

September 28, 2012

George Delany
Manager of Public Works
City and County of Denver
201 W. Colfax Ave. Dept.
Denver, CO 80202

Dear Mr. Delany:

The Denver 14th Street General Improvement District Advisory Board (GID) submits the attached preliminary maintenance and operating budget, capital budget and operating plan for 2013.

In addition to the proposed budgets, the GID is submitting a copy of the charge calculations for each property for both the maintenance and capital charges. These proposed charges will be billed by the GID in early 2013.

In addition to the 2013 Operating Plan and Budgets, also included are:

- A copy of the approved 2013 Budget, which shows the original amounts approved and the actual expenditures and revenues;
- The status of any planned or outstanding indebtedness;
- A copy of the 2012 BID audit conducted in 2012;
- A copy of the current District Advisory Board

There have been no material departures from the 2012 Operating Plan.

Please contact me at 303-571-8226 if you have questions or require additional information.

Sincerely,



Kate Hahe
Director, Pedestrian Environment

CC: Debra Johnson,
Mr. Rick Sheehan,
Mr. Norman. F. "Rick" Kron, Grimshaw & Harring

Enclosures

County Clerk and Recorder File Number 09-629-6

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09-629-6

14th Street General Improvement District
 Statement of Revenues and Expenditures - Unposted Transactions Included In Report
 From 1/1/2012 Through 8/31/2012

	A	B	C	D	E	F	G	H
			August 2012 Year-to-Date Actual	Total 2012 Budget	Total Budget \$ Variance	Full Year Projections for 2012	Projections over (under) Budget	
1	Revenues							
2	Maintenance Receipts							
3								
4								
5	31100	Standard Zone Revenue	33,111	27,500	(5,611)	27,500	0	
6	31110	Premium Zone Revenue	122,500	122,500	0	122,500	0	
7	31115	(HGI)Additional Revenue	0	5,612	5,612	5,612	0	
8	31120	Additional Maintenance Revenue	0	0	0	5,000	0	
9	31120	Banner Rental Revenue	11,880	18,000	6,120	18,000	0	
10		Total Maintenance Receipts	167,491	173,612	6,121	178,612	5,000	
11		Total Revenues	167,491	173,612	6,121	178,612	5,000	
12								
13	Expenses							
14	Operation Expenses							
15	61100	City Distr Fee-14th Street	5,000	5,000	0	5,000	0	
16	61105	C&CD Calc. Chrg.	0	2,500	2,500	2,500	0	
17	61110	Insurance Direct	175	2,000	1,825	2,000	0	
18	61115	Legal Fees	0	5,000	5,000	1,500	(3,500)	
19	61120	Board & Comm	29	1,000	971	150	(850)	
20	61125	Admin O/H	20,000	20,000	0	20,000	0	
21	61130	Bank Fees	20	0	(20)	100	100	
22	61135	Audit	3,250	3,250	0	3,250	0	
23	61140	State-mandated emergency reserve	0	2,970	2,970	2,970	0	
24	61145	Contingency	0	7,035	7,035	0	(7,035)	
25		Total Operation Expenses	28,174	48,755	20,281	37,470	(11,285)	
26		Maintenance Expenses						
27	61150	Routine Premium Maintenance Cost	0	7,500	7,500	0	(7,500)	
28	61171	Banner Installations	341	3,600	3,259	5,500	1,900	
29	61175	Watering	1,958	5,000	3,042	3,500	(1,500)	
30	61176	Recycling Receipts	0	4,500	4,500	1,800	(2,700)	
31	61177	Seasonal Planting	12,029	17,000	4,971	16,730	(270)	
32	61178	Maintenance for Plantings	0	14,500	14,500	10,800	(3,700)	
33	61179	Utilities Power	3,738	7,750	4,012	6,200	(1,550)	
34	61180	Irrigation blowout	0	6,000	6,000	0	(6,000)	
35	61181	District Banners	154	4,500	4,346	2,500	(2,000)	
36		Total Maintenance	18,220	70,350	52,130	47,030	(23,320)	
37		Contribution Operating Reserve						
38	61200	Contribution to Operating Reserve	0	54,507	54,507	94,112	39,605	
39		Total Contribution Operating Reserve	0	54,507	54,507	94,112	39,605	
40		Total Operating Expenses	46,694	173,612	126,918	178,612	5,000	
41								
42		Operating Revenues Over (Under) Expenses	120,797	0	120,797	0	0	
43								
44		Debit Service						
45	31150	Capital Revenue	352,702	352,700	2	352,700	0	
46	32000	Bank Interest	205	0	205	205	0	
47		Total Debt Service Expenses	352,907	352,700	207	352,905	205	
48								
49								
50								
51	62000	Bond Interest Exp-UMB	138,600	352,700	214,100	352,700	0	
52		Total Debt Service	138,600	352,700	214,100	352,700	0	
53	Net Debt Service		214,307	214,307	214,307	205	205	
54								
55								

