

ALAMEDA CORRIDOR BUSINESS IMPROVEMENT DISTRICT
—
**BASIC FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION**

December 31, 2017 and 2016

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RECEIVED

Office of the State Auditor

August 23 , 2018

L. PAUL GOEDECKE P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

Board of Directors

Alameda Corridor Business Improvement District

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Alameda Corridor Business Improvement District for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe 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 Alameda Corridor Business Improvement District as of December 31, 2017 and 2016, and its changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplementary information as listed in the table of contents is presented for purposes of legal compliance and additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

L. Paul Goedecke P.C.

L. Paul Goedecke, P.C.
August 23, 2018

ALAMEDA CORRIDOR BUSINESS IMPROVEMENT DISTRICT

**Statement of Net Position
Years Ending December 31, 2017 and 2016**

ASSETS	2017	2016
Current Assets		
Cash and cash equivalents	\$ 422,827	\$ 372,405
Cash and cash equivalents-restricted	18,000	18,000
Accounts receivable:		
Current taxes	3,725	3,165
Deferred taxes	672,936	471,230
Prepaid expense	<u>5,782</u>	<u>5,424</u>
Total current assets	1,123,270	870,224
Capital Assets, Net	<u>313,926</u>	<u>342,943</u>
Total Assets	<u>\$ 1,437,196</u>	<u>\$ 1,213,167</u>
DEFERRED INFLOWS AND NET POSITION		
Liabilities		
Accounts payable	<u>\$ 3,542</u>	<u>\$ 7,189</u>
Total liabilities	<u>3,542</u>	<u>7,189</u>
Deferred Inflows of Resources		
Property tax revenue	<u>672,936</u>	<u>471,230</u>
Total deferred inflows of resources	<u>672,936</u>	<u>471,230</u>
Net Position		
Invested in capital assets	313,926	342,943
Restricted – Emergency reserve	18,000	18,000
Unrestricted	<u>428,792</u>	<u>373,805</u>
Total net position	<u>760,718</u>	<u>734,748</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 1,437,196</u>	<u>\$ 1,213,167</u>

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

ALAMEDA CORRIDOR BUSINESS IMPROVEMENT DISTRICT

**Statements of Revenue, Expenses and Changes in Net Position
Years Ending December 31, 2017 and 2016**

	2017	2016
Operating Revenues		
Lakewood Reinvestment Authority	\$ 82,405	\$ 82,405
Total operating revenue	<u>82,405</u>	<u>82,405</u>
Operating Expenses		
Dues and subscriptions	913	846
Depreciation	29,017	29,017
Liability insurance	4,718	5,209
Travel and meetings	1,230	190
Service contract (AGCA)	124,992	125,000
Utilities and telephone	3,824	5,741
Economic development	96,653	85,193
Boys and Girls Club	25,000	25,032
Repair, maintenance and street beautification	24,790	23,670
Legal	56	1,247
Rent	11,200	10,950
Accounting and audit	3,300	3,000
Urban tax	266,006	238,687
Postage and office supplies	1,797	2,547
Bank charges and meetings	10	64
Cleaning	1,100	200
Miscellaneous	1,063	7,760
Property tax reimbursement	6,434	6,434
Total operating expenses	<u>602,103</u>	<u>570,787</u>
Net Operating Loss	(519,698)	(488,382)
Non-Operating Revenues (Expenses)		
Investment income	202	227
Property taxes	499,625	472,070
Ownership tax	49,348	38,370
Treasurer's fees	(3,507)	(3,504)
Total non-operating revenues (expenses)	<u>545,668</u>	<u>507,163</u>
Change in Net Position	25,970	18,781
Net Position – Beginning of Year	<u>734,748</u>	<u>715,967</u>
Net Position – End of Year	<u>\$ 760,718</u>	<u>\$ 734,748</u>

