

**FIRST & MAIN BUSINESS IMPROVEMENT DISTRICT NO. 2**  
**El Paso County, Colorado**

**FINANCIAL STATEMENTS**  
**December 31, 2016**



**RECEIVED**

*By Justin L. Smith at 11:28 am, Mar 24, 2017*

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## INDEPENDENT AUDITOR'S REPORT

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Board of Directors  
**First & Main Business Improvement District No. 2**  
El Paso County, Colorado

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of First & Main Business Improvement No. 2 District ("District"), a component unit of the City of Colorado Springs, Colorado, as of and for the year ended December 31, 2016, 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.

### ***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, 2016, the changes in its financial position and the respective budgetary comparison for the general fund 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 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 which 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. Such 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*BiggsKofford, P.C.*

Colorado Springs, Colorado  
March 17, 2017

## **BASIC FINANCIAL STATEMENTS**

**FIRST & MAIN BUSINESS IMPROVEMENT DISTRICT NO. 2**  
**STATEMENT OF NET POSITION**  
**December 31, 2016**

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Cash and investments	\$ 83,861
Cash and investments - Restricted	1,783,805
Accounts receivable - County Treasurer	5,296
PIF receivable	47,689
Accounts receivable - Intergovernmental	13,235
Prepaid expenses	3,625
Property taxes receivable	530,439
Capital assets, net	14,473,478
Total assets	<u>16,941,428</u>
<b>LIABILITIES</b>	
Accounts payable	13,949
Accrued interest payable	47,939
Noncurrent liabilities:	
Due within one year	130,000
Due in more than one year	23,973,935
Total liabilities	<u>24,165,823</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property tax revenue	530,439
Total deferred inflows of resources	<u>530,439</u>
<b>NET POSITION</b>	
Net investment in capital assets	(1,047,624)
Restricted for:	
Emergency reserves	2,900
Debt service	1,780,655
Unrestricted	(8,490,765)
Total net position	<u><u>\$ (7,754,834)</u></u>

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

**FIRST & MAIN BUSINESS IMPROVEMENT DISTRICT NO. 2**  
**STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenue and Changes in Net Position</u>
					<u>Governmental Activities</u>
Primary government:					
Government activities:					
General government	\$ 598,028	\$ -	\$ 22,019	\$ -	\$ (576,009)
Public works - transfer of capital improvements to other governments	2,026,510	-	-	-	(2,026,510)
Interest on long-term debt and related costs	7,204,789	-	-	-	(7,204,789)
	<u>\$ 9,829,327</u>	<u>\$ -</u>	<u>\$ 22,019</u>	<u>\$ -</u>	<u>(9,807,308)</u>
General revenues:					
Property taxes					529,950
Specific ownership taxes					60,981
Public improvement fees					452,460
Net investment income					11,699
Total general revenues					<u>1,055,090</u>
Change in net position					<u>(8,752,218)</u>
Net position - Beginning					997,384
Net position - Ending					<u>\$ (7,754,834)</u>

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

**FIRST & MAIN BUSINESS IMPROVEMENT DISTRICT NO. 2**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**December 31, 2016**

	General	Debt Service	Capital Projects	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 83,861	\$ -	\$ -	\$ 83,861
Cash and investments - Restricted	2,900	1,780,905	-	1,783,805
Accounts receivable - County Treasurer	5,296	-	-	5,296
Accounts receivable - Intergovernmental	13,235	-	-	13,235
Prepaid expenses	3,625	-	-	3,625
PIF receivable	-	47,689	-	47,689
Property taxes receivable	10,401	520,038	-	530,439
<b>TOTAL ASSETS</b>	<b>\$ 119,318</b>	<b>\$ 2,348,632</b>	<b>\$ -</b>	<b>\$ 2,467,950</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 13,949	\$ -	\$ -	\$ 13,949
Total liabilities	13,949	-	-	13,949
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred property tax revenue	10,401	520,038	-	530,439
Total deferred inflows of resources	10,401	520,038	-	530,439
<b>FUND BALANCES</b>				
Nonspendable:				
Prepaid expenses	3,625	-	-	3,625
Restricted for:				
Emergencies (TABOR)	2,900	-	-	2,900
Debt service	-	1,828,594	-	1,828,594
Unassigned:	88,443	-	-	88,443
Total fund balances	94,968	1,828,594	-	1,923,562
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 119,318</b>	<b>\$ 2,348,632</b>	<b>\$ -</b>	