14th Street General Improvement District
Preliminary 2013 Budgeted Revenues and Expenditures

	A	B	C	E	G	H
			Total 2012 Budget	Full Year Projections for 2012		Proposed Budget for 2013
1						
2						
3	Revenues					
4	Maintenance Receipts					
5	31100	Standard Zone Revenue	27,500	27,500		28,188
6	31110	Premium Zone Revenue	122,500	122,500		125,563
7	31115	(HGI)Additional Revenue	5,612	5,612		5,752
8	31120	Additional Maintenance Revenue	0	5,000		7,200
9	31120	Banner Rental Revenue	18,000	18,000		18,000
10	Total Maintenance Receipts		173,612	178,612		184,703
11	Total Revenues		173,612	178,612		184,703
12						
13	Expenses					
14	Operation Expenses					
15	61100	City Distr Fee-14th Street	5,000	5,000		5,000
16	61105	C&CD Calc Chrg.	2,500	2,500		2,500
17	61110	Insurance Direct	2,000	2,000		3,000
18	61115	Legal Fees	5,000	1,500		3,000
19	61120	Board & Comm	1,000	150		500
20	61125	Admin O/H	20,000	20,000		38,000
21	61130	Bank Fees	0	100		100
22	61135	Audit	3,250	3,250		3,250
23	61140	State-mandated emergency reserve	2,970	2,970		5,575
24	61145	Contingency	7,035	0		2,000
25	Total Operation Expenses		48,755	37,470		62,925
26	Maintenance Expenses					
27	61150	Routine Premium Maintenance Cost	7,500	0		0
28	61171	Banner Installations	3,600	5,500		5,500
29	61175	Water - Utilities	5,000	3,500		4,000
30	61176	Recycling Receptacles	4,500	1,800		3,000
31	61177	Seasonal Planting & Maintenance for pots	17,000	16,730		11,000
32	61178	Annual Landscape Maintenance	14,500	10,800		24,500
33	61179	Utilities Power	7,750	6,200		6,500
34		Monument and signage repairs				2,500
35		Additional landscape maintenance at exempt properties				6,000
36		Misc. Maintenance & repairs (power washing, trash can				3,500
37	61180	Irrigation blowout	6,000	0		0
38		Holiday Light installation				16,500
39	61181	District Banners	4,500	2,500		0
40	Total Maintenance		70,350	47,030		83,000
41	Contribution Operating Reserve					
42	61200	Contribution to Operating Reserve	54,507	94,112		38,778
43	Total Contribution Operating Reserve		54,507	94,112		38,778
44	Total Operating Expenses		173,612	178,612		184,703
45						
46	Operating Revenues Over (Under) Expenses		0	0		0
47						
48						
49	Debit Service					
50	31150	Capital Revenue	352,700	352,700		351,950
51	32000	Bank Interest	0	205		205
52	Total Debt Service Expenses		352,700	352,905		352,155
53						
54						
55	62000	Bond Payment Exp-UMB	352,700	352,700		351,950
56	Total Debit Service		352,700	352,700		351,950
57	Net Debt Service		-	205		205
58						

