

**Miller's Landing Business Improvement District
Town of Castle Rock, Colorado**

**AUDITOR'S REPORT AND FINANCIAL STATEMENTS
December 31, 2018**

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**Haynie &
Company**

Certified Public Accountants (a professional corporation)

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Independent Auditor's Report

Members of the Board of Directors
Miller's Landing Business Improvement District

We have audited the accompanying financial statements of the governmental activities and the major funds of Miller's Landing Business Improvement District as of and for the year ended December 31, 2018 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major funds of Miller's Landing Business Improvement District as of December 31, 2018 and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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Other-Matters

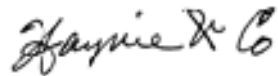
Required Supplementary Information

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 opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Miller's Landing Business Improvement District's financial statements as a whole. The supplementary information section is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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.



Littleton, Colorado
May 21, 2019

BASIC FINANCIAL STATEMENTS

**Miller's Landing Business Improvement District
Statement of Net Position
December 31, 2018**

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents - unrestricted	\$ 16,728
Cash and cash equivalents - restricted	14,851,186
Property taxes receivable	15,656
Other receivables	158
Capital assets, net	6,410,659
Total assets	<u>21,294,387</u>
LIABILITIES	
Accounts payable	1,252,428
Retainage payable	234,881
Accrued loan interest payable	128,225
Noncurrent liabilities:	
Due in more than one year	21,250,000
Total liabilities	<u>22,865,534</u>
DEFERRED INFLOWS OF RESOURCES	
Property tax revenue	15,656
Total liabilities and deferred inflows of resources	<u>22,881,190</u>
NET POSITION	
Net investment in capital assets	11,845
Restricted for:	
Emergency reserves	87
Debt service	5,472,008
Unrestricted (deficit)	(7,070,743)
Total net position (deficit)	<u>\$ (1,586,803)</u>

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

**Miller's Landing Business Improvement District
Statement of Activities
Year Ended December 31, 2018**

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government:					
Government activities:					
General government	\$ 229	\$ -	\$ -	\$ -	\$ (229)
Interest and related costs on long-term debt	1,672,162	-	-	-	(1,672,162)
	<u>\$ 1,672,391</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,672,391)</u>
General revenues:					
Property taxes					15,656
Specific ownership taxes					1,656
Net investment income					68,276
Total general revenues					<u>85,588</u>
Change in net position					(1,586,803)
Net position (deficit) - Beginning					-
Net position (deficit) - Ending					<u>\$ (1,586,803)</u>

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

Miller's Landing Business Improvement District
Balance Sheet
Governmental Funds
December 31, 2018

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and cash equivalents - unrestricted	\$ 16,728	\$ -	\$ -	\$ 16,728
Cash and cash equivalents - restricted	-	5,457,778	9,393,408	14,851,186
Due from other funds	-	14,098	-	14,098
Property taxes receivable	2,609	13,047	-	15,656
Other receivables	26	132	-	158
TOTAL ASSETS	\$ 19,363	\$ 5,485,055	\$ 9,393,408	\$ 14,897,826
LIABILITIES				
Accounts payable and accrued liabilities	-	-	1,252,428	1,252,428
Due to other funds	14,098	-	-	14,098
Total liabilities	14,098	-	1,252,428	1,266,526
DEFERRED INFLOWS OF RESOURCES				
Property tax revenue	2,609	13,047	-	15,656
Total liabilities & deferred inflows	16,707	13,047	1,252,428	1,282,182
FUND BALANCES				
Restricted for:				
Emergency reserves (TABOR)	87	-	-	87
Debt service	-	5,472,008	-	5,472,008
Committed for:				
Capital projects	-	-	8,140,980	8,140,980
Unassigned	2,569	-	-	2,569
Total fund balances	2,656	5,472,008	8,140,980	13,615,644
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 19,363	\$ 5,485,055	\$ 9,393,408	

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

Capital assets used in governmental activities are not financial resources; therefore, are not reported as assets in the funds.