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

ALAMEDA CORRIDOR BUSINESS IMPROVEMENT DISTRICT

**Statements of Cash Flows
Years Ending December 31, 2017 and 2016**

	2017	2016
Cash flows from operating activities:		
Receipts	\$ 82,405	\$ 122,564
Payments to vendors	<u>(577,091)</u>	<u>(543,922)</u>
Net cash used by operating activities	<u>(494,686)</u>	<u>(421,358)</u>
Cash flows from non capital financing activities:		
Taxes – property and specific ownership - net	548,413	510,680
Treasurers fees	<u>(3,507)</u>	<u>(3,504)</u>
Net cash provided by non capital financing activities	<u>544,906</u>	<u>507,176</u>
Cash flows from investing activities:		
Interest received	<u>202</u>	<u>227</u>
Net cash provided by investing activities	<u>202</u>	<u>227</u>
Net increase (decrease) in cash and equivalents	50,422	86,045
Cash and equivalents – beginning of year	<u>390,405</u>	<u>304,360</u>
Cash and equivalents – end of year	<u>\$ 440,827</u>	<u>\$ 390,405</u>
Reconciliation of operating (loss) to net cash provided by operating activities:		
Operating (loss)	(519,698)	(488,382)
Adjustments to reconcile operating (loss) to net cash provided (required) by operating activities		
Depreciation	29,017	29,017
(Increase) decrease in:		
Accounts receivable	-	40,159
Prepaid expenses	(358)	(5,424)
Accounts payable	<u>(3,647)</u>	<u>3,272</u>
Net cash (required) by operating activities	<u>\$ (494,686)</u>	<u>\$ (421,358)</u>

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

ALAMEDA CORRIDOR BUSINESS IMPROVEMENT DISTRICT

Notes to Financial Statements December 31, 2017 and 2016

Note 1: Definition of Reporting Entity

The District is a quasi-municipal corporation organized and created on June 17, 2003 which intends to derive its revenue principally from general property taxes. It maintains its books on an accrual basis and prepares its financial statements in accordance with governmental accounting principles. The District was organized under Title 31 and all properties within the District are commercial properties.

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

The District follows the Governmental Accounting Standards Boards (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, nor is the District a component unit of any other primary governmental entity.

Note 2: Summary of Significant Accounting Policies

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental units accounted for as a proprietary enterprise fund. The enterprise fund is used since the District's powers are related to those operated in a manner similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

The District has elected to follow GASB pronouncements. Therefore, statements issued by the Financial Accounting Standards Board after November 30, 1989 are not applied.

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental units accounted for on the enterprise basis. The following is summary of the more significant policies:

ALAMEDA CORRIDOR BUSINESS IMPROVEMENT DISTRICT

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**Notes to Financial Statements
December 31, 2017 and 2016**

Note 2: Summary of Significant Accounting Policies (Continued)

- a) Basis of Accounting –The District’s records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for property, plant and equipment are shown as increases in assets.

- b) Operating Revenues and Expenses – The District distinguishes between operating revenues and expenses and nonoperating items in the Statements of Revenues, Expenses and Changes in Net Assets. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District’s purpose of providing services to its taxpayers. Operating revenues consist of funding from the Lakewood Reinvestment Authority. Operating expenses include the cost of service and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

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

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

ALAMEDA CORRIDOR BUSINESS IMPROVEMENT DISTRICT

**Notes to Financial Statements
December 31, 2017 and 2016**

Note 2: Summary of Significant Accounting Policies (Continued)

d) Capital Assets – All capital assets are valued at historical costs or estimated historical cost if actual historical cost is not available. Donated property, plant and equipment is valued at the estimated fair value on the date donated. Depreciation of all exhaustible property, plant and equipment used by proprietary funds is charged as an expense against operations. Accumulated depreciation is reported on the proprietary fund balance sheet. Depreciation will be provided over estimated useful lives using the straight line method. The estimated useful lives are as follows:

Office equipment	3-5	Years
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e) Budget and Budgetary Accounting - In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The District's Board of Directors can modify the budget assuming it meets the notification and publication requirements. The appropriation is at the total fund expenditures level and lapses at year-end.

f) Statement of Cash Flows – For purposes of the statement of cash flows, cash and cash equivalents consist of cash on hand, demand, certain money market and savings accounts at financial institutions.

g) Management Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

h) Emergency Reserves have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado. \$ 18,000 of net assets has been reserved in compliance with this requirement.

ALAMEDA CORRIDOR BUSINESS IMPROVEMENT DISTRICT

**Notes to Financial Statements
December 31, 2017 and 2016**

Note 3: Cash and Investments

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

Statement of net position:	
Cash and equivalents	\$ 422,827
Cash and equivalents-restricted	18,000*
	<hr/>
	\$ 440,827
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*Amount restricted for emergency reserve

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

Petty cash	\$ 300
Deposits with financial institutions	440,527
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	\$ 440,827
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Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by Statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2017, the District's cash deposits had a bank balance of \$453,281 and a carrying balance of \$440,527.

Custodial Credit Risks – Deposits

For deposits, custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2017, none of the District's bank balance of \$ 453,281 was exposed to custodial credit risk.