14th Street General Improvement District Reserve Funds

	Balance	12/31/2010	State Mandated Emergency Reserve	Reserve for Bond Debt Service	Unrestricted Operating Reserve	Total Reserve Balances
Balance of Bond Issuance Costs		\$	1,500.00	\$ 50,000.00	\$ 24,943.00	\$ 76,443.00
Projected 2011 Contribution		\$	738.57	\$ 9,555.00	\$ 36,000.00	\$ 387,849.57
Projected 2011 Uses				\$ (351,111.00)	\$ (351,111.00)	\$ (351,111.00)
	Balance	12/31/2011	\$ 2,238.57	\$ 59,555.00	\$ 60,943.00	\$ 113,181.57
Projected 2012 Contribution		\$	2,969.64	\$ 352,700.00	\$ 94,112.00	\$ 449,781.64
Interest				\$ 205.00	\$	\$ 205.00
Projected 2012 Uses				\$ (352,700.00)	\$ (51,000.00)	\$ (403,700.00)
	Balance	12/31/2012	\$ 5,208.21	\$ 59,760.00	\$ 104,055.00	\$ 159,468.21
Projected 2013 Contribution		\$	5,575.00	\$ 351,950.00	\$ 38,778.00	\$ 396,303.00
Interest				\$ 200.00	\$	\$ 200.00
Projected 2013 Uses				\$ (351,950.00)	\$ (351,950.00)	\$ (351,950.00)
	Balance		\$ 10,783.21	\$ 59,960.00	\$ 142,833.00	\$ 204,021.21

**Denver 14th Street General Improvement District
Work Plan
for the year ending December 31, 2013**

Recommended by the District Advisory Board

Work Plan for 2013

- Maintain all streetscape elements along the 14th Street Corridor.
- Contract with appropriate service providers for maintenance and landscape services.
- Bill and collect capital and maintenance charges for 2013
- Establish charge schedule for property owners for 2014 and establish a budget and operating plan for 2014
- Maintain insurance
- Maintain reserve fund
- Monitor all items under warranty and communicate
- Work with the City on maintenance items related to amenities adjacent to City property.
- Communicate to 14th Street Property Owners when appropriate
- Hire appropriate contractors for necessary services

2013 Work Plan

Operating Plan

Operations and maintenance costs include the cost to operate and maintain the improvements in both of the Standard Zone and Premium Zone and include administrative costs. Final completion will be issued in late 2012. Landscape items will be under warranty for a one year period and the hardscape will be under warranty for a three year period. Maintenance responsibilities during the warranty period will be limited to repairs needed for vandalism, general wear and tear and annual landscaping. The 2013 Maintenance and Operating Budget reflect costs for administrative items, including insurance, legal fees, auditor fees, and District administrative management and budgeted maintenance related items including planting and maintaining the flower pots, utility costs and costs associated with the banner program. The total amount of the 2013 maintenance budget is \$184,703. This includes \$153,751.00 in revenue from the property owners, \$18,000 in revenue from the banner program, \$5,752 in revenue from additional maintenance billed to upgraded properties and \$7,200 in revenues from additional maintenance for exempt properties requesting the GID to provide services. Total projected operating expenses for 2013 are \$145,925.00 and the amount allocated to the operating reserve is \$38,778.

Capital Improvement Plan

In 2010 the District provided \$4.0 million in capital funds through the issuance of bonds to be transferred to the City for use on the 14th Street Initial Improvements in conjunction with \$10.0 million of City general obligation bond dollars. In 2011, the District began billing for the bond payments and the first payment was made in June 2011. The Bonds will be paid back over a 25 year period. In 2013 the District will bill \$351,950.00 to the property owners for the 2013 bond payment.

**Denver 14th Street General Improvement District
City and County of Denver, Colorado**

**FINANCIAL STATEMENTS
December 31, 2011**

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L. PAUL GOEDECKE P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

Board of Directors
Denver 14th Street General Improvement District
City and County of Denver, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Denver 14th Street General Improvement District as of and for the year ended December 31, 2011, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates, made by the District, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinions.

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

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 Denver 14th Street General Improvement District as of December 31, 2011, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