Construction in progress 6,410,659

Retainage payable

Long-term and other liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Bond payable (21,250,000)

Accrued bond interest payable (128,225)

Retainage payable (234,881)

Net position (deficit) of governmental activities **\$ (1,586,803)**

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

**Miller's Landing Business Improvement District
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2018**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 2,609	13,047	\$ -	\$ 15,656
Specific ownership taxes	276	1,380	-	1,656
Interest income	-	21,642	46,634	68,276
Total revenues	<u>2,885</u>	<u>36,069</u>	<u>46,634</u>	<u>85,588</u>
EXPENDITURES				
Current				
County Treasurer's fees	39	196		235
Miscellaneous	190	-		190
Debt service				
Bond interest	-	333,385	-	333,385
Costs of issuance	-	-	1,210,356	1,210,356
Capital outlay				
Construction in Progress			6,175,778	6,175,778
Total expenditures	<u>229</u>	<u>333,581</u>	<u>7,386,134</u>	<u>7,719,944</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,656</u>	<u>(297,512)</u>	<u>(7,339,500)</u>	<u>(7,634,356)</u>
OTHER FINANCING SOURCES (USES)				
Transfer from (to) other funds	-	5,769,520	(5,769,520)	-
Bond issuance	-	-	21,250,000	21,250,000
Total other financing sources (uses)	<u>-</u>	<u>5,769,520</u>	<u>15,480,480</u>	<u>21,250,000</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>2,656</u>	<u>5,472,008</u>	<u>8,140,980</u>	<u>13,615,644</u>
FUND BALANCES - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 2,656</u>	<u>\$ 5,472,008</u>	<u>\$ 8,140,980</u>	<u>\$ 13,615,644</u>

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

**Miller's Landing Business Improvement District
 Reconciliation of the Statement of Revenues
 Expenditures and Changes in Fund Balances of
 Governmental Funds to the Statement of Activities
 Year Ended December 31, 2018**

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

Net changes in fund balances - Total governmental funds	\$ 13,615,644
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Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is reported as an asset. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset. Therefore, this is the net capital outlay activity for the year.

Capital outlay	6,175,778
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The issuance of long-term (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The net effect of these differences in the treatment of long-term debt and related items is as follows:

Bond issuance	(21,250,000)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued interest on bonds payable - Change in liability	<u>(128,225)</u>
Change in net position of governmental activities	<u><u>\$ (1,586,803)</u></u>

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

**Miller's Landing Business Improvement District
General Fund
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Year Ended December 31, 2018**

	<u>Original & Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Property taxes	\$ 2,609	\$ 2,609	\$ -
Specific ownership taxes	183	276	93
Developer advances	150,000	-	(150,000)
Total revenues	<u>152,792</u>	<u>2,885</u>	<u>(149,907)</u>
EXPENDITURES			
Current			
Accounting	15,000	-	15,000
County treasurer's fees	39	39	-
Insurance and bonds	10,000	-	10,000
Dues and subscriptions	5,000	-	5,000
Legal services	100,000	-	100,000
Miscellaneous	5,000	190	4,810
Contingency	13,702	-	13,702
Emergency reserves	4,051	-	4,051
Total expenditures	<u>152,792</u>	<u>229</u>	<u>152,563</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>2,656</u>	<u>2,656</u>
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	
FUND BALANCE - END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ 2,656</u></u>	

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

Miller's Landing Business Improvement District
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 - DEFINITION OF REPORTING ENTITY

Miller's Landing Business Improvement District (BID) (District), a quasi-municipal corporation and political subdivision of State of Colorado, was organized on September 20, 2016, and is governed pursuant to provisions of the Business Improvement District Act, CRS 31-25-1203. The District operates under a service plan approved by the Town of Castle Rock on August 8, 2016. The District's service area is located in Town of Castle Rock in Douglas County, Colorado. The District was established for the purpose of making public improvements and providing services to the proposed commercial development, in accordance with the District's operating plan. The District is governed by a Board of Directors comprised of up to five members appointed by the Town Council.

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

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

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

Government-wide and Fund Financial Statements

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

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

Miller's Landing Business Improvement District
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Redemption of bonds is recorded as a reduction in liabilities.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred or the long-term obligation paid.

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital development and facilities.

Miller's Landing Business Improvement District
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

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

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

Cash and Investments

The District's cash and investments include cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported on the net asset method.

Property Taxes

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

Property taxes are considered fully collectible and are recorded initially as deferred inflows of resources in the year they are levied and measurable. Property tax revenues are recorded as revenue in the year they are available or collected.

Miller's Landing Business Improvement District
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets, which include infrastructure assets and landfill remediation, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded in historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Deferred Outflows of Resources and Deferred Inflows of Resources

A deferred inflow of resources is an acquisition of net position by a government that is applicable to a future reporting period and a deferred outflow of resources is a consumption of net position by a government that is applicable to a future reporting period. Both deferred inflows and outflows are reported in the statement of net position but are not recognized in the financial statement as revenues and expenses until the period(s) to which they relate. Deferred inflows of resources in the governmental fund financial statements of the District for the year ended December 31, 2018 are comprised of property taxes due from Douglas County that will not be collected within 60 days of the end of the current fiscal year. Deferred inflows of resources in the government-wide financial statements represents property taxes for which an enforceable legal claim to assets exists, but for which the levy pertains to the subsequent year.

Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Long-term debt is reported gross.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of 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.

Miller's Landing Business Improvement District
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance – Governmental Funds

The fund balances for the District's governmental funds are displayed in up to five components:

Nonspendable – amounts that are not in a spendable form or are required to be maintained intact.

Restricted – amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

- Emergency Reserves of \$87 have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 8).
- The restricted fund balance in the Debt Service Fund in the amount of \$5,472,008 is to be used exclusively for the payment of future revenue bond principal, interest and related costs.

Committed – amounts that can be used only for the specific purposes determined by resolution of the Board. Commitments may be changed or lifted only by issuance of a resolution by the District's Board. There is \$8,140,980 committed for the Capital Projects fund balance for the year ended December 31, 2018.

Assigned – Amounts intended to be used by the District for specific purposes as determined by management. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund. There is no assigned fund balance for the year ended December 31, 2018.

Unassigned – the residual classification for the General Fund and includes all amounts not contained in the other classifications.

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The District applies committed amounts first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Miller's Landing Business Improvement District
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 3 - CASH AND INVESTMENTS

Investments as of December 31, 2018, are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and cash equivalents – Restricted	\$ 14,851,186
Cash and cash equivalents – Unrestricted	<u>16,728</u>
	<u>\$ 14,867,914</u>

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 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, 2018, the District had \$14,867,914 in cash deposits, which is fully insured by FDIC coverage and PDPA collateral.

Investments

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

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

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

Miller's Landing Business Improvement District
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Investments (continued)

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

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

As of December 31, 2018, the District had no investments.

NOTE 4 – CAPITAL ASSETS

The following is an analysis of the changes in capital assets for the year ended December 31, 2018:

	<u>Balance at December 31, 2017</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>Balance at December 31, 2018</u>
Capital Assets, not being depreciated:				
Construction in progress	\$ -	\$ 6,410,659	\$ -	\$ 6,410,659
Total Capital Assets, net	<u>\$ -</u>	<u>\$ 6,410,659</u>	<u>\$ -</u>	<u>\$ 6,410,659</u>

Miller's Landing Business Improvement District
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 5 - LONG-TERM OBLIGATIONS

Debt Authorization

In 2017, the District elector's authorized the issuance of indebtedness in an amount not to exceed \$65,000,000. The District is authorized to issue all, none or some of the bonds or other debts associated with the Project. On September 12, 2018, the District issued Series 2018A Revenue Bonds in the amount of \$8,065,000 and Series 2018B Revenue Bonds in the amount of \$13,185,000 at an interest rate not to exceed 6% (Series 2018A) and 8% (Series 2018B).

The following is an analysis of changes in long-term obligations for the year ended December 31, 2018:

	Balance at December 31, 2017	Additions	Retirements	Balance at December 31, 2018	Due Within One Year
Series 2018A Revenue Bonds-Tax Exempt	\$ -	\$ 8,065,000	\$ -	\$ 8,065,000	\$ -
Series 2018B Revenue Bonds-Taxable	-	13,185,000	-	13,185,000	-
	<u>\$ -</u>	<u>\$ 21,250,000</u>	<u>\$ -</u>	<u>\$ 21,250,000</u>	<u>\$ -</u>

\$8,065,000 Revenue Bonds, Series 2018A (Tax-Exempt)

On September 13, 2018 the District issued \$8,065,000 in a Revenue Bonds (Tax-Exempt), Series 2018A, for the purpose of funding the capitalized interest, required reserve funds and costs of issuance for the Series 2018A and 2018B bonds; and paying certain costs of designing, constructing, and otherwise providing public infrastructure throughout the District. The debt matures on December 1, 2048, and bears in interest rate of 6%, per annum, calculated on the basis of a 360-day year comprised of twelve 30-day months, payable semi-annually on June 1 and December 1, commencing December 1, 2018, until maturity. The Series 2018A bonds are subject to redemption prior to maturity.

