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Accountant's Compilation Report

Board of Directors
Interquest South Business Improvement District

Management is responsible for the accompanying budget of revenues, expenditures, and fund balances of Interquest South Business Improvement District for the year ending December 31, 2020, including the estimate of comparative information for the year ended December 31, 2019, and the actual comparative information for the year ended December 31, 2018, in the format prescribed by Colorado Revised Statutes (C.R.S.) 29-1-105 and the related summary of significant assumptions in accordance with guidelines for the presentation of a budget established by the American Institute of Certified Public Accountants (AICPA). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the budget nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on the accompanying budget.

The budgeted results may not be achieved as there will usually be differences between the budgeted and actual results, because events and circumstances frequently do not occur as expected, and these difference may be material. We assume no responsibility to update this report for events and circumstances occurring after the date of this report.

We draw attention to the summary of significant assumptions which describe that the budget is presented in accordance with the requirements of C.R.S. 29-1-105, and is not intended to be a presentation in accordance with accounting principles generally accepted in the United States of America.

We are not independent with respect to Interquest South Business Improvement District.

CliftonLarsonAllen LLP

Colorado Springs, Colorado
January 29, 2020



An independent member of Nexia International

**INTERQUEST SOUTH BUSINESS IMPROVEMENT DISTRICT
SUMMARY
2020 BUDGET
WITH 2018 ACTUAL AND 2019 ESTIMATED
For the Years Ended and Ending December 31,**

1/29/20

	ACTUAL 2018	ESTIMATED 2019	BUDGET 2020
BEGINNING FUND BALANCES	\$ 1,480,350	\$ 1,436,538	\$ 1,384,768
REVENUES			
Property taxes	96,484	107,471	132,955
Specific Ownership Tax	13,118	12,897	14,625
Interest Income	28,141	33,556	12,920
Public improvement Fees	108,980	133,329	136,766
Developer Advance	25,000	84,708	50,000
Total revenues	<u>271,723</u>	<u>371,961</u>	<u>347,266</u>
TRANSFERS IN	<u>59,407</u>	<u>50,325</u>	<u>50,000</u>
Total funds available	<u>1,811,480</u>	<u>1,858,824</u>	<u>1,782,034</u>
EXPENDITURES			
General Fund	123,071	133,990	132,500
Debt Service Fund	187,602	230,000	231,000
Capital Projects Fund	4,862	59,741	1,015,417
Total expenditures	<u>315,535</u>	<u>423,731</u>	<u>1,378,917</u>
TRANSFERS OUT	<u>59,407</u>	<u>50,325</u>	<u>50,000</u>
Total expenditures and transfers out requiring appropriation	<u>374,942</u>	<u>474,056</u>	<u>1,428,917</u>
ENDING FUND BALANCES	<u>\$ 1,436,538</u>	<u>\$ 1,384,768</u>	<u>\$ 353,117</u>
EMERGENCY RESERVE	\$ 2,400	\$ 2,500	\$ 2,610
AVAILABLE FOR OPERATIONS	952	2,368	6,576
SURPLUS FUND	300,000	300,000	300,000
TOTAL RESERVE	<u>\$ 303,352</u>	<u>\$ 304,868</u>	<u>\$ 309,186</u>

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

**INTERQUEST SOUTH BUSINESS IMPROVEMENT DISTRICT
PROPERTY TAX SUMMARY INFORMATION
2020 BUDGET
WITH 2018 ACTUAL AND 2019 ESTIMATED
For the Years Ended and Ending December 31,**

1/29/20

	ACTUAL 2018	ESTIMATED 2019	BUDGET 2020
ASSESSED VALUATION			
Commercial	\$ 15,161,000	\$ 14,759,510	\$ 16,688,150
Industrial	1,619,690	1,619,690	3,453,350
State assessed	35,890	9,420	7,030
Vacant land	486,370	648,700	2,010,590
Certified Assessed Value	<u>\$ 17,302,950</u>	<u>\$ 17,037,320</u>	<u>\$ 22,159,120</u>
MILL LEVY			
General	1.000	1.000	1.000
Debt Service	5.000	5.000	5.000
Refund and abatements	0.000	0.308	0.000
Total mill levy	<u>6.000</u>	<u>6.308</u>	<u>6.000</u>
PROPERTY TAXES			
General	\$ 17,303	\$ 17,037	\$ 22,159
Debt Service	86,515	85,187	110,796
Refund and abatements	-	5,247	-
Levied property taxes	103,818	107,471	132,955
Adjustments to actual/rounding	-	-	-
Refunds and abatements	(7,334)	-	-
Budgeted property taxes	<u>\$ 96,484</u>	<u>\$ 107,471</u>	<u>\$ 132,955</u>
BUDGETED PROPERTY TAXES			
General	\$ 16,081	\$ 17,912	\$ 22,159
Debt Service	80,403	89,559	110,796
	<u>\$ 96,484</u>	<u>\$ 107,471</u>	<u>\$ 132,955</u>