L. Paul Goedecke P.C.

L Paul Goedecke, P.C.
April 16, 2012

Denver 14th Street General Improvement District

**Governmental Funds Balance Sheet/Statement of Net Assets
December 31, 2011**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
ASSETS:			
Cash and investments	\$ 59,420	\$ —	\$ 59,420
Restricted investments	4,000	62,944	66,944
Accounts receivable			
Prepaid water expense	3,313	—	3,313
Bond issue costs	—	—	—
Total assets	<u>\$ 66,733</u>	<u>\$ 62,944</u>	<u>\$ 129,677</u>
LIABILITIES:			
Accounts payable	\$ 1,493	\$ —	\$ 1,493
Interest payable- bonds	—	—	—
Long term liabilities			
Due in one year	—	—	—
Due after one year	—	—	—
Total liabilities	<u>1,493</u>	<u>—</u>	<u>1,493</u>
FUND BALANCE/NET ASSETS:			
Non-spendable prepaid amounts	3,313	—	3,313
Restricted for Emergency Reserve	4,000	—	4,000
Restricted for Debt Service	—	62,944	62,944
Unassigned	57,927	—	57,927
Total fund balances	<u>65,240</u>	<u>62,944</u>	<u>128,184</u>
Total liabilities and fund balance	<u>\$ 66,733</u>	<u>\$ 62,944</u>	<u>\$ 129,677</u>
Restricted for:			
Emergency reserve			
Debt service			
Unrestricted			
Total net assets			

Adjustments Note 10	Statement of Net Assets
\$ —	\$ 59,420
—	66,944
—	3,313
143,750	143,750
<u>143,750</u>	<u>273,427</u>
—	1,493
23,100	23,100
75,000	75,000
4,076,667	4,076,667
<u>4,174,767</u>	<u>4,176,260</u>
(3,313)	—
(4,000)	—
(62,944)	—
(57,927)	—
<u>(128,184)</u>	<u>—</u>
4,000	4,000
62,944	62,944
(3,969,777)	(3,969,777)
<u>\$ (3,902,833)</u>	<u>\$ (3,902,833)</u>

NOTE: The accompanying notes are an integral part of the financial statements.

Denver 14th Street General Improvement District

**STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2011

	<u>Government Fund Type</u>	
	<u>General Fund</u>	<u>Debt Service Fund</u>
EXPENDITURES/EXPENSES		
Administrative charge	\$ 15,000	\$ -
Audit	4,000	-
Bank charges	441	-
Amortization	-	-
Board expenses	141	-
Banners	7,542	-
Legal fees	115	-
Insurance	2,401	-
Routine maintenance costs	431	-
Assessment calculation	2,100	-
City district fee	5,000	-
Capital Improvements	52,636	-
Debt service		
Bond interest	-	307,222
Bond principal	-	40,000
Paying agent fees	-	500
Total expenditures/expenses	<u>89,807</u>	<u>347,722</u>
REVENUES		
General Revenues		
Property owner maintenance charges	75,532	-
Property owner capital debt charges	52,636	360,666
Investment income	379	-
Miscellaneous income	57	-
Total revenues	<u>128,604</u>	<u>360,666</u>
NET CHANGES IN FUND BALANCES/NET ASSETS	38,797	12,944
FUND BALANCE/NET ASSETS: BEGINNING OF YEAR	<u>26,443</u>	<u>50,000</u>
END OF YEAR	<u>\$ 65,240</u>	<u>\$ 62,944</u>

	<u>Total</u>	<u>Adjustments Note 10</u>	<u>Statement of Activities</u>
\$	15,000	\$ -	\$ 15,000
	4,000	-	4,000
	441	-	441
	-	6,250	6,250
	141	-	141
	7,542	-	7,542
	115	-	115
	2,401	-	2,401
	431	-	431
	2,100	-	2,100
	5,000	-	5,000
	52,636	-	52,636
	307,222	(25,789)	281,433
	40,000	(40,000)	-
	500	-	500
	<u>437,529</u>	<u>(59,539)</u>	<u>377,990</u>
	75,532	-	75,532
	413,302	-	413,302
	379	-	379
	57	-	57
	<u>489,270</u>	<u>-</u>	<u>489,270</u>
	51,741	59,539	111,280
	76,443	(4,090,556)	(4,014,113)
\$	<u>128,184</u>	<u>\$ (4,031,017)</u>	<u>\$ (3,902,833)</u>

NOTE: The accompanying notes are an integral part of the financial statements.

