capital assets for its governmental and business-type activities as of December 31, 2017 amounts to \$45,550,838 (net of accumulated depreciation). This investment in capital assets includes land and buildings.

The District invested an additional \$1,453,291 in capital assets during the year ended December 31, 2017.

### Fiddler's Business Improvement District Capital Assets (Net of Depreciation)

|   | December 31,         |                      |
|---|----------------------|----------------------|
|   | 2017                 | 2016                 |
| Land  | \$ 2,045,017         | \$ 8,455,343         |
| Interest in Palazzo Verdi (Madden Museum Space) | 2,100,000            | 2,100,000            |
| Standalone Parking Structure                    | 27,619,189           | 27,034,392           |
| Palazzo Verdi Parking (Floors 3-5)              | 7,240,369            | 7,542,051            |
| Equipment                                       | <u>135,937</u>       | <u>132,017</u>       |
| Total   | <u>\$ 39,140,512</u> | <u>\$ 45,263,803</u> |

Additional information on the District's capital assets can be found in Note 4 on page 23.

**Long-term debt.** At the end of the current fiscal year, the District had total debt outstanding of \$62,610,500 consisting of \$48,250,000 in General Obligation Multi-Modal Bonds, \$5,500,000 in General Obligation Refunding and Improvement Bonds, \$6,300,000 in Subordinate General Obligation Limited Tax Bonds, and \$2,560,500 in related-party notes.

Additional information on the District's long-term debt can be found in Note 5 on page 23 and Note 6 on page 29.

# **FIDDLER'S BUSINESS IMPROVEMENT DISTRICT**

## **Management's Discussion and Analysis**

### **Revenues**

In 1999, electors of the District voted to exempt the revenues of the District from the revenue and spending limitations imposed by Section 20, Article X, of the Colorado Constitution.

The District currently receives a substantial portion of its revenue (both tax and parking revenue) from related entities. A downturn in the economy could have a significant impact on the District.

### **Budgetary Highlights**

The District's general fund net excess was approximately \$28,000 favorable to the approved budget.

The District's debt fund net excess was approximately \$5,000 unfavorable to the approved budget.

The District's capital and bond proceeds fund net excess was approximately \$64,000 favorable to the approved budget.

### **Requests for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District at the following address:

Fiddler's Business Improvement District  
6501 South Fiddler's Green Circle, Suite 110  
Greenwood Village, Colorado 80111

**FIDDLER'S BUSINESS IMPROVEMENT DISTRICT**  
**Governmental Funds Balance Sheet/Statement of Net Position**  
**December 31, 2017**

|   | General Fund      | Debt Service Fund   | Capital and Bond<br>Proceeds Fund | Total               | Adjustments<br>(Note 2) | Statement of Net<br>Position |
|---|-------------------|---------------------|-----------------------------------|---------------------|-------------------------|------------------------------|
| <b>Assets</b>   |                   |                     |                                   |                     |                         |                              |
| Assets  |                   |                     |                                   |                     |                         |                              |
| Cash and investments  | \$ 33,705         | \$ 571,047          | \$ 724,161                        | \$ 1,328,913        | \$ -                    | \$ 1,328,913                 |
| Accounts receivable   | -                 | -                   | 960                               | 960                 | -                       | 960                          |
| Prepaid expenses  | 28,714            | -                   | -                                 | 28,714              | -                       | 28,714                       |
| Taxes receivable  | 408,638           | 2,574,421           | -                                 | 2,983,059           | -                       | 2,983,059                    |
| Capital assets, net of accumulated depreciation where applicable    |                   |                     |                                   |                     |                         |                              |
| Land  | -                 | -                   | -                                 | -                   | 8,455,343               | 8,455,343                    |
| Interest in Palazzo Verdi (Madden Museum Space)                     | -                 | -                   | -                                 | -                   | 2,100,000               | 2,100,000                    |
| Standalone Parking Structure  | -                 | -                   | -                                 | -                   | 27,619,189              | 27,619,189                   |
| Palazzo Verdi Parking (Floors 3-5)                                  | -                 | -                   | -                                 | -                   | 7,240,369               | 7,240,369                    |
| Equipment   | -                 | -                   | -                                 | -                   | 135,937                 | 135,937                      |
| Total capital assets, net   | -                 | -                   | -                                 | -                   | 45,550,838              | 45,550,838                   |
| Total assets  | <u>\$ 471,057</u> | <u>\$ 3,145,468</u> | <u>\$ 725,121</u>                 | <u>\$ 4,341,646</u> | <u>45,550,838</u>       | <u>49,892,484</u>            |
| Deferred outflows of resources                                      |                   |                     |                                   |                     |                         |                              |
| Deferred charge on refunding  | -                 | -                   | -                                 | -                   | 1,448,891               | 1,448,891                    |
| Total deferred outflows of resources                                | <u>-</u>          | <u>-</u>            | <u>-</u>                          | <u>-</u>            | <u>1,448,891</u>        | <u>1,448,891</u>             |
| <b>Liabilities</b>  |                   |                     |                                   |                     |                         |                              |
| Liabilities   |                   |                     |                                   |                     |                         |                              |
| Accounts payable and accrued expenses                               | 11,802            | -                   | 114,171                           | 125,973             | -                       | 125,973                      |
| Accounts payable - related party                                    | 50,019            | -                   | -                                 | 50,019              | -                       | 50,019                       |
| Accrued interest payable  | -                 | -                   | -                                 | -                   | 2,198,022               | 2,198,022                    |
| Notes payable - related party                                       | -                 | -                   | -                                 | -                   | 2,560,500               | 2,560,500                    |
| Bonds payable   |                   |                     |                                   |                     |                         |                              |
| Portion due within one year   | -                 | -                   | -                                 | -                   | 1,380,000               | 1,380,000                    |
| Portion due after one year  | -                 | -                   | -                                 | -                   | 58,670,000              | 58,670,000                   |
| Total liabilities   | <u>61,821</u>     | <u>-</u>            | <u>114,171</u>                    | <u>175,992</u>      | <u>64,808,522</u>       | <u>64,984,514</u>            |
| Deferred inflows of resources                                       |                   |                     |                                   |                     |                         |                              |
| Unavailable revenue - property taxes                                | 408,638           | 2,574,421           | -                                 | 2,983,059           | -                       | 2,983,059                    |
| Total deferred inflows of resources                                 | <u>408,638</u>    | <u>2,574,421</u>    | <u>-</u>                          | <u>2,983,059</u>    | <u>-</u>                | <u>2,983,059</u>             |
| Fund balances/net position  |                   |                     |                                   |                     |                         |                              |
| Restricted  |                   |                     |                                   |                     |                         |                              |
| Debt  | -                 | 571,047             | -                                 | 571,047             | (571,047)               | -                            |
| Land purchase and improvements                                      | -                 | -                   | 610,950                           | 610,950             | -                       | 610,950                      |
| Committed   |                   |                     |                                   |                     |                         |                              |
| Unassigned  | 598               | -                   | -                                 | 598                 | (598)                   | -                            |
| Total fund balances   | <u>598</u>        | <u>571,047</u>      | <u>610,950</u>                    | <u>1,182,595</u>    | <u>(571,645)</u>        | <u>-</u>                     |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 471,057</u> | <u>\$ 3,145,468</u> | <u>\$ 725,121</u>                 | <u>\$ 4,341,646</u> |                         |                              |
| Net position  |                   |                     |                                   |                     |                         |                              |
| Net investment in capital assets                                    |                   |                     |                                   |                     | (4,948,006)             | (4,948,006)                  |
| Restricted for debt service   |                   |                     |                                   |                     | 571,047                 | 571,047                      |
| Restricted for land purchase and improvements                       |                   |                     |                                   |                     | 610,950                 | 610,950                      |
| Unrestricted (deficit)  |                   |                     |                                   |                     | (12,860,189)            | (12,860,189)                 |
| Total net position  |                   |                     |                                   |                     | <u>\$ (16,626,198)</u>  | <u>\$ (16,626,198)</u>       |