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**INTERQUEST SOUTH BUSINESS IMPROVEMENT DISTRICT
GENERAL FUND
2020 BUDGET
WITH 2018 ACTUAL AND 2019 ESTIMATED
For the Years Ended and Ending December 31,**

1/29/20

	ACTUAL 2018	ESTIMATED 2019	BUDGET 2020
BEGINNING FUND BALANCE	\$ 27,084	\$ 3,352	\$ 4,868
REVENUES			
Property Taxes	16,081	17,912	22,159
Specific Ownership Tax	13,118	12,897	14,625
Interest Income	-	22	34
Developer Advance	25,000	55,000	50,000
Total revenues	54,199	85,831	86,818
TRANSFERS IN			
Transfers from Debt Service Fund	50,000	50,000	50,000
Total funds available	131,283	139,183	141,686
EXPENDITURES			
General and administrative			
Accounting	31,587	30,000	30,000
Audit	3,050	3,100	3,200
County Treasurer's Fee	246	269	332
PIF Collection Fees	4,024	6,000	5,000
Dues and Licenses	370	384	400
Insurance and Bonds	1,337	1,337	1,400
District Management	14,666	22,000	18,000
Legal	9,263	15,000	10,000
Miscellaneous	1,081	700	2,100
Interest Expense	16	-	-
Election	1,114	-	2,000
Contingency	-	-	2,368
Operations and maintenance			
Repairs and Maintenance	1,500	3,000	2,500
Landscaping	19,338	15,300	16,000
Miscellaneous - O&M	-	1,200	1,200
Snow removal	5,143	3,500	5,000
Utilities	30,336	32,200	33,000
Total expenditures	123,071	133,990	132,500
TRANSFERS OUT			
Transfers to Capital Projects Fund	4,860	325	-
Total expenditures and transfers out requiring appropriation	127,931	134,315	132,500
ENDING FUND BALANCE	\$ 3,352	\$ 4,868	\$ 9,186
EMERGENCY RESERVE	\$ 2,400	\$ 2,500	\$ 2,610
AVAILABLE FOR OPERATIONS	952	2,368	6,576
TOTAL RESERVE	\$ 3,352	\$ 4,868	\$ 9,186

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

**INTERQUEST SOUTH BUSINESS IMPROVEMENT DISTRICT
DEBT SERVICE FUND
2020 BUDGET
WITH 2018 ACTUAL AND 2019 ESTIMATED
For the Years Ended and Ending December 31,**

1/29/20

	ACTUAL 2018	ESTIMATED 2019	BUDGET 2020
BEGINNING FUND BALANCE	\$ 453,311	\$ 418,620	\$ 372,042
REVENUES			
Public Improvement Fees	108,980	133,329	136,766
Property Taxes	80,403	89,559	110,796
Interest Income	8,981	10,534	5,327
Total revenues	<u>198,364</u>	<u>233,422</u>	<u>252,889</u>
TRANSFERS IN			
Transfers from Capital Projects Fund	<u>4,547</u>	-	-
Total funds available	<u>656,222</u>	<u>652,042</u>	<u>624,931</u>
EXPENDITURES			
County Treasurer's Fee	1,229	1,343	1,662
Paying Agent Fees	-	3,500	3,500
Interest Expense	78	-	-
Contingency	-	4,057	863
Debt Service			
Bond Interest - Series 2017	186,295	196,100	194,975
Bond Principal - Series 2017	-	25,000	30,000
Total expenditures	<u>187,602</u>	<u>230,000</u>	<u>231,000</u>
TRANSFERS OUT			
Transfers to General Fund	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>
Total expenditures and transfers out requiring appropriation	<u>237,602</u>	<u>280,000</u>	<u>281,000</u>
ENDING FUND BALANCE	<u>\$ 418,620</u>	<u>\$ 372,042</u>	<u>\$ 343,931</u>
SURPLUS FUND	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ 300,000</u>
TOTAL RESERVE	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ 300,000</u>