Denver 14th Street General Improvement District

—
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL
Year Ended December 31, 2011

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Property owners maintenance charges	\$ 74,524	\$ 74,524	\$ 75,532	\$ 1,008
Capital improvement assessment	–	52,636	52,636	–
Investment and other	100	100	436	336
Total revenues	<u>74,624</u>	<u>127,260</u>	<u>128,604</u>	<u>1,344</u>
EXPENDITURES				
General government				
Administrative charges	15,000	15,000	15,000	–
Bank charges	–	–	441	(441)
Board expenses	1,500	1,500	141	1,359
Legal	10,000	10,000	115	9,885
Audit	2,000	2,000	4,000	(2,000)
Insurance	2,000	2,000	2,401	(401)
Banners	–	–	7,542	(7,542)
Routine maintenance	33,163	33,163	431	32,732
Assessment calculation	2,000	2,000	2,100	(100)
City district fee	5,000	5,000	5,000	–
Capital improvements	–	15,183	52,636	(37,453)
Emergency reserve	645	645	–	645
Contingency	3,316	3,316	–	3,316
Total expenditures	<u>74,624</u>	<u>89,807</u>	<u>89,807</u>	<u>–</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	–	37,453	38,797	1,344
FUND BALANCE – BEGINNING OF YEAR	–	26,443	26,443	–
FUND BALANCE – END OF YEAR	<u>\$ –</u>	<u>\$ 63,896</u>	<u>\$ 65,240</u>	<u>\$ 1,344</u>

NOTE: The accompanying notes are an integral part of the financial statements.

Denver 14th Street General Improvement District

NOTES TO FINANCIAL STATEMENTS December 31, 2011

NOTE 1 - DEFINITION OF REPORTING ENTITY

The District, a public or quasi-municipal subdivision of the State of Colorado and body corporate, was organized by Ordinance 464, Series of 2009 of the City Council of the City and County of Denver (the City Council) and is governed pursuant to provisions of the Improvement District Act, Part 6 of Article 25 of Title 31, C.R.S. The District's service area is located entirely in the City and County of Denver (the City). The City Council constitutes the ex-officio Board of Directors of the District (the Board). The Board established an advisory board (the Advisory Board) to assist with the management of the financial and legal affairs of the District.

The District was established to provide, acquire or finance and operate and maintain street improvements, including but not limited to curbs, gutters, culverts and other drainage facilities, underground conduit, sidewalks, trails, parking, paving, lighting, grading, landscaping, bicycle paths and pedestrian ways, bicycle parking and facilities, retaining walls, fencing, entry monumentation, streetscaping, furniture, benches, trash receptacles, newspaper corrals, bridges, median islands, irrigation, signalization, signing and striping, area identification, and incidental and appurtenant facilities, equipment, land and easements and extensions of and improvements to such facilities.

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 is a component unit of the City for financial statement reporting purposes.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 – Special Purpose Governments.

Denver 14th Street General Improvement District

NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These financial statements include all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

The statement of net assets reports all financial and capital resources of the District. The difference between the assets and liabilities of the District is reported as net assets.

The statement of activities demonstrates the degree to which the direct and indirect 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.

Separate financial statements are provided for the government 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.

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 period. The major sources of revenue susceptible to accrual are charges and interest. 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 is due.

The District reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

Denver 14th Street General Improvement District

NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

Fund Balances

Beginning with fiscal year 2011 the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. In the fund financial statements the following classifications describe the relative strength of the spending constraints.

Non-spendable fund balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as inventory) or is legally or contractually required to be maintained intact.

Restricted fund balance – The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.

Committed fund balance – The portion of fund balance constrained for specific purposes according to limitations imposed by the District's highest level of decision making authority, the Board of Directors prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Board of Directors.

Assigned fund balance – The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

Unassigned fund balance – The residual portion of fund balance that does not meet any of the above criteria.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's policy to use the most restrictive classification first.

Denver 14th Street General Improvement District

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with the Charter of the City, the Board 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 Board 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.

The District modified the appropriation of the General Fund from \$74,624 to \$89,807.

Pooled Cash and Investments

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility.

Investments are carried at fair value.

Capital Assets

The initial improvements included within the District are subject to an Intergovernmental Agreement dated March 30, 2010. Provisions of the Agreement provide that the City agrees to cause the installation of sidewalk and streetscape improvements. Consequently, the District's costs related to capital assets have been removed from the District's capital asset records. However, the District has budgeted to maintain certain streetscape improvements within the District at the conclusion of the construction warranty period.

Bond Issue Costs

In the government-wide financial statements, bond issuance costs are reported as deferred charges and amortized over the term of the related debt using the straight line method. In the fund financial statements, governmental fund types recognize bond issuance costs during the current period.

