

***GREATER DOWNTOWN COLORADO SPRINGS BUSINESS
IMPROVEMENT DISTRICT***

FINANCIAL STATEMENTS

AND

REQUIRED SUPPLEMENTAL INFORMATION

WITH

INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2018

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Greater Downtown Colorado Springs
Business Improvement District
Colorado Springs, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund, of Greater Downtown Colorado Springs Business Improvement District (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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

INDEPENDENT AUDITORS' REPORT-CONTINUED

February 19, 2019

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Opinions

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of December 31, 2018, 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 3 through 9, and the budgetary comparison information on pages 23 and 24, be presented to supplement the basic financial statements. Such 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. 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.

Osborne, Parsons & Mosacher LLP

Colorado Springs, CO

February 19, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

**GREATER DOWNTOWN COLORADO SPRINGS
BUSINESS IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

As management of the Greater Downtown Colorado Springs Business Improvement District (BID), we offer readers of the District's Annual Financial Report this narrative and analysis of the financial activities for the fiscal year ended December 31, 2018. We encourage readers to consider the information presented here in conjunction with additional information that can be found in the basic financial statements.

Financial highlights by program area:

PUBLIC SPACE MANAGEMENT

The BID Board recognizes the positive economic impact a clean and accessible public space can bring to Downtown, generating sales tax revenue, attracting new businesses and strengthening downtown's competitiveness in the regional market place. Public Space Management costs represent 72 percent of the total expenditures in 2018.

- In order to provide dedicated, seven-day-a-week, skilled staffing for public space management, the BID contracted with Timberline Landscaping for daily cleaning, planting and maintenance of flowerpots and flowerbeds. The contracts ensure greater daily staffing levels and more frequent cleaning of blocks on the outer edges of the BID.
- Cleaning services included trash pickup on an estimated 128 block faces several times weekly, 1,476 instances of graffiti/sticker mitigation, more than 2,987 instances of spills/waste removal and 11 snow events requiring removal and application of ice melt. The BID also contracted for four instances of high-level power washing of sidewalks.
- 378 banners were hung on light poles to promote nonprofit and civic events that benefit the community.
- BID maintained 122 flowerbeds and 48 large flowerpots with a mix of annuals and perennials brimming with color during the summer months.
- The BID again partnered with Colorado Springs Police Department (CSPD) through its CAPS program (Citizens Advancing Public Safety) to provide Ambassadors to Downtown. Trained volunteers strolled Downtown in brightly colored vests offering free maps and helpful shopping/dining suggestions. This partnership enables downtown to receive maximum benefits with minimal cost. The Ambassadors provided services throughout the summer and again during the holiday shopping season.
- The BID installed newly designed holiday décor to make the area welcoming for the important holiday shopping season. This included garland and banners on lampposts.
- The BID contracted with Mercurial Security Solutions, providing 1,976 hours of seasonal supplemental private security, with nearly 1,250 miles walked/biked by security patrols.
- The BID contracted with Robertson's Landscaping to purchase and install lighting in the trees on Bijou and Kiowa streets to create a safer and more festive atmosphere.

**GREATER DOWNTOWN COLORADO SPRINGS
BUSINESS IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

MARKETING AND PUBLIC RELATIONS

Consumer marketing of downtown is essential to the continued economic growth of the district and its constituents. Programs are designed to provide collaborative marketing services beyond what any individual small business could achieve on its own. The marketing budget represents 18 percent of the District's total expenditures in 2018. Once again, the BID partnered with the Colorado Springs Downtown Development Authority on Downtown marketing services, with the BID covering staffing/labor costs and the DDA paying direct costs of advertising placement, printing, etc. Highlights of those programs follow.

