City of Colorado Springs Spring Creek General Improvement District

(A Component Unit of the City of Colorado Springs, Colorado)

2018

Financial Statements

For the year ended December 31, 2018

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Independent Auditor's Report

Honorable Mayor and Members
of City Council and City Auditor
City of Colorado Springs
Colorado Springs, Colorado

We have audited the accompanying financial statements of the governmental activities and the major fund of the City of Colorado Springs Spring Creek General Improvement District (the District), a component unit of the City of Colorado Springs, Colorado, 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 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 District'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 District'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.

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Honorable Mayor and Members
of City Council and City Auditor
City of Colorado Springs

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 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

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 the missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements of the District's basic financial statements. The Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual – Debt Service Fund listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

BKD, LLP

Colorado Springs, Colorado
June 6, 2019

City of Colorado Springs Spring Creek
General Improvement District
STATEMENT OF NET POSITION
December 31, 2018

	Governmental Activities
ASSETS	
Due from other governments	$ 375,322
Accounts receivable	2,389
Taxes receivable	114,677
Total assets	492,388
LIABILITIES	
Accrued interest payable	2,630
Noncurrent liabilities:	
Due within one year	260,000
Due in more than one year	275,000
Total liabilities	537,630
DEFERRED INFLOWS OF RESOURCES	
Property taxes	114,677
Total deferred inflows of resources	114,677
NET POSITION	
Unrestricted (deficit)	(159,919)
Total net position (deficit)	$ (159,919)

The accompanying notes are an integral part of this statement.

City of Colorado Springs Spring Creek
General Improvement District
STATEMENT OF ACTIVITIES
For the year ended December 31, 2018

Function/Programs	Expenses	Net (Expense) Revenue and Changes in Net Position Governmental Activities
Governmental activities		
General government	$ 5,788	
Interest on long-term debt	44,815	$ (50,603)
General revenues:		
Property taxes		239,308
Investment earnings		7,076
Total general revenues		246,384
Change in net position		195,781
Net position (deficit) - beginning of year		(355,700)
Net position (deficit) - end of year		$ (159,919)

The accompanying notes are an integral part of this statement.

City of Colorado Springs Spring Creek
General Improvement District
GOVERNMENTAL FUND BALANCE SHEET
December 31, 2018

	Debt Service Fund
ASSETS	
Due from other governments	$ 375,322
Accounts receivable	2,389
Taxes receivable	114,677
Total assets	492,388
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	
Deferred inflows of resources	
Unavailable revenue - property taxes	114,677
Total deferred inflows of resources	114,677
Fund balance	
Restricted for debt service	377,711
Total fund balance	377,711
Total deferred inflows of resources and fund balance	$ 492,388

The accompanying notes are an integral part of this statement.

City of Colorado Springs Spring Creek
General Improvement District
RECONCILIATION OF THE GOVERNMENTAL
FUND BALANCE SHEET TO THE
STATEMENT OF NET POSITION
December 31, 2018

Amounts reported for governmental activities in the statement of net position are different because:		
Fund balance - governmental fund	$	377,711
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. The details of this difference are as follows:		
Bonds payable		(535,000)
Accrued interest payable		(2,630)
Net position (deficit) - governmental activities	$	(159,919)

The accompanying notes are an integral part of this statement.

City of Colorado Springs Spring Creek
General Improvement District
GOVERNMENTAL FUND STATEMENT OF REVENUES,
EXPENDITURES AND CHANGE IN FUND BALANCE
For the year ended December 31, 2018

	Debt Service Fund
Revenues	
Property taxes	$ 239,308
Investment earnings	7,076
Total revenues	246,384
Expenditures	
Current:	
Miscellaneous	5,788
Debt service:	
Interest	46,020
Principal	245,000
Total expenditures	296,808
Net change in fund balance	(50,424)
Fund balance - beginning of year	428,135
Fund balance - end of year	$ 377,711

The accompanying notes are an integral part of this statement.

City of Colorado Springs Spring Creek
General Improvement District
RECONCILIATION OF THE GOVERNMENTAL
FUND STATEMENT OF REVENUES,
EXPENDITURES AND CHANGE IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
For the year ended December 31, 2018

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balance - governmental fund	$	(50,424)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The detail of this difference is as follows:		
Principal payment		245,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The detail of this difference is as follows:		
Change in accrued interest payable		1,205
Change in net position - governmental activities	$	195,781

The accompanying notes are an integral part of this statement.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements follows:

1. *Reporting entity*

The City of Colorado Springs Spring Creek General Improvement District (the District) is a quasi-municipal political subdivision and body corporate of the State of Colorado established pursuant to Title 31, Article 25, Part 6, of the Colorado Revised Statutes, as amended. The District, located southeast of downtown Colorado Springs, is governed by a Board of Directors comprised of the members of the City Council of the City of Colorado Springs, Colorado, and was established to provide for the construction and installation of street improvements, water distribution and transmission system improvements, sanitary sewer transmission and collection system improvements, and storm drainage improvements within the District. As this District was formed to issue debt to fund infrastructure improvements, after the outstanding bonds are retired, the District will be dissolved. Under accounting principles generally accepted in the United States of America (US GAAP), the District is considered to be a component unit of the City of Colorado Springs, Colorado. Accordingly, the District's financial data is included in the City's financial statements.

The financial statements of the District consist only of the funds of the District. There are no legally separate organizations for which the governing officials of the District are financially accountable or for which the nature and significance of their relationship with the District are such that exclusion of their financial data would cause the District's financial statements to be misleading or incomplete.