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

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

Bonds payable	(7,475,000)
Developer advance payable	(10,014,285)
Accrued interest payable - Bonds	(47,939)
Accrued interest payable - Developer advance	(6,614,650)

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

14,473,478

Net position of governmental activities

**\$ (7,754,834)**

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

**FIRST & MAIN BUSINESS IMPROVEMENT DISTRICT NO. 2**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**Year Ended December 31, 2016**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Property taxes	\$ 10,391	\$ 519,559	\$ -	\$ 529,950
Specific ownership taxes	60,981	-	-	60,981
Public improvement fees	-	452,460	-	452,460
Intergovernmental revenue - First & Main BID	22,019	-	-	22,019
Net investment income	253	11,446	-	11,699
Total revenues	<u>93,644</u>	<u>983,465</u>	<u>-</u>	<u>1,077,109</u>
<b>EXPENDITURES</b>				
Current				
Accounting	27,525	-	-	27,525
Audit	6,900	-	-	6,900
County Treasurer's fees	156	7,794	-	7,950
Election expense	1,227	-	-	1,227
Insurance and bonds	3,625	-	-	3,625
Legal	9,467	-	-	9,467
Management	14,771	-	-	14,771
Miscellaneous	1,656	-	-	1,656
Debt service				
Bond interest - Series 2009	-	192,525	-	192,525
Bond interest - Series 2011	-	157,250	-	157,250
Bond interest - Series 2015 GO	-	116,775	-	116,775
Bond interest - Series 2015 PIF	-	116,438	-	116,438
Bond principal - Series 2009	-	35,000	-	35,000
Bond principal - Series 2011	-	40,000	-	40,000
Bond p P	-	20,000	-	20,000
Capital projects				
Capital improvements	-	-	10,014,285	10,014,285
Total expenditures	<u>65,327</u>	<u>685,782</u>	<u>10,014,285</u>	<u>10,765,394</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>28,317</u>	<u>297,683</u>	<u>(10,014,285)</u>	<u>(9,688,285)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Developer advances	-	-	10,014,285	10,014,285
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>10,014,285</u>	<u>10,014,285</u>
<b>NET CHANGE IN FUND BALANCES</b>	28,317	297,683	-	326,000
<b>FUND BALANCES -</b>				
<b>BEGINNING OF YEAR</b>	66,651	1,530,911	-	1,597,562
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 94,968</u>	<u>\$ 1,828,594</u>	<u>\$ -</u>	<u>\$ 1,923,562</u>

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

**FIRST & MAIN BUSINESS IMPROVEMENT DISTRICT NO. 2  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF THE  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended December 31, 2016**

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

Net change in fund balances - Governmental funds	\$ 326,000
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Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense, the allocation of the cost of any depreciable asset over the estimated useful life of the asset. Therefore, this is the amount of capital outlay, net of depreciation, in the current period.

Capital outlay	10,014,285
Depreciation expense	(532,701)
Dedication of capital improvements to other governments	(2,026,510)

The issuance of long-term debt (e.g., the issuance of bonds, the receipt of Developer advances) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Developer advance	(10,014,285)
Principal payment - Series 2009	35,000
Principal payment - Series 2011	40,000
Principal payment - Series 2015	20,000

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.

Accrued interest on developer advances - Change in liability	(6,614,650)
Accrued interest on bonds - Change in liability	643

Change in net position of governmental activities	<u>\$ (8,752,218)</u>
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These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**FIRST & MAIN BUSINESS IMPROVEMENT DISTRICT NO. 2  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
Year Ended December 31, 2016**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>			
Property taxes	\$ 10,391	\$ 10,391	\$ -
Specific ownership taxes	58,295	60,981	2,686
Intergovernmental revenue - First & Main BID	21,019	22,019	1,000
Net investment income	100	253	153
Total revenues	<u>89,805</u>	<u>93,644</u>	<u>3,839</u>
<b>EXPENDITURES</b>			
Current			
Accounting	23,000	27,525	(4,525)
Audit	7,000	6,900	100
County Treasurer's fees	156	156	-
Election expense	3,000	1,227	1,773
Insurance and bonds	3,400	3,625	(225)
Dues and licenses	600	-	600
Legal	10,000	9,467	533
Management	20,000	14,771	5,229
Miscellaneous	2,000	1,656	344
Contingency	1,844	-	1,844
Total expenditures	<u>71,000</u>	<u>65,327</u>	<u>5,673</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	18,805	28,317	9,512
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>60,077</u>	<u>66,651</u>	<u>6,574</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 78,882</u>	<u>\$ 94,968</u>	<u>\$ 16,086</u>