Denver 14th Street General Improvement District

**NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Fund Balance

Emergency Reserves of \$4,000 have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado.

The restricted fund balance in the Debt Service Fund is to be used for future payment of bond principal, interest and related costs.

NOTE 3 – CASH AND INVESTMENTS

Cash and investments as of December 31, 2011 are classified in the accompanying financial statement as follows:

Statement of net assets:

Cash and investments - unrestricted	\$ 59,420
- restricted	66,944
Total cash and investments	<u>\$ 126,364</u>

Cash and investments as of December 31, 2011 consist of the following:

Deposits with financial institutions	\$ 76,364
Investments – Held in Trust - UMB Bank	50,000
Total cash and investments	<u>\$ 126,364</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. State regulators determine eligibility. 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 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 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.

Denver 14th Street General Improvement District

NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

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 credit risk for investments that are in the possession of another party.

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

Revenue bonds of local government securities, corporate and bank securities, and guaranteed investments contracts not purchased with bond proceeds, are limited to maturities of three years or less.

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

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

As of December 31, 2011, the District has the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
UMB- Federated Prime Obligation Fund	13 months or less	\$ 50,000

Denver 14th Street General Improvement District

**NOTES TO FINANCIAL STATEMENTS
December 31, 2011**

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

Federated Prime Obligation Fund

The debt service money that was included in the trust accounts at United Missouri Bank (UMB) was invested in the Federated Prime Obligation Fund. This portfolio is a money market mutual fund which invests in short term, high quality, fixed income securities issued by banks, corporations and the U.S. Government with a AAAM rating by Standard & Poors.

NOTE 4 – LONG-TERM OBLIGATIONS

The following is an analysis of changes in long-term obligations for the year ended December 31, 2011:

	<u>Balance at January 1, 2011</u>	<u>Net Issues</u>	<u>Retirements/ Refundings</u>	<u>Balance at December 31, 2011</u>	<u>Current Portion</u>
Series 2010, \$4,000,000 Revenue Bonds	\$ 4,000,000	\$ --	\$ 40,000	\$ 3,960,000	\$ 75,000
Premium on bond issue	200,000	--	8,333	191,667	--
Total	<u>\$ 4,200,000</u>	<u>\$ --</u>	<u>\$ 48,333</u>	<u>\$ 4,151,667</u>	<u>\$ 75,000</u>

The detail of the District's long-term obligations are as follows:

Revenue Bonds

\$4,000,000 Revenue Bonds, Series 2010, dated October 26, 2010 with an interest rate of 7.0%, consisting of serial bonds due annually through 2034. The Bonds are subject to redemption prior to maturity at the option of the District on December 1, 2020.

The Bonds are secured by the Pledged Revenues and all moneys and earnings thereon held in the Funds or accounts created under the Bond documents. Pledged Revenues consist of revenues derived from the imposition of the capital charges imposed on property owners within the District. The capital charges constitute a perpetual lien on and against such property, and if capital charges are not paid when due, may be foreclosed the same as a mechanics lien.

Denver 14th Street General Improvement District

NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 4 – LONG-TERM OBLIGATIONS (CONTINUED)

The District’s long-term obligations will mature as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 75,000	\$ 277,200	\$ 352,200
2013	80,000	271,950	351,950
2014	85,000	266,350	351,350
2015	90,000	260,400	350,400
2016	95,000	254,100	349,100
2017-2021	600,000	1,158,850	1,758,850
2022-2026	835,000	918,400	1,753,400
2027-2031	1,180,000	581,000	1,761,000
2032-2034	920,000	131,950	1,051,950
	<u>\$ 3,960,000</u>	<u>\$ 4,120,200</u>	<u>\$ 8,080,200</u>

Authorized Debt

On November 3, 2009, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$4,000,000 at an interest rate not to exceed 15% per annum. At December 31, 2011, the District has no remaining authorized but unissued indebtedness.

NOTE 5 – NET ASSETS

The District has net assets consisting of three components – non spendable prepaid amounts, restricted and unassigned.

Fund Balance includes net 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 legislations. The District had net assets as of December 31, 2011 as follows.

Net assets:	
Non spendable prepaid amounts	\$ 3,313
Restricted for emergency reserve	4,000
Restricted for debt service	62,944
Unassigned	57,927
	<u>\$ 128,184</u>

The District’s unrestricted net assets as of December 31, 2011, are (\$3,969,777). This deficit amount was a result of the District being responsible for the repayment of bonds issued for public improvements which were conveyed to other governmental entities and which costs were removed from the District’s financial records.