See notes to financial statements.

**FIDDLER'S BUSINESS IMPROVEMENT DISTRICT**

**Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities  
For the Year Ended December 31, 2017**

|  | <u>General Fund</u> | <u>Debt Service Fund</u> | <u>Capital and Bond Proceeds Fund</u> | <u>Total</u>        | <u>Adjustments (Note 2)</u> | <u>Statement of Activities</u> |
|--|---------------------|--------------------------|---------------------------------------|---------------------|-----------------------------|--------------------------------|
| <b>Revenues</b>  |                     |                          |                                       |                     |                             |                                |
| Parking  | \$ -                | \$ 1,156,951             | \$ -                                  | \$ 1,156,951        | \$ -                        | \$ 1,156,951                   |
| Debt proceeds  | -                   | 5,500,000                | -                                     | 5,500,000           | (5,500,000)                 | -                              |
| Property taxes   | 324,944             | 2,047,148                | -                                     | 2,372,092           | -                           | 2,372,092                      |
| Specific ownership   | 27,869              | 175,577                  | -                                     | 203,446             | -                           | 203,446                        |
| Investment earnings  | -                   | 11,747                   | -                                     | 11,747              | -                           | 11,747                         |
| Total revenues   | <u>352,813</u>      | <u>8,891,423</u>         | <u>-</u>                              | <u>9,244,236</u>    | <u>(5,500,000)</u>          | <u>3,744,236</u>               |
| <b>Expenditures/expenses</b>   |                     |                          |                                       |                     |                             |                                |
| Parking operations and maintenance   | 202,894             | -                        | -                                     | 202,894             | -                           | 202,894                        |
| Professional services  | 184,410             | -                        | -                                     | 184,410             | -                           | 184,410                        |
| Insurance  | 28,341              | -                        | -                                     | 28,341              | -                           | 28,341                         |
| Rent   | 15,132              | -                        | -                                     | 15,132              | -                           | 15,132                         |
| Other  | 2,179               | -                        | -                                     | 2,179               | -                           | 2,179                          |
| Financing fees   | -                   | 540,500                  | -                                     | 540,500             | -                           | 540,500                        |
| Capital projects   | -                   | -                        | 1,453,291                             | 1,453,291           | (1,453,291)                 | -                              |
| Lease termination fee  | 800,000             | -                        | -                                     | 800,000             | -                           | 800,000                        |
| Depreciation   | -                   | -                        | -                                     | -                   | 1,166,256                   | 1,166,256                      |
| Debt service   |                     |                          |                                       |                     |                             |                                |
| Principal  | -                   | 1,100,000                | -                                     | 1,100,000           | (1,100,000)                 | -                              |
| Bond retirement  | -                   | 3,290,000                | -                                     | 3,290,000           | (3,290,000)                 | -                              |
| Interest and letter-of-credit fees   | -                   | 1,897,840                | -                                     | 1,897,840           | 147,177                     | 2,045,017                      |
| Total expenditures/expenses  | <u>1,232,956</u>    | <u>6,828,340</u>         | <u>1,453,291</u>                      | <u>9,514,587</u>    | <u>(4,529,858)</u>          | <u>4,984,729</u>               |
| Excess (deficiency) of revenues over (under) expenditures                  | (880,143)           | 2,063,083                | (1,453,291)                           | (270,351)           | (970,142)                   | (1,240,493)                    |
| <b>Other financing sources (uses)</b>                                      |                     |                          |                                       |                     |                             |                                |
| Related-party debt issuance  | 800,000             | -                        | -                                     | 800,000             | (800,000)                   | -                              |
| Transfer of bond proceeds  | -                   | (2,050,000)              | 2,050,000                             | -                   | -                           | -                              |
| Interfund transfers  | (55,168)            | 40,927                   | 14,241                                | -                   | -                           | -                              |
| Excess (deficiency) of revenues and transfers in over (under) expenditures | <u>(135,311)</u>    | <u>54,010</u>            | <u>610,950</u>                        | <u>529,649</u>      | <u>(529,649)</u>            | <u>(1,240,493)</u>             |
| Change in net position   | -                   | -                        | -                                     | -                   | \$ (1,240,493)              | (1,240,493)                    |
| <b>Fund balances/net position</b>  |                     |                          |                                       |                     |                             |                                |
| Beginning of the year  | <u>135,909</u>      | <u>517,037</u>           | <u>-</u>                              | <u>652,946</u>      |                             | <u>(15,385,705)</u>            |
| End of the year  | <u>\$ 598</u>       | <u>\$ 571,047</u>        | <u>\$ 610,950</u>                     | <u>\$ 1,182,595</u> |                             | <u>\$ (16,626,198)</u>         |

See notes to financial statements.