- Downtown's Gift Card program is designed to promote shopping and dining within the BID and help consumers discover new stores and eateries. For 2018, the BID sold 1,423 gift cards, representing over \$65,000 in total sales.
- Advertising and promotions designed to further engage the community with shopping, dining, and entertaining Downtown. The BID devoted marketing resources to:
 - Production of 80,000 Downtown tourism maps distributed at scores of locations across the Front Range.
 - Production of two, 12-page special section inserts in The Gazette newspaper.
 - Production of scores of print, broadcast and outdoor advertisements with a placement value (paid through the BID) of over \$50,000.
 - Production of a summer tourism magazine, 60,000 copies of which were distributed across the Front Range and in area hotels.
 - Additional holiday advertising promoted Small Business Saturday, downtown holiday shopping and dining, and the annual Holiday Stroll. 12,000 Holiday Discount Books featuring scores of businesses were distributed.
- The BID issued 30 press releases, generating more than dozens of media stories about Downtown businesses, events and activities (not including calendar listings).
- The BID continued use of digital media in 2018, to include:
 - Twice-monthly dissemination of downtown e-newsletters to keep stakeholders informed about marketing opportunities, street closures and other pertinent news.
 - More frequent engagement through Instagram and Facebook, topping 14,500 Facebook followers by year's end.

Overview of Financial Statements

The content of the memorandum is intended to serve as an introduction to the District's basic financial statements.

**GREATER DOWNTOWN COLORADO SPRINGS
BUSINESS IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

Government-Wide and Fund Financial Statements

The Government-Wide financial statements (statements of net position and activities) are designed to provide readers with a broad overview of BID's finances using the economic resources measurement focus and accrual basis of accounting. Revenue is recorded when received and expenses are recorded when a liability is incurred.

Every fund, within the accounts of BID, is considered an individual fiscal and accounting unit. Each fund contains a self-balancing set of accounts that record cash and/or other assets with related liabilities, obligations, reserves and equities that have been specified for individual activities or objectives. Governmental funds are accounted for using the modified accrual basis of accounting. Revenue is recognized when it becomes measurable and available as net current assets. Taxpayer assessed income and gross receipts are considered measurable when in the hands of intermediary collecting governments and are recognized as revenue at that time.

BID adopts an annually appropriated budget for all funds. A budgetary comparison statement has been provided to demonstrate compliance with the accepted budget.

**GREATER DOWNTOWN COLORADO SPRINGS
BUSINESS IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

Comparative statements of net position and comments relating to significant changes are:

Statements of Net Position			
	2018	2017	Change
Assets			
Cash and Cash Equivalents	\$ 411,720	\$ 368,080	\$ 43,640
Cash with County Treasurer	5,964	4,373	1,591
Property Taxes Receivable	504,997	508,738	(3,741)
Accounts Receivable	8,556	10,346	(1,790)
Prepaid Expenses	9,873	9,950	(77)
Capital Assets, Net of Accumulated Depreciation	18,448	21,025	(2,577)
Total Assets	\$ 959,558	\$ 922,512	\$ 37,046
Liabilities			
Accounts Payable and Other Accrued Expenses	\$ 4,873	\$ 577	\$ 4,296
Unearned Revenue	46	150	(104)
Total Liabilities	4,919	727	4,192
Deferred Inflows of Financial Resources			
Unearned Tax Revenue	504,997	508,738	(3,741)
Total Deferred Inflows of Financial Resources	504,997	508,738	(3,741)
Net position			
Invested in Capital Assets Net of Related Debt	18,448	21,025	(2,577)
Restricted for Emergency	18,000	16,237	1,763
Unrestricted	413,194	375,785	37,409
Total Net Position	\$ 449,642	\$ 413,047	\$ 36,595

Assets

Decrease in property taxes receivable is due to some properties within the district becoming owned by nonprofits. Capital asset increase is due to purchase of tree lighting.

Liabilities

Accounts payable increase is due to more timely receipt of year-end invoices.

**GREATER DOWNTOWN COLORADO SPRINGS
BUSINESS IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

Comparative statements of activities and comments related to significant changes:

Statements of Activities			
	2018	2017	Change
Expenses			
Public Space Management	\$ 421,733	\$ 391,518	\$ 30,215
Marketing	99,734	91,663	8,071
Direct Overhead	49,559	43,357	6,202
Depreciation	10,870	6,680	4,190
Total Expenses	581,896	533,218	48,678
Revenue			
Program Revenue	50,342	21,550	28,792
General Revenue			
Property Tax	498,318	472,399	25,919
Specific Ownership Tax	67,937	67,509	428
Interest	1,001	1,950	(949)
Miscellaneous	893	-	893
Total Revenue	618,491	563,408	55,083
Change in Net Position	36,595	30,190	6,405
Net Position			
Beginning of the Year	413,047	382,857	30,190
End of the Year	\$ 449,642	\$ 413,047	\$ 36,595

Public Space Management

Public space management expenses increased due to increased occurrences of power-washing and increased hours allotted for supplemental private security.