\$13,185,000 Revenue Bonds, Series 2018B (Taxable)

On September 13, 2018 the District issued \$13,185,000 in a Revenue Bonds (Taxable), Series 2018B, for the purpose funding the capitalized interest, required reserve funds and costs of issuance for the Series 2018A and 2018B bonds; and paying certain costs of designing, constructing, and otherwise providing public infrastructure throughout the District. The debt matures on December 1, 2048, and bears in interest rate of 8%, per annum, calculated on the basis of a 360-day year comprised of twelve 30-day months, payable semi-annually on June 1 and December 1, commencing December 1, 2018, until maturity. The Series 2018B bonds are subject to redemption prior to maturity.

Miller's Landing Business Improvement District
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

The District's Service Plan provides that the District is authorized to impose a mill levy of 50 mills to repay District debt. Any mill levy in excess of 50 mills for the purposes of debt service cannot be imposed without Town approval. During 2018, the District collected taxes based on a mill levy of 60.000 mills; 10.000 mills for operations and 50.000 mills for debt service. At December 31, 2018, the district levied 60.000 mills for collection in 2019; 10.000 mills for operations and 50.000 mills for debt service.

The outstanding bond principal and interest mature as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ -	\$ 1,538,700	\$ 1,538,700
2020	-	1,538,700	\$ 1,538,700
2021	-	1,538,700	\$ 1,538,700
2022	285,000	1,538,700	\$ 1,823,700
2023	315,000	1,518,000	\$ 1,833,000
2024-2028	2,125,000	7,193,800	\$ 9,318,800
2029-2033	3,250,000	6,276,400	\$ 9,526,400
2034-2038	5,040,000	4,860,400	\$ 9,900,400
2039-2043	3,745,000	3,088,700	\$ 6,833,700
2044-2047	3,440,000	1,529,500	\$ 4,969,500
2048	3,050,000	220,800	\$ 3,270,800
	<u>\$21,250,000</u>	<u>\$ 30,842,400</u>	<u>\$ 52,092,400</u>

At elections held on November 8, 2016 and November 7, 2017, the eligible voters of the District authorized the issuance of \$785,000,000 of indebtedness. Issuance of indebtedness by the District is subject to the approval by Town Council of a budget and operating plan contemplating the same and Town administrative approval pursuant to the PFA. Pursuant to the 2018 Operating Plan and Budget, the Town Council approved issuance of the bonds and Town administrative approval was obtained. Upon issuance of the Bonds, the District had authorized but unissued debt remaining in the amount of \$763,750,000. Any future issuance of debt must comply with the PFA and is also subject to the approval by the Town Council of an Operating Plan and Budget of the District. The District does not expect to issue more than \$65,000,000 in total debt.

Miller's Landing Business Improvement District
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 6 - NET POSITION

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

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, constructions, or improvement of those assets. As of December 31, 2018, the District had net investment in capital assets of \$11,845 calculated as follows:

Net investments in capital assets:

Capital assets, net of accumulated depreciation	\$ 6,410,659
Plus: unspent bond proceeds	14,851,186
Less: long-term obligations	<u>(21,250,000)</u>
	<u>\$ 11,845</u>

Restricted assets include assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position of \$5,472,095 as of December 31, 2018 as follows:

Restricted net position:

Emergencies	\$ 87
Debt service	<u>5,472,008</u>
	<u>\$ 5,472,095</u>

The District's unrestricted net position as of December 31, 2018 totaled \$(7,070,743). This deficit amount was a result of the District being responsible for the repayment of debt issued for public improvements.

NOTE 7 - RISK MANAGEMENT

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

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2018. The Pool is an organization created by intergovernmental agreement to provide property, liability, public official's liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

Miller's Landing Business Improvement District
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 7 - RISK MANAGEMENT (continued)

The District pays annual premiums to the Pool for liability, property, public official's liability and workers compensation 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 8 - TAX, SPENDING AND DEBT LIMITATIONS

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

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

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

On November 4, 2003, the District's voters authorized the District to increase property taxes \$500,000 annually, without limitation to rate, to pay the District's operations, maintenance, and other expenses. Additionally, the District's electors authorized the District to collect, retain and spend all revenue, other than ad valorem taxes, without regard to limitations of under TABOR or other laws.