# FIDDLER'S BUSINESS IMPROVEMENT DISTRICT

## Notes to Financial Statements December 31, 2017

### **Note 1 - Description of Business and Summary of Significant Accounting Policies**

Fiddler's Business Improvement District (the "District") is a quasi-municipal corporation and political subdivision of the state of Colorado, formed in 1999 pursuant to the provisions of Title 31, Article 25, Part 12, *Colorado Revised Statutes*, as amended. The District was created by the City Council of the city of Greenwood Village, Colorado (the "City"), pursuant to Ordinance 41 of 1999 for the purpose of providing certain public improvements and services to, and for the benefit of, the properties within the District. The City Council of the city of Greenwood Village annually approves an operating plan for the District and is responsible for appointing the District's Board of Directors (the "Board").

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

The District follows the Governmental Accounting Standards Board's ("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 is not financially accountable for any other organization.

The District's financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"). GASB is responsible for establishing U.S. GAAP for state and local governments through its pronouncements. The more significant accounting policies established in U.S. GAAP and used by the District are discussed below.

#### **Basic Financial Statements**

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both government-wide and fund financial statements categorize primary activities as governmental. The District's parking operations are classified as governmental activities.

The government-wide statement of net position is presented on a consolidated basis and is reported on an accrual basis, economic resources measurement focus, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net positions are reported in three parts: net investment in capital assets, net of related debt; restricted net position; and unrestricted net position. The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of the District's functions. The functions are also supported by general government revenues (property taxes). The statement of activities reduces gross income by related program expenses, including depreciation. Program revenues must be directly associated with the function.

# FIDDLER'S BUSINESS IMPROVEMENT DISTRICT

## Notes to Financial Statements December 31, 2017

### **Note 1 - Description of Business and Summary of Significant Accounting Policies (continued)**

#### Basic Financial Statements (continued)

The net costs are normally covered by general revenue (property taxes, interest income, etc.)

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

#### Basic Financial Statements - Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund balance, revenue, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the District:

#### *Governmental Funds*

The focus of the governmental funds' measurement (in the fund statements) is on determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than on net income. The following is a description of the governmental funds of the District:

- a. *General fund* is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. *Debt service fund* is used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.
- c. *Capital and bond proceeds fund* is used to account for funds designated for construction of additional parking, particularly design, engineering, planning, and land acquisition.

#### Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

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 recorded as revenues in the year for which they are levied.

# FIDDLER'S BUSINESS IMPROVEMENT DISTRICT

## Notes to Financial Statements December 31, 2017

### **Note 1 - Description of Business and Summary of Significant Accounting Policies (continued)**

#### Basis of Accounting (continued)

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 government considers revenues to be available if they are collectible within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Property taxes associated with the current fiscal period are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

#### Cash and Cash Equivalents

The District considers all highly liquid instruments, including cash on hand, demand deposits, and cash with fiscal agent, to be cash equivalents. The District continually monitors its positions with, and the credit quality of, the financial institutions with which it invests.

#### Capital Assets

Capital assets purchased or acquired are reported at historical cost. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs for repairs and maintenance are expensed as incurred. Depreciation is provided on general capital assets in the government-wide financial statements, but not in the fund statements. Interest incurred during construction is not capitalized on general capital assets. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

|                |           |
|----------------|-----------|
| Parking garage | 40 years  |
| Buildings      | 40 years  |
| Equipment      | 3-7 years |

#### Deferred Charge on Refunding

For bond refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources and amortized using the effective interest rate method over the shorter of the life of the old debt or the life of the new debt.

# FIDDLER'S BUSINESS IMPROVEMENT DISTRICT

## Notes to Financial Statements December 31, 2017

### **Note 1 - Description of Business and Summary of Significant Accounting Policies (continued)**

#### Financial Instruments

Financial instruments consist of cash and cash equivalents, accounts receivable, taxes receivable, current liabilities, and long-term debt obligations. The carrying amounts reported in the balance sheet for cash and investments, taxes receivable, and current liabilities approximate fair value. Management's estimate of the fair value of the other financial instruments is described in Notes 3 and 5 to the basic financial statements.

#### Revenue Recognition

Property taxes are received or reported as a receivable before the period for which property taxes are levied. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government

#### Expenditures

Expenditures are recognized when the related fund liability is incurred.

#### Budgets and Property Taxes

In accordance with the State Budget Law, the District's Board 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 level and lapses at year-end. The budget may be amended by action of the Board upon proper publication.

Property tax levies are determined by the District's Board based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is certified to the county on or before December 15 to lien the individual properties as of January 1 of the following year. The County Treasurer collects the taxes during February and June. Delinquent taxpayers are notified in August, and sales of the tax liens on delinquent properties are held in November. The County Treasurer remits the taxes collected monthly to the District, less a collection fee.

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

#### Net Position/Fund Balances

The District's net position is classified as follows:

*Net investment in capital assets* – consists of capital assets net of accumulated depreciation reduced by the amount of outstanding debt issued to finance the purchase or construction of those assets.

# FIDDLER'S BUSINESS IMPROVEMENT DISTRICT

## Notes to Financial Statements December 31, 2017

### **Note 1 - Description of Business and Summary of Significant Accounting Policies (continued)**

#### Net Position/Fund Balances (continued)

In the financial statements, fund balances are restricted when constraints placed on the fund balances are externally imposed. In the financial statements, governmental funds report fund balances in five classifications: non-spendable, restricted, committed, assigned, and unassigned.

*Non-spendable* – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact, such as inventories or prepaids.

*Restricted* – amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements, or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

*Committed* – amounts that can be used only for specific purposes determined by a formal action of the District's Board, which is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the District's Board.

*Assigned* – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes as determined by the District's Board.

*Unassigned* – amounts that are unconstrained and comprised of residual uncategorized fund balance amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

#### Interfund Transfers

Funds are occasionally transferred between funds when the need arises. There were interfund transfers of \$55,168 in 2017.

#### Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# FIDDLER'S BUSINESS IMPROVEMENT DISTRICT

## Notes to Financial Statements December 31, 2017

### Note 1 - Description of Business and Summary of Significant Accounting Policies (continued)

#### Subsequent Events

The District has evaluated all subsequent events through the auditors' report date, which is the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

### Note 2 - Adjustments

#### Reconciliation of Differences Between Governmental Funds Balance Sheet/Statement of Net Position

Total fund balances of the District's governmental funds of \$1,182,595 differ from net position of governmental activities of \$(16,626,198) reported in the statement of net position in the basic financial statements. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental funds balance sheet at December 31, 2017.

|   |                        |
|---|------------------------|
| Governmental fund balance   | \$ <u>1,182,595</u>    |
| When capital assets (land, buildings, and equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the District as a whole. |                        |
| Cost of capital assets  | 63,692,010             |
| Impairment of capital assets  | (5,700,000)            |
| Accumulated depreciation  | <u>(12,441,172)</u>    |
|   | 45,550,838             |
| Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.   | (2,198,022)            |
| Long-term liabilities are not due and payable in the current year and, therefore, are not reported in governmental funds.   | (62,610,500)           |
| Bond refunding charges are amortized over the life of the issue in the net position statement, but are not due and payable in the current period and, therefore, are not reported in governmental funds.  | <u>1,448,891</u>       |
| Total net position  | <u>\$ (16,626,198)</u> |

# FIDDLER'S BUSINESS IMPROVEMENT DISTRICT

## Notes to Financial Statements December 31, 2017

### **Note 2 - Adjustments (continued)**

#### Reconciliation of Differences Between Governmental Funds Operating Statements and the Statement of Activities

The net change in fund balances for governmental funds of \$529,649 in the statement of governmental fund revenues, expenditures, and changes in fund balances/statement of activities differs from the change in net position for governmental activities of \$(1,240,493) reported in the statement of activities. The difference arises primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect at December 31, 2017 is illustrated below.

|   |                       |
|---|-----------------------|
| Net change in fund balances   | \$ 529,649            |
| Bond issuance   | (5,500,000)           |
| Debt issuance   | (800,000)             |
| Capital projects  | 1,453,291             |
| Repayment of debt principal is reported as an expenditure in governmental funds and thus has the effect of reducing fund balance because current financial resources have been used. For the District as a whole, however, the principal payments reduce the liabilities in the statement of net position and do not result in an expense in the statement of activities. |                       |
| Principal payment   | 1,100,000             |
| Bond retirement   | 3,290,000             |
| Depreciation and amortization   | (1,166,256)           |
| Bond refunding charges amortized as interest expense over the life of the bond in the statement of activities   | <u>(147,177)</u>      |
| Total net position  | <u>\$ (1,240,493)</u> |

### **Note 3 - Cash Deposits and Investments**

The Colorado Public Deposit Protection Act ("PDPA") requires that all political subdivisions of the state 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. The 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 equal to the aggregate uninsured deposits. The Colorado Divisions of Banking 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.

# FIDDLER'S BUSINESS IMPROVEMENT DISTRICT

## Notes to Financial Statements December 31, 2017

### Note 3 - Cash Deposits and Investments (continued)

At December 31, 2017, the District's cash and investments had a bank balance and a carrying balance as follows:

|                  | <u>Bank Balance</u> | <u>Carrying<br/>Balance</u> |
|------------------|---------------------|-----------------------------|
| Insured deposits | \$ 1,263,996        | \$ 757,866                  |
| COLOTRUST        | 19,489              | 19,489                      |
| Bond funds       | <u>551,558</u>      | <u>551,558</u>              |
|                  | <u>\$ 1,835,043</u> | <u>\$ 1,328,913</u>         |

For deposits, custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. As of December 31, 2017, the District's bank balance was not exposed to custodial credit risk. Deposits that are exposed to custodial credit risk are collateralized with securities held by the pledging financial institution through the PDPA.

The bond funds constitute funds received from bond issuances that are currently in governmental money market accounts. These funds are held in KeyBank commercial paper funds and are rated A1/P1. The remaining funds are in the First American Treasury Obligation Fund, Class D, which is not subject to custodial credit risk and are rated AAAm by Standard & Poor's.

The local government investment pool, which includes COLOTRUST, is rated AAAm by Standard & Poor's.

### Investments

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments. Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest, which include:

- obligations of the U.S. and certain U.S. government agency securities,
- certain international agency securities,
- general obligation and revenue bonds of U.S. local government entities,
- bankers' acceptances of certain banks,
- commercial paper,
- written repurchase agreements collateralized by certain authorized securities,
- certain money market funds,
- guaranteed investment contracts, and
- local government investment pools.

## FIDDLER'S BUSINESS IMPROVEMENT DISTRICT

### Notes to Financial Statements December 31, 2017

#### Note 4 - Capital Assets

Following is an analysis of changes in capital assets for the year ended December 31, 2017:

|   | Balance<br>December 31,<br>2016 | Additions          | Balance<br>December 31,<br>2017 |
|---|---------------------------------|--------------------|---------------------------------|
| Land  | \$ 8,455,343                    | \$ -               | \$ 8,455,343                    |
| Interest in Palazzo Verdi (Madden Museum Space) | 7,800,000                       | -                  | 7,800,000                       |
| Standalone Parking Structure                    | 33,773,428                      | 1,427,176          | 35,200,604                      |
| Palazzo Verdi Parking (Floors 3-5)              | 12,067,281                      | -                  | 12,067,281                      |
| Equipment                                       | <u>142,669</u>                  | <u>26,115</u>      | <u>168,784</u>                  |
|   | 62,238,721                      | 1,453,291          | 63,692,012                      |
| Impairment of capital asset                     | (5,700,000)                     | -                  | (5,700,000)                     |
| Accumulated depreciation                        | <u>(11,274,918)</u>             | <u>(1,166,256)</u> | <u>(12,441,174)</u>             |
| Total capital assets, net                       | <u>\$ 45,263,803</u>            | <u>\$ 287,035</u>  | <u>\$ 45,550,838</u>            |