Revenue

Increase in program revenue is due to increased banner rental and a grant of \$15,000 to support the increased occurrences of power-washing.

**GREATER DOWNTOWN COLORADO SPRINGS
BUSINESS IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

Analysis of budgeted amounts:

	Budgeted Amounts		
	<u>Original</u>	<u>Final</u>	<u>Difference</u>
Expenditures			
Public Space Management	\$ 444,267	\$ 444,267	\$ -
Marketing	97,300	97,300	-
Direct Overhead	51,462	51,462	-
Other Expenses	50,000	50,000	-
Total Expenses	<u>643,029</u>	<u>643,029</u>	<u>-</u>
Revenue			
Program Revenue	<u>36,890</u>	<u>36,890</u>	<u>-</u>
Net Expenditures	<u>606,139</u>	<u>606,139</u>	<u>-</u>
General Revenue			
Property Taxes	503,738	503,738	-
Specific Ownership Tax	52,300	52,300	-
Interest	100	100	-
Total General Revenue	<u>556,138</u>	<u>556,138</u>	<u>-</u>
Revenue Expenditures	<u><u>\$ (50,001)</u></u>	<u><u>\$ (50,001)</u></u>	<u><u>\$ -</u></u>

There was no modification to the original budget adopted.

**GREATER DOWNTOWN COLORADO SPRINGS
BUSINESS IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

A comparison of the final budget and actual budgetary basis, with comments concerning significant variance:

	Final Budgeted Amounts	Actual	Variance with Final Budget Favorable (Unfavorable)
Expenditures			
Public Space Management	\$ 444,267	\$ 421,733	\$ 22,534
Marketing	97,300	99,734	(2,434)
Direct Overhead	51,462	49,559	1,903
Other Expenses	50,000	-	50,000
Capital Outlay	-	8,293	(8,293)
Total Expenditures	643,029	579,319	63,710
Revenue			
Program Revenue	36,890	51,235	14,345
General Revenue			
Property Taxes	503,738	498,318	(5,420)
Specific Ownership Tax	52,300	67,937	15,637
Interest	100	1,001	901
Total Revenue	593,028	618,491	25,463
Revenue Over Expenditures	\$ (50,001)	\$ 39,172	\$ 89,173

Expenditures

The capital outlay expense is due to the purchase of updated tree lights.

Requests for Information

Additional information or questions may be addressed by contacting Susan Edmondson at 111 S Tejon St, Suite 703, Colorado Springs, CO 80903.

FINANCIAL STATEMENTS

**GREATER DOWNTOWN COLORADO SPRINGS
BUSINESS IMPROVEMENT DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2018**

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 411,720
Cash with County Treasurer	5,964
Property Tax Receivable	504,997
Accounts Receivable	8,556
Prepaid Expenses	9,873
Capital Assets Net of Accumulated Depreciation	18,448
Total Assets	\$ 959,558
 Liabilities	
Accounts Payable and Other Accrued Expenses	\$ 4,873
Unearned Revenue	46
Total Liabilities	4,919
 Deferred Inflows of Financial Resources	
Unearned Tax Revenue	504,997
Total Deferred Inflows of Financial Resources	504,997
 Net Position	
Invested in Capital Assets Net of Related Debt	18,448
Restricted for Emergency	18,000
Unrestricted	413,194
Total Net Position	\$ 449,642