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

**INTERQUEST SOUTH BUSINESS IMPROVEMENT DISTRICT
CAPITAL PROJECTS FUND
2020 BUDGET
WITH 2018 ACTUAL AND 2019 ESTIMATED
For the Years Ended and Ending December 31,**

1/29/20

	ACTUAL 2018	ESTIMATED 2019	BUDGET 2020
BEGINNING FUND BALANCE	\$ 999,955	\$ 1,014,566	\$ 1,007,858
REVENUES			
Interest Income	19,160	23,000	7,559
Developer Advance	-	29,708	-
Total revenues	<u>19,160</u>	<u>52,708</u>	<u>7,559</u>
TRANSFERS IN			
Transfers from General Fund	<u>4,860</u>	<u>325</u>	<u>-</u>
Total funds available	<u>1,023,975</u>	<u>1,067,599</u>	<u>1,015,417</u>
EXPENDITURES			
General and Administrative			
Accounting	4,822	325	-
Legal services	40	-	-
Capital Projects			
Repay Developer Advance	-	29,708	-
Capital outlay	-	29,708	1,015,417
Total expenditures	<u>4,862</u>	<u>59,741</u>	<u>1,015,417</u>
TRANSFERS OUT			
Transfers to Debt Service Fund	<u>4,547</u>	<u>-</u>	<u>-</u>
Total expenditures and transfers out requiring appropriation	<u>9,409</u>	<u>59,741</u>	<u>1,015,417</u>
ENDING FUND BALANCE	<u>\$ 1,014,566</u>	<u>\$ 1,007,858</u>	<u>\$ -</u>

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

**INTERQUEST SOUTH BUSINESS IMPROVEMENT DISTRICT
2020 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Services Provided

The District was organized to provide the financing, acquisition, construction, completion, installation, replacement and/or operation and maintenance of all of the services and public improvements allowed under Colorado law for business improvement districts. Specific improvements and services provided by the District include parking facilities, roadways, lighting, driveways, public utilities and landscaping. The District's service area is located entirely within the City of Colorado Springs, El Paso County, Colorado.

The District was organized by Ordinance of the City of Colorado Springs on October 26, 2004.

At an election held on November 2, 2004, the voters approved general obligation indebtedness of \$24,000,000 for street improvements. On November 1, 2005, the District's electors authorized additional indebtedness of \$3,500,000 for water and sanitary sewer. The voters also approved an annual increase in taxes of \$60,000, at a mill levy rate not to exceed one mill, for general operations and maintenance. The election also allows the District to retain all revenues without regard to the limitations contained in Article X, Section 20, of the Colorado constitution. Pursuant to the District's operating plan filed annually with the City, the maximum debt service mill levy the District can impose is 50.000 mills. As set forth in the District's 2005 operating plan, the City has limited the amount of debt to be issued to a total of \$24,000,000 in the authorized voted categories, without future approval by the City.

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

The District prepares its budget on the modified accrual basis of accounting in accordance with the requirements of Colorado Revised Statutes C.R.S. 29-1-105 using its best estimates as of the date of the budget hearing. These estimates are based on expected conditions and its expected course of actions. The assumptions disclosed herein are those that the District believes are significant to the budget. There will usually be differences between the budget and actual results, because events and circumstances frequently do not occur as expected, and those difference may be material.

Revenues

Property Taxes

Property taxes are levied by the District's 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.

The calculation of the taxes levied is displayed on the Property Tax Summary page of the budget using the adopted mill levy imposed by the District.

**INTERQUEST SOUTH BUSINESS IMPROVEMENT DISTRICT
2020 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Revenues - (continued)

Specific Ownership Taxes

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on vehicle licensing within the County as a whole. The specific ownership taxes are allocated by the County Treasurer to all taxing entities within the County. The budget assumes that the District's share will be equal to approximately 11% of the property taxes collected.

Interest Income

Interest earned on the District's available funds has been estimated based on an average interest rate of approximately 1.50%.

PIF Fees

The District charges a public improvement fee (PIF). The nature of the PIF is that of a fee imposed under private contract and not through the exercise of any governmental taxing authority. The PIF is applied to the sale of goods at a rate of 1.50%, in addition to all sales and use taxes that may be imposed and is collected by the retailers in the District and remitted to the District within 20 days after month end. All PIF fees are pledged to the payment of the District's Series 2017 Special Tax Revenue Bonds, except for \$50,000, which is to be transferred in 2020 to the General Fund for operations and maintenance funding. Beginning in 2021, the amount to be transferred will increase to \$135,000. The amount transferred each year will be increased 1% per year beginning in 2022.