#### Note 5 - Long-Term Debt

The following details the changes in long-term debt at December 31, 2017:

|             | Balance<br>December 31,<br>2016 | Additions           | Payments              | Balance<br>December 31,<br>2017 |
|-------------|---------------------------------|---------------------|-----------------------|---------------------------------|
| Series 2003 | \$ 6,300,000                    | \$ -                | \$ -                  | \$ 6,300,000                    |
| Series 2013 | 49,350,000                      | -                   | (1,100,000)           | 48,250,000                      |
| Series 2015 | 3,290,000                       | -                   | (3,290,000)           | -                               |
| Series 2017 | <u>-</u>                        | <u>5,500,000</u>    | <u>-</u>              | <u>5,500,000</u>                |
|             | <u>\$ 58,940,000</u>            | <u>\$ 5,500,000</u> | <u>\$ (4,390,000)</u> | <u>\$ 60,050,000</u>            |

At an election conducted in November 2013, the District was authorized to increase its outstanding debt by \$40,591,610 to \$110,741,610 (excluding refundings). This increase was desired to support future expansion of the District's parking facilities and for park and recreation improvements. The District was also authorized to increase its outstanding debt related to refundings by \$105,000,000, giving it the flexibility to refund all of its bonds if market conditions are favorable.

At present, the District has been authorized by the City to issue up to \$3,244,885 of additional debt. Issuance of any debt beyond the \$3,244,885 would require City approval and must be under the limits of the Authorized but Unissued debt summarized in the table below.

# FIDDLER'S BUSINESS IMPROVEMENT DISTRICT

## Notes to Financial Statements December 31, 2017

### Note 5 - Long-Term Debt (continued)

At December 31, 2017, the District had authorized but unissued indebtedness in the following amounts, allocated for the following purposes:

|                          | <u>Amount<br/>Authorized</u> | <u>Authorized but<br/>Unissued</u> |
|--------------------------|------------------------------|------------------------------------|
| Public events facilities | \$ 9,529,192                 | \$ 9,529,192                       |
| Parking/streets          | 32,931,197                   | 30,186,312                         |
| Parks and recreation     | 10,000,000                   | 9,000,000                          |
| Refundings               | <u>105,015,115</u>           | <u>104,515,115</u>                 |
| Total                    | <u>\$ 157,475,504</u>        | <u>\$ 153,230,619</u>              |

### \$1,825,000 Subordinate General Obligation Limited Tax Bonds, Series 2003B

The \$1,825,000 Subordinate General Obligation Limited Tax Bonds, Series 2003B ("Series 2003B") were issued as consideration for land to be used as a public parking facility and are owned by Fiddler's Green Center, LLC, a related party. They accrue interest at a rate of 8%, which is to be paid semi-annually beginning on December 15, 2003 if funds are available. The Series 2003B mature on December 15, 2031.

All of the Series 2003B, together with the interest thereon and any premium due in connection therewith, shall be payable solely from and to the extent of the Series B Pledged Revenue, and the Series B Pledged Revenue is pledged to the payment of the Series B Bonds and Series C Bonds. The Series B Bonds and Series C Bonds shall constitute an irrevocable lien upon the Series B Pledged Revenue, subordinate to the lien of the District's General Obligation Variable Rate Refunding Bonds, Series 2003, dated August 14, 2003, in the aggregate principal amount of \$18,115,000 (the "Senior Bonds") and refundings thereof, the Reimbursement Agreement, the Guaranty Agreement, and any obligation of the District to reimburse John Madden Company, Madden Consolidated Holdings, LLC, Palazzo Verdi, LLC, and RubiconMadden Holdings I, LLC (collectively, the "Developer") or an owner of the Developer for cash advances made to pay District expenses. Subject to expressed conditions, obligations in addition to the Series B Bonds and Series C Bonds of this issue may be issued and made payable from the Series B Pledged Revenue having a lien thereon senior, subordinate, or on parity with the lien of Series 2003B of this issue, in accordance with the provisions of the Bond Resolution. The Series B Pledged Revenue means, after the payment of the costs of issuing the Series C Bonds, all operating and maintenance expenses of the District on an annual basis, and after the payment of amounts due on (i) the Senior Bonds, or at any time the letter-of-credit is in effect, all amounts remaining due and owing pursuant to the Reimbursement Agreement; (ii) the permissible reimbursement to the Guarantor's pursuant to the Guarantor's Reimbursement Agreement; and (iii) the replenishment of the Reserve Fund to the Required Reserve, the moneys derived by the District from the Debt Mill Levy Account and Other Pledged Revenue Account, in the above priority.

**FIDDLER'S BUSINESS IMPROVEMENT DISTRICT**

**Notes to Financial Statements  
December 31, 2017**

**Note 5 - Long-Term Debt (continued)**

\$1,825,000 Subordinate General Obligation Limited Tax Bonds, Series 2003B (continued)

The principal of and interest on the Series 2003B are payable solely from and to the extent of the Series B Pledged Revenue, which may or may not be sufficient to pay the principal of and interest on the Series B Bonds and Series C Bonds.

Debt Service Requirements for Series 2003B

| <u>Year Ending December 31,</u> | <u>Principal</u>    | <u>Interest</u>     | <u>Total</u>        |
|---------------------------------|---------------------|---------------------|---------------------|
| 2018                            | \$ -                | \$ 146,000          | \$ 146,000          |
| 2019                            | -                   | 146,000             | 146,000             |
| 2020                            | -                   | 146,000             | 146,000             |
| 2021                            | -                   | 146,000             | 146,000             |
| 2022                            | -                   | 146,000             | 146,000             |
| Thereafter                      | <u>1,825,000</u>    | <u>1,314,000</u>    | <u>3,139,000</u>    |
|                                 | <u>\$ 1,825,000</u> | <u>\$ 2,044,000</u> | <u>\$ 3,869,000</u> |

\$4,475,000 Subordinate General Obligation Limited Tax Bonds, Series 2003C

The \$4,475,000 Subordinate General Obligation Limited Tax Bonds, Series 2003C ("Series 2003C") were issued as consideration for land to be used as a public parking facility and are owned by Fiddler's Green Center, LLC, a related party. They accrue interest at a rate of 8%, which is to be paid semi-annually, beginning on December 15, 2003 if funds are available. The Series 2003C mature on December 15, 2031.