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

**FIRST & MAIN BUSINESS IMPROVEMENT DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 1 - DEFINITION OF REPORTING ENTITY**

First & Main Business Improvement District No. 2 (the District), a quasi-municipal corporation was organized by ordinance of the City of Colorado Springs (the City) on September 23, 2008, and is governed pursuant to provisions of the Colorado Business Improvement Act (Title 31). The District's service area is located entirely within the City in El Paso County, Colorado. 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 follows the Governmental Accounting Standards Board (GASB) accounting pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

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

The District's annual budget is required to be submitted to and approved by the City, thus enabling the City to impose its will on the District. Consequently, the District is considered to be a component unit of the City.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Government-wide and Fund Financial Statements**

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

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

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

**FIRST & MAIN BUSINESS IMPROVEMENT DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and public improvement fees. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. 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:

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

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

The Capital Projects Fund accounts for the financial resources to be used for the acquisition and construction of capital equipment and facilities.

**Budgets**

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

**FIRST & MAIN BUSINESS IMPROVEMENT DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The District amended its annual budget for the year ended December 31, 2016.

**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. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash and investments

Investments are carried at fair value.

**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.

Property taxes net of estimated uncollectible taxes, are recorded initially as deferred inflows of resources in the year they are levied and measurable. The property tax revenues are recorded as revenue in the year they are available or collected.

**Public Improvement Fee**

On January 24, 2007, the Declaration of Covenants Imposing and Implementing the First and Main Public Improvements Fee (PIF) was made by First and Main, L.L.C. The PIF is imposed on each sale or exchange of goods or services for money that occurs from or within the First and Main PIF Property, upon which a sales tax would be payable to the State pursuant to the provisions of the State Sales Tax Statutes. The PIF is to be in an amount not to exceed 0.75% of the revenue generated by the sale. The District is the PIF Collection Agent. During 2016, the District recorded \$452,460 in PIF revenue.

**Capital Assets**

Capital assets, which include infrastructure (e.g. streets), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

**FIRST & MAIN BUSINESS IMPROVEMENT DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress, and are not included in the calculation of net investment in capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the assets are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

Streets	30 years
Landscape improvements	30 years

**Deferred Inflows of Resources**

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**Equity**

***Net Position***

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

***Fund Balance***

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

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

**FIRST & MAIN BUSINESS IMPROVEMENT DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- *Restricted fund balance* – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.
- *Committed fund balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority, the Board of Directors. 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 criteria described above.

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

**NOTE 3 - CASH AND INVESTMENTS**

Cash and investments as of December 31, 2016, are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$ 83,861
Cash and investments - Restricted	<u>1,783,805</u>
Total cash and investments	<u><u>\$ 1,867,666</u></u>

Cash and investments as of December 31, 2016, consist of the following:

Deposits with financial institutions	\$ 140,246
Investments	<u>1,727,420</u>
Total cash and investments	<u><u>\$ 1,867,666</u></u>

**Deposits with Financial Institutions**

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

**FIRST & MAIN BUSINESS IMPROVEMENT DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2016, the District's cash deposits had a bank balance of \$141,196 and a carrying balance of \$140,246.

**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 or investment custodial risk disclosure requirements 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 of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

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

- . Obligations of the United States, certain U.S. government agency securities and securities of the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . 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 funds
- . Guaranteed investment contracts
- \* Local government investment pools

**FIRST & MAIN BUSINESS IMPROVEMENT DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

**Fair Value Measurement and Application**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series); money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee); and CSAFE which record their investments at amortized cost.

As of December 31, 2016, the District had the following investments:

<b>Investment</b>	<b>Maturity</b>	<b>Fair Value</b>
Colorado Local Government Liquid Asset Trust (Colotrust)	Weighted average under 60 days	<u>\$1,727,420</u>

**Colorado Local Government Liquid Asset Trust (COLOTRUST)**

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an external investment pool that records its investments at fair value and measures fair value using Level 2 inputs. The Trust is an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAM by Standard & Poor's.