See Notes to Financial Statements

**GREATER DOWNTOWN COLORADO SPRINGS
BUSINESS IMPROVEMENT DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018**

Functions/Programs	Program Revenues			Net Program Expense
Governmental Activities	Expenses	Charges for Services	Operating Grants and Contributions	Expense
Public Space Management	\$ 421,733	\$ 28,160	\$ 15,000	\$ (378,573)
Marketing	99,734	7,182	-	(92,552)
Direct Overhead	49,559	-	-	(49,559)
Depreciation	10,870	-	-	(10,870)
Total Governmental Activities	\$ 581,896	\$ 35,342	\$ 15,000	(531,554)
General Revenues				
General Property Tax				498,318
Specific Ownership Tax				67,937
Miscellaneous				893
Interest				1,001
Total General Revenues				568,149
Change in Net Position				36,595
Net Position - Beginning				413,047
Net Position - Ending				\$ 449,642

See Notes to Financial Statements

**GREATER DOWNTOWN COLORADO SPRINGS
BUSINESS IMPROVEMENT DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND - GENERAL FUND
DECEMBER 31, 2018**

ASSETS

Assets

Cash and Cash Equivalents	\$	411,720
Cash with County Treasurer		5,964
Property Tax Receivable		504,997
Accounts Receivable		8,556
Prepaid Expenses		9,873
Total Assets	\$	941,110

LIABILITIES AND FUND BALANCE

Liabilities

Accounts Payable and Other Accrued Expenses	\$	4,873
Unearned Revenue		46
Total Liabilities		4,919

Deferred Inflows of Financial Resources

Unearned Tax Revenue		504,997
Total Deferred Inflows of Financial Resources		504,997

Fund Balances

Nonspendable		9,873
Restricted for Emergency		18,000
Committed		31,517
Assigned		281,996
Unassigned		89,808
Total Fund Balances		431,194

**Total Liabilities, Deferred Inflows of
Financial Resources, and Fund Balances**

	\$	941,110
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See Notes to Financial Statements

**GREATER DOWNTOWN COLORADO SPRINGS
 BUSINESS IMPROVEMENT DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 DECEMBER 31, 2018**

Fund Balance per the Governmental Fund Balance Sheet	\$	431,194
<p>Amounts reported for governmental activities in the statements of activities are different because</p> <p>Capital assets used in government activities are not financial resources and are not reported as assets in the governmental funds. Capital assets at year end consist of</p>		
Depreciable Assets	\$	121,747
Accumulated Depreciation		<u>(103,299)</u>
Net Capital Assets		<u>18,448</u>
Total Net Position - Governmental Activities	\$	<u><u>449,642</u></u>

See Notes to Financial Statements

**GREATER DOWNTOWN COLORADO SPRINGS
BUSINESS IMPROVEMENT DISTRICT
STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2018**

Revenues

Charges for Services	\$	51,235
Property Tax		498,318
Specific Ownership Tax		67,937
Interest		1,001
Total Revenues		618,491

Expenditures

Public Space Management		421,733
Marketing		99,734
Direct Overhead		49,559
Capital Outlay		8,293
Total Expenditures		579,319

Net Change in Fund Balance		39,172
Fund Balance - Beginning		392,022
Fund Balance - Ending	\$	431,194

See Notes to Financial Statements

**GREATER DOWNTOWN COLORADO SPRINGS
 BUSINESS IMPROVEMENT DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT
 OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
 TO THE STATEMENT OF ACTIVITIES
 DECEMBER 31, 2018**

Revenue Over Expenditures - Governmental Funds	\$	39,172
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Amounts reported for governmental activities in the statement of activities are different because

Capital outlay is reported in the governmental funds as an expenditure. However, in the statement of activities the cost of the assets purchased is allocated over the estimated useful lives as depreciation expense.

Capital Outlay	\$	8,293	
Depreciation Expense		(10,870)	
Net Change		(2,577)	(2,577)

Total Net Change in Statement of Activities	\$	36,595
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NOTES TO FINANCIAL STATEMENTS

**GREATER DOWNTOWN COLORADO SPRINGS
BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

History and Organization - The Greater Downtown Colorado Springs Business Improvement District (District) was established in July 2001 by the Colorado Springs City Council. The District was organized to provide continuing support for maintenance of public improvements within the District as well as a resource to promote business activity within the area. Operations are financed primarily by tax revenues collected on real and personal property located within the District.