All of the Series 2003C, together with the interest thereon and any premium due in connection therewith, shall be payable solely from and to the extent of the Series B Pledged Revenue, and the Series B Pledged Revenue is pledged to the payment of the Series B Bonds and Series C Bonds. The Series B Bonds and Series C Bonds shall constitute an irrevocable lien upon the Series B Pledged Revenue, subordinate to the lien of the District's General Obligation Variable Rate Refunding Bonds, Series 2003, dated August 14, 2003, in the aggregate principal amount of \$18,115,000 and refundings thereof, the Reimbursement Agreement, the Guaranty Agreement, and any obligation of the District to reimburse the Developer or an owner of the Developer for cash advances made to pay District expenses. Subject to expressed conditions, obligations in addition to the Series B Bonds and Series C Bonds of this issue may be issued and made payable from the Series B Pledged Revenue having a lien thereon senior, subordinate, or on parity with the lien of the Series 2003C of this issue, in accordance with the provisions of the Bond Resolution.

**FIDDLER'S BUSINESS IMPROVEMENT DISTRICT**

**Notes to Financial Statements  
December 31, 2017**

**Note 5 - Long-Term Debt (continued)**

\$4,475,000 Subordinate General Obligation Limited Tax Bonds, Series 2003C (continued)

The Series B Pledged Revenue means, after the payment of the costs of issuing the Series C Bonds, all operating and maintenance expenses of the District on an annual basis, and after the payment of amounts due on (i) the Senior Bonds, or at any time the letter-of-credit is in effect, all amounts remaining due and owing pursuant to the Reimbursement Agreement; (ii) the permissible reimbursement to the Guarantor's pursuant to the Guarantor's Reimbursement Agreement; and (iii) the replenishment of the Reserve Fund to the Required Reserve, the monies derived by the District from the Debt Mill Levy Account and Other Pledged Revenue Account, in the above priority.

The principal of and interest on Series 2003C are payable solely from and to the extent of the Series B Pledged Revenue, which may or may not be sufficient to pay the principal of and interest on the Series B Bonds and Series C Bonds.

Debt Service Requirements for Series 2003C

| <u>Year Ending December 31,</u> | <u>Principal</u>    | <u>Interest</u>     | <u>Total</u>        |
|---------------------------------|---------------------|---------------------|---------------------|
| 2018                            | \$ -                | \$ 358,000          | \$ 358,000          |
| 2019                            | -                   | 358,000             | 358,000             |
| 2020                            | -                   | 358,000             | 358,000             |
| 2021                            | -                   | 358,000             | 358,000             |
| 2022                            | -                   | 358,000             | 358,000             |
| Thereafter                      | <u>4,475,000</u>    | <u>3,222,000</u>    | <u>7,697,000</u>    |
|                                 | <u>\$ 4,475,000</u> | <u>\$ 5,012,000</u> | <u>\$ 9,487,000</u> |

\$52,075,000 General Obligation Multi-Modal Bonds, Series 2013 A&B

The \$52,075,000 General Obligation Multi-Modal Bonds, Series 2013 A&B ("Series 2013") were issued December 2, 2013 for the refinancing of the District's Series 2008 and Series 2009 General Obligation Bonds and outstanding bank loans. The Series 2008 and Series 2009 were variable rate bonds secured by a direct pay letter-of-credit issued by KeyBank N.A., which expired January 31, 2014. In 2013, the District entered into the refinancing in anticipation of the expiration of the letter-of-credit. There was not a significant economic gain or loss resulting from the current refunding transaction.

The Series 2013 are general obligations of the District payable to Key Government Finance, Inc., secured by the District's covenant to levy ad valorem property taxes on the taxable property, as well as all other revenue of the District, which consists primarily of parking revenues and specific ownership taxes received by the District. The Series 2013 mature December 1, 2038. A cash reserve requirement for payment of the bonds has been established to be not less than \$500,000.

# FIDDLER'S BUSINESS IMPROVEMENT DISTRICT

## Notes to Financial Statements December 31, 2017

### Note 5 - Long-Term Debt (continued)

#### \$49,735,000 Tax-Exempt General Obligation Multi-Modal Refunding Bonds, Series 2013A

The \$49,735,000 Tax-Exempt General Obligation Multi-Modal Refunding Bonds, Series 2013A ("Series 2013A") bear an interest rate of 3.5%, which is fixed through December 1, 2021.

#### Debt Service Requirements for Series 2013A

| <u>Year Ending December 31,</u> | <u>Principal</u>     | <u>Interest</u>      | <u>Total</u>         |
|---------------------------------|----------------------|----------------------|----------------------|
| 2018                            | \$ 1,098,000         | \$ 1,612,835         | \$ 2,710,835         |
| 2019                            | 1,375,000            | 1,574,405            | 2,949,405            |
| 2020                            | 1,499,000            | 1,526,280            | 3,025,280            |
| 2021                            | 1,585,000            | 1,473,815            | 3,058,815            |
| 2022                            | 1,719,000            | 1,418,340            | 3,137,340            |
| Thereafter                      | <u>38,805,000</u>    | <u>11,359,145</u>    | <u>50,164,145</u>    |
|                                 | <u>\$ 46,081,000</u> | <u>\$ 18,964,820</u> | <u>\$ 65,045,820</u> |

#### \$2,340,000 Taxable General Obligation Multi-Modal Refunding Bonds, Series 2013B

The \$2,340,000 Taxable General Obligation Multi-Modal Refunding Bonds, Series 2013B ("Series 2013B") bear an interest rate of 4.5%, which is fixed through December 1, 2021.

#### Debt Service Requirements for Series 2013B

| <u>Year Ending December 31,</u> | <u>Principal</u>    | <u>Interest</u>     | <u>Total</u>        |
|---------------------------------|---------------------|---------------------|---------------------|
| 2018                            | \$ 52,000           | \$ 97,605           | \$ 149,605          |
| 2019                            | 65,000              | 95,265              | 160,265             |
| 2020                            | 71,000              | 92,340              | 163,340             |
| 2021                            | 75,000              | 89,145              | 164,145             |
| 2022                            | 81,000              | 85,770              | 166,770             |
| Thereafter                      | <u>1,825,000</u>    | <u>687,285</u>      | <u>2,512,285</u>    |
|                                 | <u>\$ 2,169,000</u> | <u>\$ 1,147,410</u> | <u>\$ 3,316,410</u> |

#### \$3,500,000 Taxable General Obligation Refunding Bonds, Series 2015

The \$3,500,000 Taxable General Obligation Refunding Bonds, Series 2015 ("Series 2015") issued December 22, 2015 bore a fixed interest rate of 3.0%.