**FIRST & MAIN BUSINESS IMPROVEMENT DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 4 - CAPITAL ASSETS**

An analysis of the changes in capital assets for the year ended December 31, 2016, follows:

	<u>Balance at December 31, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2016</u>
Capital assets, not being depreciated:				
Sewer	\$ -	\$ 2,026,510	\$ 2,026,510	\$ -
Total capital assets, not being depreciated	<u>-</u>	<u>2,026,510</u>	<u>2,026,510</u>	<u>-</u>
Capital assets, being depreciated:				
Streets	7,993,297	3,453,693	-	11,446,990
Landscape improvements	-	4,534,082	-	4,534,082
Total capital assets, being depreciated	<u>7,993,297</u>	<u>7,987,775</u>	<u>-</u>	<u>15,981,072</u>
Less accumulated depreciation for:				
Streets	(974,893)	(381,565)	-	(1,356,458)
Landscape improvements	<u>-</u>	<u>(151,136)</u>	<u>-</u>	<u>(151,136)</u>
	<u>(974,893)</u>	<u>(532,701)</u>	<u>-</u>	<u>(1,507,594)</u>
Total capital assets, being depreciated, net	<u>7,018,404</u>	<u>7,455,074</u>	<u>-</u>	<u>14,473,478</u>
Governmental activities - Capital assets - net	<u>\$ 7,018,404</u>	<u>\$ 9,481,584</u>	<u>\$ 2,026,510</u>	<u>\$ 14,473,478</u>

Depreciation expense of \$532,701 for the year ended December 31, 2016, was charged to general government activities.

During 2016, a portion of the capital assets acquired by the District were conveyed to other governmental entities. The costs of all capital assets transferred to other governmental entities were removed from the District's financial records.

**FIRST & MAIN BUSINESS IMPROVEMENT DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 5 - LONG-TERM OBLIGATIONS**

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2016:

	<u>Balance at December 31, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at December 31, 2016</u>	<u>Due Within One Year</u>
Series 2009 G.O. Bonds	\$ 2,265,000	\$ -	\$ 35,000	\$ 2,230,000	\$ 40,000
Series 2011 PIF Revenue Bonds	1,850,000	-	40,000	1,810,000	40,000
Series 2015 G.O. Bonds	1,730,000	-	20,000	1,710,000	20,000
Series 2015 P.I.F. Bonds	1,725,000	-	-	1,725,000	30,000
Developer advances	-	10,014,285	-	10,014,285	-
Interest on Developer advances	-	6,614,650	-	6,614,650	-
	<u>\$ 7,570,000</u>	<u>\$ 16,628,935</u>	<u>\$ 95,000</u>	<u>\$ 24,103,935</u>	<u>\$ 130,000</u>

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

**\$2,400,000 Limited Tax General Obligation Bonds, Series 2009**

On January 28, 2009, the District issued \$2,400,000 in Limited Tax General Obligation Bonds dated January 28, 2009, for street improvements. The bonds bear interest at a rate of 8.5% due December 1, 2038. Bond interest and principal payments are payable annually on December 1. Any accrued and unpaid interest will compound on December 1 of each year. The bonds are subject to redemption prior to maturity, at the option of the District, without redemption premium.

The bonds are secured by and payable from the Pledged Revenue consisting of monies derived by the District from the following sources, net of any collection costs: (1) the Required Mill Levy, and (2) any other legally available monies which the District determines to be treated as Pledged Revenue. Required Mill Levy means an ad valorem mill levy imposed upon all taxable property of the District each year in a amount sufficient to pay the principal, premium if any, and interest on the bonds as the same become due and payable. The maximum Required Mill Levy is 50.000 mills, adjusted for changes in the ratio of actual value to assessed value of property within the District. As of December 31, 2016, the adjusted maximum mill levy is 50.000 for debt service. For collection year 2016, the District levied 50.000 mills for debt service.