The District is governed by an eleven-member Board of Directors appointed as provided in the Business Improvement Act of the State of Colorado.

The District normally enters into a Contract Service Agreement with the Downtown Partnership of Colorado Springs, (a non-profit corporation) (Downtown Partnership). Under this service agreement, the Downtown Partnership acts as manager of the District's operations and programs, which consist primarily of public space management services, marketing services, and transportation services.

The District has no component units for which either discrete or blended presentation is required.

The District is considered a governmental fund type, component unit of the City of Colorado Springs.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to a governmental unit. The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles.

Government-wide Financial Statements - The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District.

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 the related cash flow.

Fund Financial Statements - The accounts of the District are organized on the basis of funds. Each fund is considered an independent fiscal and accounting entity with a self-balancing set of accounts. Each fund records cash and/or other assets, together with all related liabilities, obligations, reserves and equities, segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Governmental Fund Type - The 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.

Basis of Accounting – The basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement focus applied.

**GREATER DOWNTOWN COLORADO SPRINGS
BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Governmental funds are accounted for using the modified accrual basis of accounting. Revenue is recognized when it becomes measurable and available as net current assets. Taxpayer assessed income and gross receipts are considered measurable when in the hands of intermediary collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are reported as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which is recognized when due.

Capital Assets - Capital assets are reported in the government-wide financial statements. Capital assets are defined as assets having an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at 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 asset lives are not capitalized.

Depreciable capital assets are depreciated using the straight-line method over estimated useful lives of 3-5 years.

Deferred Inflow of Financial Resources - Upon certification of the amount of levy by the District to El Paso County, Colorado, the County levies the property tax in December of the year prior-to the year of collection of the tax. The County also acts as the billing and collection agency for the District. Property taxes attach as a lien on January 1, and may be paid in full by April 30, or in equal installments by February 28 and July 31. The District records the tax as a receivable when measurable and an enforceable legal claim attaches to the property. The tax is recognized as revenue when the money is available in the following year.

Fund Balances/Net Position - The District adopted the provisions of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The objective of the statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. As such, governmental funds report fund balances in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance for the District's governmental fund consists of the following:

Nonspendable - includes amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash such as prepaid items or inventory.

Restricted - includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation.

**GREATER DOWNTOWN COLORADO SPRINGS
BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Committed - includes amounts that can only be used for the specific purposes determined by the passage of a resolution of the District's Board of Directors. Commitments may be modified or changed only by the District's Board of Directors approving a new resolution.

Assigned - includes amounts intended to be used by the District for specific purposes that are neither restricted nor committed. Intent is expressed by the District's Board of Directors to which the assigned amounts are to be used for specific purposes. Assigned amounts may include appropriations of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's balance.

Unassigned - this is the residual classification for the general fund.

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications, fund balance is reduced in the order of restricted, committed, assigned and unassigned.

In the government-wide financial statements, net position is classified in the following categories:

Invested in Capital Assets, Net of Related Debt - this classification consists of capital assets net of accumulated depreciation and reduced by outstanding related debt that is attributed to the acquisition, construction or improvement of capital assets.

Restricted Net Assets - this classification consists of restrictions created by external creditors, grantors, contributors, laws or regulations of other governments, enabling legislation and constitutional provisions.

Unrestricted Net Assets - this classification represents the remainder of net assets that do not meet the definition of "invested in capital assets, net of related debt", or "restricted net assets."

Employee Benefits - The District has no employees; all services are contracted out.

Fair Value of Financial Instruments - Financial instruments include cash and cash equivalents, accounts receivable, and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2018, does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require 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.

**GREATER DOWNTOWN COLORADO SPRINGS
BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Budgetary Information - An annual budget is adopted on a basis consistent with generally accepted accounting principles for the general fund. Colorado law requires that all funds have legally adopted budgets and total expenditures for each fund cannot exceed the amount appropriated. Appropriations for a fund may be increased provided they are offset by unanticipated revenues. Appropriations are adopted by resolution for each fund in total. Over expenditures are not deemed to exist unless the fund as a total has expenditures in excess of appropriations. All appropriations lapse at year-end.