During 2016, the Series 2015 payments of \$425,000 were funded by a related party. During 2017, the District's Series 2017 Bond issue and Series 2013 Bond deemed reissuance transactions were finalized, and the Series 2015 Bonds of \$3,290,000 were paid in full.

**FIDDLER'S BUSINESS IMPROVEMENT DISTRICT**

**Notes to Financial Statements  
December 31, 2017**

**Note 5 - Long-Term Debt (continued)**

\$5,500,000 General Obligation Refunding and Improvement Bonds, Series 2017

The \$5,500,000 General Obligation Refunding and Improvement Bonds, Series 2017 ("Series 2017") issued June 20, 2017 bear an interest rate of 3.5%, compounded semi-annually, and fixed through December 1, 2038.

Debt Service Requirements for Series 2017

| <u>Year Ending December 31,</u> | <u>Principal</u>    | <u>Interest</u>     | <u>Total</u>        |
|---------------------------------|---------------------|---------------------|---------------------|
| 2018                            | \$ 230,000          | \$ 192,500          | \$ 422,500          |
| 2019                            | 70,000              | 184,450             | 254,450             |
| 2020                            | 120,000             | 182,000             | 302,000             |
| 2021                            | 120,000             | 177,800             | 297,800             |
| 2022                            | 110,000             | 173,600             | 283,600             |
| Thereafter                      | <u>4,850,000</u>    | <u>2,353,925</u>    | <u>7,203,925</u>    |
|                                 | <u>\$ 5,500,000</u> | <u>\$ 3,264,275</u> | <u>\$ 8,764,275</u> |

The Series 2017 are subject to mandatory sinking fund redemption, in part, by lot, on each December 1 prior to maturity of the Series 2017, upon payment of par and accrued interest, without redemption premium, in the amount set forth below:

| <u>Year Ending December 31,</u> | <u>Sinking Fund<br/>Redemption</u> |
|---------------------------------|------------------------------------|
| 2018                            | \$ 230,000                         |
| 2019                            | 70,000                             |
| 2020                            | 120,000                            |
| 2021                            | 120,000                            |
| 2022                            | 110,000                            |
| Thereafter                      | <u>4,850,000</u>                   |
|                                 | <u>\$ 5,500,000</u>                |

The Series 2017 allows for an initial tender date of December 2, 2021 and optional redemption at a premium, with an interest rate reset.

The payment of the Series 2017 is senior to the Series 2003B and Series 2003C, and is secured by and payable from Pledged Revenue, on parity with the lien thereon of the 2013 Bonds. Pledged Revenue comprises parking, property taxes, and specific ownership revenues from the Debt Service Fund in the statement of activities.

# FIDDLER'S BUSINESS IMPROVEMENT DISTRICT

## Notes to Financial Statements December 31, 2017

### **Note 5 - Long-Term Debt (continued)**

#### Related-Party Notes Payable

In January 2016, the District purchased land valued at \$5,200,000 from Madden Consolidated Holdings, LLC ("MCH"), a related party, using debt proceeds. As part of this purchase, in January 2016, MCH loaned \$1,760,500 to the District. The District had previously entered into a lease agreement with the Regional Transportation District ("RTD"), whereby RTD leased parking spaces from the District. In July 2017, as part of the District terminating this parking agreement, RTD required a termination fee of \$800,000. Madden Investments, LLC loaned the District this \$800,000. These related-party notes payable, totaling \$2,560,500, bear interest at 8% interest per annum and mature January 20, 2056. Any principal and interest that may be outstanding at January 20, 2056 and not paid on such date shall be fully discharged. MCH; Madden Investments, LLC; and the District reasonably expect the notes to be refinanced and paid from bonds, notes, or agreements that may be issued by the District prior to maturity. The notes are unsecured and are subordinate to all other debt that the District currently has, future operational obligations, or future debt with pledged revenue.

Interest and principal payable to the note holder are subject to the District's annual budget and appropriation process in each year, and is purely discretionary and nonobligatory. There was accrued but unpaid interest of \$133,123 at December 31, 2017. No principal was paid on the notes during the year ended December 31, 2017.

#### Issuance Costs

In accordance with GASB Statement No. 65, issuance costs of long-term debt are expensed when incurred and previously capitalized costs are written off. These issuance costs consist of bond insurance, underwriting, legal, and closing costs.

### **Note 6 - Related-Party Transactions**

The Board is composed of four members, two of whom own interest in, are management of, or receive compensation from John Madden Company; Madden Consolidated Holdings, LLC; Palazzo Verdi, LLC; and related entities, which are the owners and developers of almost all of the private property within the District. The following related-party balances are included in the balance sheet and statement of activities:

|  |    |           |
|--|----|-----------|
| Management fee included in professional services | \$ | 72,000    |
| Related-party notes payable (Note 5)             | \$ | 2,560,500 |
| Accounts payable - related party                 | \$ | 50,019    |
| Rent   | \$ | 15,132    |

# FIDDLER'S BUSINESS IMPROVEMENT DISTRICT

## Notes to Financial Statements December 31, 2017

### **Note 7 - Risk Management**

The Board 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 Board carries commercial insurance coverage for all risks of loss. Claims have not exceeded commercial coverage since inception.

### **Note 8 - Tax, Spending, and Debt Limitations**

In November 1992, Colorado voters passed Section 20, Article X, of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax, and debt limitations that apply to the state of Colorado and all local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that of the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal-year or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payment in future years.

On November 2, 1999, electors of the District voted to authorize the District to operate without certain limitations under TABOR; therefore, such provisions of the TABOR amendment would not apply.

TABOR is complex and subject to further legislative and judicial interpretation. The Board believes it is in compliance with this constitutional amendment.

### **Note 9 - Concentrations**

All of the real property in the District, except for that owned by the District, is owned by the Developer and Greenwood South Metropolitan District. There is no assurance that the number of taxpayers in the District will increase. No independent investigation has been made of the Developer's financial condition or its ability to pay property taxes.