**FIRST & MAIN BUSINESS IMPROVEMENT DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)**

**\$2,000,000 Public Improvement Fee Revenue Bonds, Series 2011**

On January 12, 2011, the District issued \$2,000,000 in Public Improvement Fee Revenue Bonds dated January 12, 2011, for street improvements. The bonds bear an interest rate of 8.5% due December 1, 2035. Bond interest and principal payments are payable annually on December 1. Any accrued and unpaid interest will compound on December 1 of each year. The bonds are subject to redemption prior to maturity on or after December 1, 2011, without redemption premium. The bonds will be repaid by pledged revenues consisting of (1) public improvement fee revenues payable to the District pursuant to the Public Improvement Fee Covenant and (2) any other legally available monies which the District determines to be treated as pledged revenue.

**\$1,750,000 Limited Tax General Obligation Bonds, Series 2015**

On April 22, 2015, the District issued \$1,750,000 in Limited Tax General Obligation Bonds (Series 2015 GO Bonds). The Series 2015 GO Bonds are due December 1, 2044, and bear an interest rate of 6.75% paid annually on December 1, in addition to mandatory sinking fund redemptions. The Series 2015 GO Bonds are subject to redemption prior to maturity on or after December 1, 2024. The proceeds from the Series 2015 GO Bonds were used to reimburse the Developer for capital infrastructure costs and to pay bond issuance costs.

The Series 2015 GO Bonds are secured by and payable from the Pledged Revenue consisting of monies derived by the District from the following sources, net of any collection costs: (1) the Required Mill Levy, and (2) any other legally available monies which the District determines to be treated as Pledged Revenue. Required Mill Levy means an ad valorem mill levy imposed upon all taxable property of the District each year in a amount sufficient to pay the principal, premium if any, and interest on the bonds as the same become due and payable. The maximum Required Mill Levy is 50.000 mills, adjusted for changes in the ratio of actual value to assessed value of property within the District. As of December 31, 2015, the adjusted maximum mill levy is 50.000 for debt service. For collection year 2015, the District levied 50.000 mills for debt service.

**\$1,725,000 Public Improvement Fee Revenue Bonds, Series 2015**

On April 22, 2015, the District issued \$1,725,000 in Public Improvement Fee Revenue Bonds (Series 2015 PIF Bonds). The Series 2015 PIF Bonds are due December 1, 2039, and bear an interest rate of 6.75% paid annually on December 1. The Series 2015 PIF Bonds are subject to redemption prior to maturity on or after December 1, 2024. The Series 2015 PIF Bonds will be repaid by pledged revenues consisting of (1) public improvement fee revenues and payable to the District pursuant to the Public Improvement Fee Covenant and (2) any other legally available monies which the District determines to be treated as pledged revenue. The proceeds from the Series 2015 PIF Bonds were used to reimburse the Developer for capital infrastructure costs and to pay bond issuance costs.

**FIRST & MAIN BUSINESS IMPROVEMENT DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)**

The District's long-term obligation will mature as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 130,000	\$ 575,263	\$ 705,263
2018	145,000	565,087	710,087
2019	160,000	553,812	713,812
2020	170,000	541,350	711,350
2021	190,000	528,037	718,037
2022-2026	1,135,000	2,402,187	3,537,187
2027-2031	1,675,000	1,878,489	3,553,489
2032-2036	2,245,000	1,107,675	3,352,675
2037-2041	1,260,000	327,925	1,587,925
2042-2044	365,000	50,287	415,287
	<u>\$ 7,475,000</u>	<u>\$ 8,530,112</u>	<u>\$ 16,005,112</u>

**Authorized Debt**

On November 4, 2008, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$55,000,000 at an interest rate not to exceed 12% per annum. At December 31, 2016, the District has authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	<u>Authorized November 4, 2008 Election</u>	<u>Authorization Used Series 2009 Bonds</u>	<u>Authorization Used Series 2011 Bonds</u>	<u>Authorization Used Series 2015 Bonds</u>	<u>Remaining at December 31, 2016</u>
Water	\$ 5,000,000	\$ -	\$ -	\$ -	\$ 5,000,000
Sanitary sewer	5,000,000	-	-	-	5,000,000
Streets	20,000,000	2,400,000	2,000,000	3,475,000	12,125,000
Parks and recreation	5,000,000	-	-	-	5,000,000
Refunding	20,000,000	-	-	-	20,000,000
	<u>\$ 55,000,000</u>	<u>\$ 2,400,000</u>	<u>\$ 2,000,000</u>	<u>\$ 3,475,000</u>	<u>\$ 47,125,000</u>

As set forth in the District's 2009 Operating Plan, the City has limited the amount of debt to be issued by the District to a total of \$20,000,000 without future approval by the City.