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

SUPPLEMENTAL INFORMATION

**Miller's Landing Business Improvement District
Debt Service Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Year Ended December 31, 2018**

	<u>Original & Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Property taxes	\$ 13,047	\$ 13,047	\$ -
Specific ownership taxes	913	1,380	467
Interest income	50,000	21,642	(28,358)
Total revenues	<u>63,960</u>	<u>36,069</u>	<u>(27,891)</u>
EXPENDITURES			
Current			
County treasurer fees	196	196	-
Debt service			
Trustee fees	2,000	-	2,000
Bond interest	2,000,000	333,385	1,666,615
Miscellaneous	50,000	-	50,000
Total expenditures	<u>2,052,196</u>	<u>333,581</u>	<u>1,718,615</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,988,236)</u>	<u>(297,512)</u>	<u>1,690,724</u>
OTHER FINANCING SOURCES (USES)			
Transfer from (to) other funds	8,000,000	5,769,520	(2,230,480)
Total other financing sources (uses)	<u>8,000,000</u>	<u>5,769,520</u>	<u>(2,230,480)</u>
NET CHANGE IN FUND BALANCE	6,011,764	5,472,008	<u>\$ (539,756)</u>
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	
FUND BALANCE - END OF YEAR	<u>\$ 6,011,764</u>	<u>\$ 5,472,008</u>	

**Miller's Landing Business Improvement District
Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Year Ended December 31, 2018**

	<u>Original & Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Interest income	\$ 150,000	\$ 46,634	\$ (103,366)
Total revenues	<u>150,000</u>	<u>46,634</u>	<u>(103,366)</u>
EXPENDITURES			
Expenditures			
Construction in progress	28,450,000	6,175,778	22,274,222
Issuance costs	1,000,000	1,210,356	(210,356)
Total expenditures	<u>29,450,000</u>	<u>7,386,134</u>	<u>22,063,866</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(29,300,000)</u>	<u>(7,339,500)</u>	<u>21,960,500</u>
OTHER FINANCING SOURCES (USES)			
Transfer from (to) other funds	(8,000,000)	(5,769,520)	2,230,480
Bond issuance	40,000,000	21,250,000	(18,750,000)
Total other financing sources (uses)	<u>32,000,000</u>	<u>15,480,480</u>	<u>(16,519,520)</u>
NET CHANGE IN FUND BALANCE	2,700,000	8,140,980	<u>\$ 5,440,980</u>
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	
FUND BALANCE - END OF YEAR	<u>\$ 2,700,000</u>	<u>\$ 8,140,980</u>	

Miller's Landing Business Improvement District
Schedule of Debt Service Requirements to Maturity
December 31, 2018
\$21,250,000
Revenue Bonds Series 2018A (Tax Exempt) & 2018B (Taxable)
Dated September 13, 2018
Principal Due December 1
Interest Rate: Series 2018A 6.0% / Series 2018B 8.0%
Payable June 1 and December 1

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ -	\$ 333,385	\$ 333,385
2019	-	1,538,700	1,538,700
2020	-	1,538,700	1,538,700
2021	-	1,538,700	1,538,700
2022	285,000	1,538,700	1,823,700
2023	315,000	1,518,000	1,833,000
2024	355,000	1,495,100	1,850,100
2025	380,000	1,469,300	1,849,300
2026	430,000	1,441,700	1,871,700
2027	460,000	1,410,500	1,870,500
2028	500,000	1,377,200	1,877,200
2029	530,000	1,340,900	1,870,900
2030	600,000	1,302,500	1,902,500
2031	640,000	1,259,100	1,899,100
2032	715,000	1,212,800	1,927,800
2033	765,000	1,161,100	1,926,100
2034	850,000	1,105,700	1,955,700
2035	910,000	1,044,200	1,954,200
2036	1,010,000	978,300	1,988,300
2037	1,080,000	905,200	1,985,200
2038	1,190,000	827,000	2,017,000
2039	1,255,000	740,800	1,995,800
2040	550,000	650,000	1,200,000
2041	590,000	610,100	1,200,100
2042	650,000	567,400	1,217,400
2043	700,000	520,400	1,220,400
2044	765,000	469,700	1,234,700
2045	820,000	414,400	1,234,400
2046	895,000	355,100	1,250,100
2047	960,000	290,300	1,250,300
2048	3,050,000	220,800	3,270,800
	<u>\$ 21,250,000</u>	<u>\$ 31,175,785</u>	<u>\$ 52,425,785</u>

**Miller's Landing Business Improvement District
 Summary of Assessed Valuation,
 Mill Levy and Property Taxes Collected
 December 31, 2018**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Tax Levy	Mills Levied		Total Property Taxes		Percent Collected to Levied
		Operations	Debt Service	Levied	Collected	
2018	\$ 260,930	10.000	50.000	\$ 15,656	\$ 15,656	100.00%
Estimated for the year ending December 31, 2019	\$ 260,930	10.000	50.000	\$ 15,656		

Note: This schedule is intended to show information for five years. Additional years will be displayed as they become available.