2. *Government-wide and fund financial statements*

The government-wide financial statements (i.e., the statement of net position (deficit) and the statement of activities) report information on all of the activities of the District. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District only has *governmental activities.*

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. Indirect expenses have not been allocated. 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*. The District only has *general revenues.*

Separate financial statements are provided for the governmental fund.

3. *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. Property taxes are recognized as revenues in the year for which they are levied.

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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes are recognized as revenues in the year for which the property taxes were levied as an enforceable lien on property. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental fund:

Debt service fund accounts for the servicing of long-term debt.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

4. *Assets, liabilities, deferred inflows of resources and equity*

Deposits and investments

The City of Colorado Springs holds all cash and cash equivalents for the District. The amount held by the City on behalf of the District is included in due from other governments on the governmental fund balance sheet/statement of net position in the amount of $375,322.

Property taxes

The El Paso County Assessor certifies property valuations to the District on November 25 of each year. By December 15, the District sets and certifies its mill levy rate with El Paso County, which then bills and collects the property taxes due. These property taxes attach as an enforceable lien on January 1. The taxes are payable in two installments on February 28 and June 15, or in one installment due April 30. Revenue is recorded in the year for which the property tax was levied as an enforceable legal claim at this time.

Deferred inflows of resources

Property tax revenues are levied and recorded as an asset in the current year but attached as an enforceable lien on the property in the immediately subsequent year. As such, these revenues are reported as a deferred inflow of resources.

Long-term obligations

For long-term obligations, only that portion financed from expendable available financial resources is reported as a fund liability. The current and non-current portions are recorded in the government-wide financial statements.

Fund balance

In the fund financial statements, the governmental fund reports the following classification of fund balances:

Restricted fund balances indicate amounts subject to externally enforceable legal restrictions. Such restrictions are typically imposed by parties altogether outside the District such as creditors, grantors, contributors or other governments. The restricted amount noted in the financial statements is for debt service.

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on its use, either through enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary information

Annual budgets are adopted on a basis consistent with US GAAP. All annual appropriations lapse at fiscal year-end.

A budget is required by state law. The Board of Directors holds public hearings and adopts a budget resolution to legally enact the budget. Any revisions that alter total expenditures must be approved by the Board of Directors.

NOTE C - DETAILED NOTES

1. *Long-term debt*

On August 30, 2005, the District issued $2,695,000 of General Obligation Refunding Bonds, Series 2005. The 2005 bonds carry an interest rate of 5.90%. Remaining annual maturities range from $260,000 to $275,000 with the final payment due in 2020. As of December 31, 2018, the principal amount of $535,000 was outstanding.

These bonds are a general obligation of the District and are not an obligation of the City of Colorado Springs. There is no obligation for the City to levy taxes with respect to the bonds.

Proceeds of the 2005 bonds were used to refund the District's April 1995 bankruptcy plan obligation bonds for certain of the District's General Obligation Bonds, Series 1987, in the aggregate principal amount of $2,755,000 and paying the costs of the issuance of the bonds. The 2005 refunding bond proceeds were held in escrow and used to redeem in full the 1987 bonds on September 29, 2005. The

reacquisition price exceeded the net carrying amount of the old debt by $123,212. This advance refunding was undertaken to reduce the mill levy rate over the next 15 years and resulted in an economic gain of $186,962.

The following schedule reflects the debt service requirements to maturity of the District's general obligation refunding bonds as of December 31, 2018:

Year ending December 31,	Principal	Interest	Total
2019	$ 260,000	$ 31,565	$ 291,565
2020	275,000	16,225	291,225
	$ 535,000	$ 47,790	$ 582,790

The changes in long-term debt for the year ended December 31, 2018, were as follows:

	Balance, January 1, 2018	Additions	Reductions	Balance, December 31, 2018	Amounts due within one year
Series 2005 refunding general obligation bonds	$ 780,000	$ —	$ 245,000	$ 535,000	$ 260,000

NOTE D - OTHER INFORMATION

1. *TABOR*

In November 1992, the voters of Colorado approved Amendment 1, commonly known as the Taxpayer's Bill of Rights (TABOR) which added a new 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.

The District's financial activity for 2004 provides the basis for calculation of future limitations adjusted for allowable increases tied to inflation and local growth. Subsequent to 2004, revenue in excess of the District's "spending limit" must be refunded, unless voters approve the retainage of such excess revenue. TABOR generally requires voter approval for any new tax, tax increases and new debt.

TABOR is complex and subject to interpretation. Ultimate interpretation may depend upon litigation and legislative guidance. The District does not believe it is subject to the provisions of TABOR because of the nature of its operations; however, it believes it has complied with all aspects of the TABOR amendment.

SUPPLEMENTARY INFORMATION

City of Colorado Springs Spring Creek
General Improvement District
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE - BUDGET AND ACTUAL - DEBT SERVICE FUND
For the year ended December 31, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Revenues				
Property taxes	$ 235,848	$ 235,848	$ 239,308	$ 3,460
Investment earnings	5,500	5,500	7,076	1,576
Total revenues	241,348	241,348	246,384	5,036
Expenditures				
Current				
Miscellaneous	6,400	6,400	5,788	612
Debt service				
Interest	46,020	46,020	46,020	—
Principal	245,000	245,000	245,000	—
Total expenditures	297,420	297,420	296,808	612
Net change in fund balance	$ (56,072)	$ (56,072)	(50,424)	$ 5,648
Fund balance - beginning of year			428,135	
Fund balance - end of year			$ 377,711	