**FIRST & MAIN BUSINESS IMPROVEMENT DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)**

**Developer Advances**

The District entered into a Facilities Funding and Reimbursement Agreement (Agreement) with the Developer (see Note 7). The District agrees to repay the Developer, along with accrued interest, at a rate of 7% on the first day of the following year in which the advances were made. The Agreement does not constitute a multiple-fiscal year obligation. During 2009, the District's engineer certified \$19,631,082 of public improvements constructed by the Developer on behalf of the District. A portion of these improvements were recorded by the District as bonds were issued. During 2016, the remainder of the public improvements were recognized and recorded by the District, along with accrued interest since 2010.

As of December 31, 2016, outstanding Developer advances totaled \$10,014,285 and accumulated accrued interest totaled \$6,614,650.

**NOTE 6 - NET POSITION**

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

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balance of bonds that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2016, the District had net investment in capital assets, calculated as follows:

	<b>Governmental Activities</b>
Net investment in capital assets:	
Capital assets, net	\$ 14,473,478
Current portion of outstanding long-term obligations	(146,479)
Noncurrent portion of outstanding long-term obligations	(15,374,623)
Net investment in capital assets	\$ (1,047,624)

Restricted net position includes assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position as of December 31, 2016, as follows:

	<b>Governmental Activities</b>
Restricted net position:	
Emergency reserves (see Note 10)	\$ 2,900
Debt service (see Note 5)	1,780,655
Total restricted net position	\$ 1,783,555

**FIRST & MAIN BUSINESS IMPROVEMENT DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 6 - NET POSITION (CONTINUED)**

The District has a deficit in unrestricted net position. This deficit amount is a result of the District being responsible for the repayment of developer advances (and accrued interest on those advances) and bonds issued for public improvements, some of which have been transferred to other governmental entities for ownership and maintenance.

**NOTE 7 - RELATED PARTIES**

The Developer of the property which constitutes the District is Nor'wood Development Group. The members of the Board of Directors are officers of, employees of, or associated with the Developer and may have conflicts of interest in dealing with the District.

**NOTE 8 - AGREEMENTS AND COMMITMENTS**

**Ground Lease**

On January 28, 2009, the District entered into a lease agreement with First and Main, LLC to lease an area within the First & Main Town Center, for the purpose of public parking, traffic and pedestrian circulation areas, landscaping, utilities, signage, drainage, sidewalks, pedestrian ways, public art, shelters, bus stops, ramps and curbs, and other similar facilities and for public events, festivals, recreation, concerts, and other public uses and services. This agreement does not represent a multi-fiscal year obligation and renews annually at the option of the District at the rate of \$100 per year upon appropriation in the District's annual budget. The lease agreement will expire on December 31, 2049.

**Agreement for Operational Cost Sharing**

During 2014, the District entered into an intergovernmental agreement for operational cost sharing (IGA) with the First & Main Business Improvement District (FMBID). The IGA is effective as of January 1, 2014, and was ratified by the District in 2016. Under the IGA, all operation and maintenance costs of FMBID are to be paid by the District. FMBID shall transfer the total amount of its operations mill levy receipts to the District.

**NOTE 9 - RISK MANAGEMENT**

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

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). 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

**FIRST & MAIN BUSINESS IMPROVEMENT DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 9 - RISK MANAGEMENT (CONTINUED)**

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 10 - TAX, SPENDING AND DEBT LIMITATIONS**

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

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

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

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.

On November 4, 2008, the District's voters authorized the District to increase property taxes \$150,000 annually at a mill levy rate not to exceed one mill for general operations and maintenance. The election also allows the District to collect, spend and retain all revenues without regard to the limitations contained within Article X, Section 20 of the Colorado constitution.

This information is an integral part of the accompanying financial statements.