Denver 14th Street General Improvement District

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 7 – RISK MANAGEMENT COLORADO SPECIAL DISTRICTS PROPERTY AND LIABILITY POOL

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

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2011. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

NOTE 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 that 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.

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

Denver 14th Street General Improvement District

NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 9 – AGREEMENTS

Intergovernmental Agreement

The District has entered into an agreement with the City and County of Denver dated March 30, 2010, whereby the City agrees to fund project obligations as necessary up to a maximum of \$10,000,000 from the Better Denver bonds (city funds) along with the District's contribution of \$4,000,000. These funds will be utilized to construct certain sidewalk and streetscape improvements along 14th Street in Denver, Colorado. The District's deposit of \$4,000,000 has been deposited in a special revenue fund of the City. If any of the District's deposit remains after completion of the project, such funds may be returned to the District for any lawful purpose.

Management Services Agreement

The District has entered into a management services agreement with the Downtown Denver Business Improvement District (DDBID) to retain DDBID as a manager of its operations and programs including general administration and maintenance. Compensation for such services for 2011 was not to exceed \$15,000 plus out of pocket expenses.

NOTE 10 – RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS

The Governmental Funds Balance Sheet/Statement of Net Assets includes an adjustments column. The adjustments have the following elements: 1) amortized bond issue costs of \$6,250 are expensed in the fund statements but are reflected as an asset and amortized over the life of the bond issue in the Statement of Net Assets, 2) long term liabilities are not due and payable in the current period and therefore are not reported in the funds; 3) amounts reported as fund balance have been reclassified for inclusion in Net Assets; and 4) interest payable of \$23,100 has been accrued and reported in the Statement of Net Assets, as well as an accrual of the outstanding debt of \$4,151,667.

The Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities includes an adjustments column comprised of the following adjustments: 1) interest expense accrual for \$25,789 which represents the change in unpaid interest accrued in 2011.

SUPPLEMENTAL INFORMATION

14th Street District Advisory Board

Name	Company	Address	City, State	Zip	Phone	Email	Term exp.
Kim Corrigan	The Curtis Hotel	1405 Curtis St	Denver, Co	80202	303-571-0800	Kim.Corrigan@thecurtis.com	12/31/12
Christopher Crosby	The Nichols Partnership, Inc.	1899 Wynkoop St, Suite 425	Denver, Co	80202	303-291-2200	ccrosby@nicholspartnership.com	12/12/12
Josh Fine	Focus Property Group LLC	2737 Larimer St, Unit C	Denver, Co	80205	303-296-7550	jfine@focuspropertygroup.net	12/31/12
Karen Good	City and County of Denver	201 W. Colfax, Dept 509	Denver, Co	80202	720-865-3162	Karen.Good@denvergov.org	12/31/12
Andrew Johnson	City and County of Denver	201 W. Colfax	Denver, Co	80202	720-913-9372	andrew.johnson@denvergov.org	12/31/12
Albus Brooks	City and County of Denver	2713 Welton St	Denver, Co	80205	720-337-8888	albus.brooks@denvergov.org	12/31/12
Richard Marshall	Nolte Associates	8000 S. Chester St.	Englewood, Co	80112	303-220-6400	rmarshall@aol.com	12/31/11
Mark Najarian	City and County of Denver	1245 Champa St	Denver, Co	80204	720-865-4236	Mark.Najarian@denvergov.org	12/31/12
Stephen Oxman	Oxman & Oxman	210 Clayton St, #1	Denver, Co	80206	303-321-3747	stephenoxman@earthlink.net	12/31/12
Andre Van Hall	Denver Athletic Club	1325 Glenarm Pl	Denver, Co	80204	720-931-6700	avanhall@denverathleticclub.org	12/31/12
Mike Zoellner	RedPeak Properties	1600 Glenarm Pl, #200	Denver, Co	80202	303-321-7325	mzoellner@redpeakproperties.com	12/31/12
Rick Kron	Grimshaw & Harring PC	1700 Lincoln Suite 3800	Denver, CO	80203	303-839-3704	rickkron@grimshawharring.com	12/31/12