Expenditures

Administrative and Operations/Maintenance Expenditures

Administrative and operating expenditures include the estimated services necessary to maintain the District's administrative viability such as legal, management, accounting, insurance, and other administrative expenses. The District has also budgeted for operations and maintenance expenditures for landscaping, snow removal, utilities, and repairs and maintenance of District property.

County Treasurer's Fees

County Treasurer's collection fees have been computed at 1.5% of property taxes.

Debt Service

Principal and interest payments are provided based on the debt amortization schedule from the Series 2017 Bonds (discussed under Debt and Leases).

Capital Outlay

The District anticipates infrastructure improvements as noted in the Capital Projects fund.

**INTERQUEST SOUTH BUSINESS IMPROVEMENT DISTRICT
2020 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Debt and Leases

On December 19, 2017, the District issued \$4,000,000 in Series 2017 Limited Property Tax and Public Improvement Fee Revenue Bonds (“the Bonds”) on December 7, 2017 to fund public improvements, pay bond issue costs, fund an initial deposit to the Surplus Fund, and fund capitalized interest. The Bonds bear interest ranging from 4.5% to 5.0% paid semi-annually on June 1 and December 1, beginning December 1, 2019. The Bonds mature on December 1, 2047. The Bonds will be secured by and payable solely from pledged revenues, after the Annual Operations Deduction Amount and net of the cost of collection, consisting of (1) revenues attributable to a privately imposed public improvement fee payable with respect to certain retail sales transactions and construction activities occurring within the development, (2) revenues attributable to property taxes derived from an initial required mill levy of 5.000 mills, up to an estimated maximum of 30.000 mills, and (3) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Bond Fund. The Annual Operations Deduction Amount is an amount equal to: (i) for the Bond Year ending December 1, 2017, \$0; (ii) for each of the Bond Years ending December 1, 2018, December 1, 2019, and December 1, 2020, \$50,000; (iii) for the Bond Year ending December 1, 2021, \$135,000; and (iv) for each Bond Year thereafter, the dollar amount for the prior year plus 1.00%. The District’s current debt service schedule is attached.

The District has no capital or operating leases.

Reserves

Emergency Reserve

The District has provided for an emergency reserve fund equal to at least 3% of fiscal year spending as defined under TABOR.

Surplus Fund

With the issuance of the Series 2017 Bonds, an initial deposit was made into a Surplus Fund. Pledged Revenue that is not needed to pay debt service on the Bonds in any year will be deposited to and held in the Surplus Fund, up to the Maximum Surplus Amount of \$700,000. Amounts on deposit in the Surplus Fund, if any, on the maturity date of the Bonds will be applied to the payment of the Bonds.

This information is an integral part of the accompanying budget.

**INTERQUEST SOUTH BUSINESS IMPROVEMENT DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**

\$4,000,000

Series 2017 Limited Property Tax and Public Improvement Fee Revenue Bonds

Dated December 19, 2017

Interest Rate 4.5% - 5.0%

Interest Payable June 1 and December 1

Principal Due December 1

	<u>Principal</u>		<u>Interest</u>		<u>Total</u>
2020	\$ 30,000		\$ 194,975		\$ 224,975
2021	50,000		193,625		243,625
2022	55,000		191,375		246,375
2023	55,000		188,900		243,900
2024	65,000		186,425		251,425
2025	70,000		183,500		253,500
2026	75,000		180,350		255,350
2027	80,000		176,975		256,975
2028	85,000		173,375		258,375
2029	90,000		169,550		259,550
2030	100,000		165,500		265,500
2031	105,000		161,000		266,000
2032	115,000		155,750		270,750
2033	120,000		150,000		270,000
2034	130,000		144,000		274,000
2035	140,000		137,500		277,500
2036	150,000		130,500		280,500
2037	160,000		123,000		283,000
2038	170,000		115,000		285,000
2039	180,000		106,500		286,500
2040	195,000		97,500		292,500
2041	205,000		87,750		292,750
2042	220,000		77,500		297,500
2043	235,000		66,500		301,500
2044	250,000		54,750		304,750
2045	265,000		42,250		307,250
2046	280,000		29,000		309,000
2047	300,000		15,000		315,000
	<u>\$ 3,975,000</u>		<u>\$ 3,698,050</u>		<u>\$ 7,673,050</u>

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