ALAMEDA CORRIDOR BUSINESS IMPROVEMENT DISTRICT

**Notes to Financial Statements
December 31, 2017 and 2016**

Note 3: Cash and Investments (Continued)

Investments

Credit Risk

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

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

- * Obligations of the United States 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 mutual funds
 - Guaranteed investment contracts
 - Local government investment pools

The District generally limits its concentration of investments to those noted with an asterisk (*) above, which are believed to have minimal credit risk; minimal interest rate risk and no foreign currency risk.

Note 4: Capital Assets

The following schedules show changes in capital assets for 2017:

	<u>Equipment & Furniture</u>	<u>Street Improvements</u>	<u>Total</u>
Balance, 12/31/16	\$ 3,742	\$ 566,586	\$ 570,328
Additions/Deletions	-	-	-
Balance, 12/31/17	<u>\$ 3,742</u>	<u>\$ 566,586</u>	570,328
Less:			
Accumulated Depreciation			<u>(256,402)</u>
Net Capital Assets			<u>\$ 313,926</u>

Depreciation expense for 2017 was \$29,017.

ALAMEDA CORRIDOR BUSINESS IMPROVEMENT DISTRICT

**Notes to Financial Statements
December 31, 2017 and 2016**

Note 5: Tax, Spending and Debt Limitations

In November 1992, the voters of Colorado approved Amendment 1, commonly known as the Taxpayer's Bill of Rights (TABOR), which adds a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations, which apply to the State of Colorado and all local governments.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR.

The initial base for local government spending and revenue limits is 1992 Fiscal Year Spending. Future spending and revenue limits are determined based on the prior year's Fiscal Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue. In 2003 the voters approved a resolution allowing the district to retain all excess revenues.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 1% of Fiscal Year Spending (excluding bonded debt service) in 1993, 2% in 1994 and 3% thereafter. Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

TABOR requires, with certain exceptions, voter approval prior to imposing new taxes, increasing a tax rate, increasing a mill levy above that for the prior year, extending an expiring tax, or implementing a tax policy change directly causing a net tax revenue gain to any local government.

Except for bond refinancing at lower interest rates or adding employees to existing pension plans, TABOR specifically prohibits the creation of multiple-fiscal year debt or other financial obligations without voter approval or without irrevocably pledging present cash reserves for all future payments.

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

ALAMEDA CORRIDOR BUSINESS IMPROVEMENT DISTRICT

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Notes to Financial Statements
December 31, 2017 and 2016

Note 6: Risk Management Colorado Special Districts Property and Liability Pool

Subject to the provisions of the Colorado Governmental Immunity Act, the District is exposed to various risks of loss related to thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2017. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

Note 7: Debt Authorization

The District has no authorized and unissued debt.

SUPPLEMENTAL INFORMATION

ALAMEDA CORRIDOR BUSINESS IMPROVEMENT DISTRICT

**Schedule of Revenue and Expenditures and Changes in Funds Available
Budget and Actual - Year Ended December 31, 2017**

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Lakewood Reinvestment Authority	\$ 80,000	\$ 82,405	\$ 2,405
Property tax	471,230	499,625	28,395
Ownership taxes	40,000	49,348	9,348
Interest	100	202	102
Total revenues	<u>\$ 591,330</u>	<u>\$ 631,580</u>	<u>\$ 40,250</u>
EXPENSES			
Dues and subscriptions	900	913	(13)
Audit and accounting	3,500	3,300	200
Bank fees	-	10	(10)
Legal	1,000	56	944
Liability insurance	6,200	4,718	1,482
Cleaning service	1,200	1,100	100
Office supplies/computer/meetings	2,650	1,797	853
Rent	11,250	11,200	50
Service contract	125,000	124,992	8
Telephone	5,400	2,697	2,703
Utilities	1,800	1,127	673
Economic development	106,000	96,653	9,347
Boys and Girls Club	-	25,000	(25,000)
Miscellaneous	2,500	1,063	1,437
LCC property tax reimbursement	10,000	6,434	3,566
Treasurers fees	3,600	3,507	93
Urban tax	235,239	266,006	(30,767)
Street beautification	299,800	24,790	275,010
Travel and meetings	2,000	1,230	770
Total expenditures	<u>\$ 818,039</u>	<u>\$ 576,593</u>	<u>\$ 241,446</u>
Excess Revenues over Expenditures		54,987	
Beginning funds available		391,805	
Ending funds available		<u>\$ 446,792</u>	
Funds available are defined as follows:			
Current assets		1,123,270	
Less current liabilities		(676,478)	
Funds available		<u>\$ 446,792</u>	

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