NOTE 1 – DEPOSITS

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

Deposits are categorized to give an indication of risk assumed by the District at the end of the year. Category a) Uncollateralized, Category b) Collateralized with securities held by pledging institution, Category c) Collateralized with securities held by the pledging institution’s trust department or agent but not in the depositor-government’s name.

Custodial Credit Risk Deposits - Custodial credit risk is the risk that in the event of bank failure, the District’s deposits will not be returned to it. The District does not currently have a policy related to custodial credit risk. As of December 31, 2018, deposits with a bank balance of \$160,974 and book balance of \$161,720 are uninsured but are not exposed to custodial credit risk because they are collateralized with securities held by the pledging financial institution through the PDPA.

NOTE 2 – CASH AND CASH EQUIVALENTS

As of December 31, 2018, cash and cash equivalents consisted of the following:

Cash	\$ 124,911
Money Market Funds	286,809
	<u>\$ 411,720</u>

**GREATER DOWNTOWN COLORADO SPRINGS
BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 – CAPITAL ASSETS

The following is a summary of changes in capital assets:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Machinery & Equipment	\$ 113,453	\$ 8,293	\$ -	\$ 121,746
Less: Accumulated Depreciation	(92,428)	(10,870)	-	(103,298)
Government Activities				
Capital Assets Net	<u>\$ 21,025</u>	<u>\$ (2,577)</u>	<u>\$ -</u>	<u>\$ 18,448</u>

Depreciation expense for the year ended December 31, 2018, was \$10,870.

NOTE 4 – FUND BALANCE

As of December 31, 2018, fund balances are composed of the following amounts:

	<u>General Fund</u>
Nonspendable	
Prepaid Tile Inventory	\$ 5,207
Other Prepaid Expenses	4,666
	<u>9,873</u>
Restricted	
Emergency	18,000
Committed	
Capital Reserve	31,517
Assigned	
Operating Reserve	281,996
Unassigned	<u>89,808</u>
Total Fund Balance	<u><u>\$ 431,194</u></u>

As required by a Colorado constitutional amendment (TABOR), the District has established an emergency reserve in the amount of \$18,000 as of December 31, 2018. This reserve represents 3% of the 2018 fiscal year spending. The capital reserve was committed through a resolution of the District’s Board of Directors for future equipment and capital asset purchases and replacements. The District’s also maintains a six-month operating reserve for future operating needs.

**GREATER DOWNTOWN COLORADO SPRINGS
BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 – AMENDMENT TO COLORADO CONSTITUTION

In November 1992, the voters of Colorado approved the Taxpayer's Bill of Rights (TABOR), which added Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations that apply to the State of Colorado and all local governments.

TABOR also requires local governments to establish emergency reserve funds. The reserve fund must consist of at least 3% of fiscal year spending. TABOR allows local governments to impose emergency taxes (other than property taxes) if certain conditions are met. Local governments are not allowed to use emergency reserves to compensate for economic conditions, revenue shortfall, or local government salary or benefit increases.

The District voters elected to override the TABOR amendment for 2003 and future years. However, the above-mentioned emergency reserve requirement remains.

TABOR is complex and subject to interpretation. Ultimate implementation may depend upon litigation and legislative guidance. The District believes it has complied with all appropriate aspects of the TABOR amendment.

NOTE 6 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 7 – CONTRACTS FOR SERVICES

The District entered into a Contract for Services Agreement with the Downtown Partnership for a twelve-month period ending December 31, 2018. Terms of the agreement specify that the Downtown Partnership would manage and administer the District in accordance with the 2018 budget and operating plan. The Downtown Partnership's compensation under this agreement was \$186,082.

Effective January 1, 2019, the District entered into an agreement, similar to the above, for 2019 services. The Downtown Partnership's compensation under this agreement is \$201,092.

The District entered into a Contract for Service Agreement with a company for a twelve-month period ending December 31, 2018. Terms of the agreement specify the company would provide services for public space management and landscape services. The company's compensation under this agreement was \$227,793.

Effective January 1, 2019, the District entered into an agreement, similar to above, for 2019 public space management services. The total compensation under this agreement is \$235,983.