**REQUIRED SUPPLEMENTARY INFORMATION**

**FIDDLER'S BUSINESS IMPROVEMENT DISTRICT**  
**Budgetary Comparison Schedule - Governmental Funds**  
**General Fund**  
**For the Year Ended December 31, 2017**

|  | <u>Revised and<br/>Final Budget</u> | <u>Actual</u>    | Variance -<br>Favorable<br>(Unfavorable) |
|--|-------------------------------------|------------------|--|
| Revenues   |                                     |                  |  |
| Property taxes                                       | \$ 329,891                          | \$ 324,944       | \$ (4,947)                               |
| Specific ownership                                   | <u>25,072</u>                       | <u>27,869</u>    | <u>2,797</u>                             |
| Total revenues                                       | <u>354,963</u>                      | <u>352,813</u>   | <u>(2,150)</u>                           |
| Expenditures   |                                     |                  |  |
| Garage operating expenses                            | 231,235                             | 231,235          | -  |
| Management and rent                                  | 130,612                             | 130,612          | -  |
| Accounting and audit                                 | 24,367                              | 24,367           | -  |
| Legal  | 44,563                              | 44,563           | -  |
| Lease termination fee                                | 800,000                             | 800,000          | -  |
| Miscellaneous expenses                               | <u>2,179</u>                        | <u>2,179</u>     | <u>-</u>                                 |
| Total expenditures                                   | <u>1,232,956</u>                    | <u>1,232,956</u> | <u>-</u>                                 |
| Excess (deficiency) of revenues over<br>expenditures | (877,993)                           | (880,143)        | (2,150)                                  |
| Other financing sources (uses)                       |                                     |                  |  |
| Interfund transfers                                  | (85,709)                            | (55,168)         | 30,541                                   |
| Related-party debt issuance                          | <u>800,000</u>                      | <u>800,000</u>   | <u>-</u>                                 |
| Net change in fund balance                           | (163,702)                           | (135,311)        | 28,391                                   |
| Fund balance - beginning of year                     | <u>151,492</u>                      | <u>135,909</u>   | <u>(15,583)</u>                          |
| Fund balance - end of year                           | <u>\$ (12,210)</u>                  | <u>\$ 598</u>    | <u>\$ 12,808</u>                         |

**FIDDLER'S BUSINESS IMPROVEMENT DISTRICT**  
**Budgetary Comparison Schedule - Governmental Funds**  
**Debt Service Fund**  
**For the Year Ended December 31, 2017**

|  | <u>Revised and</u><br><u>Final Budget</u> | <u>Actual</u>     | Variance -<br>Favorable<br>(Unfavorable) |
|--|---|-------------------|--|
| Revenues   |   |                   |  |
| Parking fees                                       | \$ 1,156,190                              | \$ 1,156,951      | \$ 761                                   |
| Debt proceeds                                      | 5,500,000                                 | 5,500,000         | -  |
| Property taxes                                     | 2,078,316                                 | 2,047,148         | (31,168)                                 |
| Specific ownership                                 | 157,952                                   | 175,577           | 17,625                                   |
| Investment earnings                                | <u>1,250</u>                              | <u>11,747</u>     | <u>10,497</u>                            |
| Total revenues                                     | <u>8,893,708</u>                          | <u>8,891,423</u>  | <u>(2,285)</u>                           |
| Expenditures                                       |   |                   |  |
| Debt service - interest and fees                   | 2,530,579                                 | 2,438,340         | 92,239                                   |
| Debt service - bond retirement                     | 3,290,000                                 | 3,290,000         | -  |
| Debt service - principal                           | <u>1,100,000</u>                          | <u>1,100,000</u>  | <u>-</u>                                 |
| Total expenditures                                 | <u>6,920,579</u>                          | <u>6,828,340</u>  | <u>92,239</u>                            |
| Excess (deficiency) of revenues over expenditures  | 1,973,129                                 | 2,063,083         | 89,954                                   |
| Other financing sources (uses)                     |   |                   |  |
| Transfer of bond proceeds to capital projects fund | (1,914,291)                               | (2,050,000)       | (135,709)                                |
| Interfund transfers                                | <u>-</u>                                  | <u>40,927</u>     | <u>40,927</u>                            |
| Net change in fund balance                         | 58,838                                    | 54,010            | (4,828)                                  |
| Fund balance - beginning of year                   | <u>517,037</u>                            | <u>517,037</u>    | <u>-</u>                                 |
| Fund balance - end of year                         | <u>\$ 575,875</u>                         | <u>\$ 571,047</u> | <u>\$ (4,828)</u>                        |

**FIDDLER'S BUSINESS IMPROVEMENT DISTRICT**  
**Budgetary Comparison Schedule - Governmental Funds**  
**Capital and Bond Proceeds Fund**  
**For the Year Ended December 31, 2017**

|  | <u>Revised and<br/>Final Budget</u> | <u>Actual</u>     | <u>Variance -<br/>Favorable<br/>(Unfavorable)</u> |
|--|-------------------------------------|-------------------|---|
| Revenues   |                                     |                   |   |
| Bond and debt proceeds                               | \$ -                                | \$ -              | \$ -  |
| Total revenues                                       | <u>-</u>                            | <u>-</u>          | <u>-</u>  |
| Expenditures   |                                     |                   |   |
| Capital projects                                     | <u>1,453,291</u>                    | <u>1,453,291</u>  | <u>-</u>  |
| Total expenditures                                   | <u>1,453,291</u>                    | <u>1,453,291</u>  | <u>-</u>  |
| Excess (deficiency) of revenues over<br>expenditures | (1,453,291)                         | (1,453,291)       | -   |
| Other financing sources (uses)                       |                                     |                   |   |
| Interfund transfers                                  | -                                   | 14,241            | 14,241  |
| Transfer of bond proceeds from debt service<br>fund  | <u>2,000,000</u>                    | <u>2,050,000</u>  | <u>50,000</u>                                     |
| Net change in fund balance                           | 546,709                             | 610,950           | 64,241  |
| Fund balance - beginning of year                     | <u>-</u>                            | <u>-</u>          | <u>-</u>  |
| Fund balance - end of year                           | <u>\$ 546,709</u>                   | <u>\$ 610,950</u> | <u>\$ 64,241</u>                                  |