The District entered into a Contract for Service Agreement with a company for a twelve-month period ending December 31, 2018, for landscaping services. Compensation under this agreement was based on hourly rates and actual material costs.

**GREATER DOWNTOWN COLORADO SPRINGS
BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 – CONTRACTS FOR SERVICES - Continued

Effective January 2, 2019, the District entered into a Contract for Service Agreement with a company for a twelve-month period ending December 31, 2019, for security services. Compensation under this agreement is based on hourly rates.

NOTE 8 – PROPERTY TAX INCREMENT REVENUE AGREEMENT

In December 2018, the District entered into an agreement with an Urban renewal authority to allocate under Colorado State statutes tax increment financing to assist in redevelopment and public improvement. Under this agreement, the district will back the Authority with 100% of the tax increment generated by and attributable to the property for the TIF period .

NOTE 9 – SUBSEQUENT EVENTS

See NOTE 7 – Contracts for Services regarding contracts entered into by the District for 2019.

The District has evaluated subsequent events through February 19, 2019, that date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION

**GREATER DOWNTOWN COLORADO SPRINGS
BUSINESS IMPROVEMENT DISTRICT
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED DECEMBER 31, 2018**

Expenditures	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				(Unfavorable)
Public Space Management	\$ 444,267	\$ 444,267	\$ 421,733	\$ 22,534
Marketing	97,300	97,300	99,734	(2,434)
Direct Overhead	51,462	51,462	49,559	1,903
Other Expenses	50,000	50,000	-	50,000
Capital Outlay	-	-	8,293	(8,293)
Total Expenditures	<u>643,029</u>	<u>643,029</u>	<u>579,319</u>	<u>63,710</u>
Revenue				
Program Revenue	<u>36,890</u>	<u>36,890</u>	<u>51,235</u>	<u>14,345</u>
Net Expenditures	<u>606,139</u>	<u>606,139</u>	<u>528,084</u>	<u>78,055</u>
General Revenue				
Property Taxes	503,738	503,738	498,318	(5,420)
Specific Ownership Tax	52,300	52,300	67,937	15,637
Interest	100	100	1,001	901
Total General Revenue	<u>556,138</u>	<u>556,138</u>	<u>567,256</u>	<u>11,118</u>
 Revenue over Expenditures	 (50,001)	 (50,001)	 39,172	 89,173
 Beginning Fund Balance, January 1	 <u>392,022</u>	 <u>392,022</u>	 <u>392,022</u>	 <u>-</u>
 Ending Fund Balance, December 31	 <u>\$ 342,021</u>	 <u>\$ 342,021</u>	 <u>\$ 431,194</u>	 <u>\$ 89,173</u>

See Notes to Required Supplemental Information

NOTES REQUIRED SUPPLEMENTAL INFORMATION

**GREATER DOWNTOWN COLORADO SPRINGS
BUSINESS IMPROVEMENT DISTRICT
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Budget Accounting - Budgets are prepared in accordance with the requirements of Colorado Revised Statutes - (29-1-103) and accordingly include "anticipated income and other means of financing proposed expenditures." Expenditures also include, in addition to those shown in the operating statements, debt redemptions and capital expenditures.

Budgets - The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements.

- A. Budgets are required by State law for all funds. During September, the proposed budget is submitted to the Board of Directors by the budget officer for the fiscal year commencing the following January 1. The budget includes proposed expenditures and means of financing them.
- B. Public hearings are conducted by the Board of Directors to obtain taxpayer comments.
- C. Prior to December 31, the budget is adopted, and appropriations made by formal resolution.
- D. Expenditures may not legally exceed appropriations at the fund level. Board of Director approval is required for changes in the total budget of any fund or changes in project or department budgets. Budget amounts included in the financial statements are based on the final, legally amended budget.
- E. Budget appropriations lapse at the end of each year.

Accordingly, budget comparisons are of the legally adopted budget. The level of budget control is determined by the resolution appropriating sums of monies. Encumbrances are neither recorded on the books of the District nor included in the budget. The Board of Directors has the authority to make budget amendments.