## **SUPPLEMENTARY INFORMATION**

**FIRST & MAIN BUSINESS IMPROVEMENT DISTRICT NO. 2**  
**DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL**  
**Year Ended December 31, 2016**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>			
Property taxes	\$ 519,566	\$ 519,559	\$ (7)
Public improvement fees	410,000	452,460	42,460
Net investment income	2,400	11,446	9,046
Total revenues	<u>931,966</u>	<u>983,465</u>	<u>51,499</u>
<b>EXPENDITURES</b>			
Current			
County Treasurer's fees	7,794	7,794	-
Debt service			
Bond interest - Series 2009	192,525	192,525	-
Bond interest - Series 2011	157,250	157,250	-
Bond interest - Series 2015 GO	116,775	116,775	-
Bond interest - Series 2015 PIF	116,438	116,438	-
Bond principal - Series 2009	35,000	35,000	-
Bond principal - Series 2011	40,000	40,000	-
Bond principal - Series 2015 GO	20,000	20,000	-
Contingency	4,218	-	4,218
Total expenditures	<u>690,000</u>	<u>685,782</u>	<u>4,218</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	241,966	297,683	55,717
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>1,472,416</u>	<u>1,530,911</u>	<u>58,495</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 1,714,382</u>	<u>\$ 1,828,594</u>	<u>\$ 114,212</u>

**FIRST & MAIN BUSINESS IMPROVEMENT DISTRICT NO. 2**  
**CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL**  
**Year Ended December 31, 2016**

	<u>Budget</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Net investment income	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>				
Capital projects				
Landscape improvements	-	4,534,082	4,534,082	-
Sewer	-	2,026,510	2,026,510	-
Streets	-	3,453,693	3,453,693	-
Total expenditures	<u>-</u>	<u>10,014,285</u>	<u>10,014,285</u>	<u>-</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>(10,014,285)</u>	<u>(10,014,285)</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Developer advance	-	10,014,285	10,014,285	-
Total other financing sources (uses)	<u>-</u>	<u>10,014,285</u>	<u>10,014,285</u>	<u>-</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**FIRST & MAIN BUSINESS IMPROVEMENT DISTRICT NO. 2**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
**December 31, 2016**

<b>Bonds and Interest Maturing in the Year Ending December 31,</b>	<b>\$2,400,000</b>		<b>\$2,000,000</b>	
	<b>General Obligation Bonds</b>		<b>Public Improvement Fee</b>	
	<b>Series 2009</b>		<b>Revenue Bonds</b>	
	<b>Dated January 28, 2009</b>		<b>Dated January 12, 2011</b>	
	<b>Interest Rate of 8.5%</b>		<b>Interest Rate of 8.5%</b>	
	<b>Interest and Principal</b>		<b>Interest and Principal</b>	
	<b>Payable December 1</b>		<b>Payable December 1</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2017	\$ 40,000	\$ 189,550	\$ 40,000	\$ 153,850
2018	40,000	186,150	45,000	150,450
2019	45,000	182,750	50,000	146,625
2020	50,000	178,925	55,000	142,375
2021	55,000	174,675	60,000	137,700
2022	55,000	170,000	60,000	132,600
2023	60,000	165,325	70,000	127,500
2024	65,000	160,225	75,000	121,550
2025	70,000	154,700	80,000	115,175
2026	80,000	148,750	85,000	108,375
2027	85,000	141,950	95,000	101,150
2028	90,000	134,725	100,000	93,075
2029	100,000	127,075	110,000	84,575
2030	110,000	118,575	120,000	75,225
2031	120,000	109,225	130,000	65,025
2032	130,000	99,025	140,000	53,975
2033	140,000	87,975	150,000	42,075
2034	150,000	76,075	165,000	29,325
2035	165,000	63,325	180,000	15,300
2036	180,000	49,300	-	-
2037	190,000	34,000	-	-
2038	210,000	17,850	-	-
2039	-	-	-	-
2040	-	-	-	-
2041	-	-	-	-
2042	-	-	-	-
2043	-	-	-	-
2044	-	-	-	-
	<b>\$ 2,230,000</b>	<b>\$ 2,770,150</b>	<b>\$ 1,810,000</b>	<b>\$ 1,895,925</b>

**FIRST & MAIN BUSINESS IMPROVEMENT DISTRICT NO. 2**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
**December 31, 2016**  
**(Continued)**

<b>Bonds and Interest Maturing in the Year Ending December 31,</b>	<b>\$1,750,000 Limited Tax General Obligation Bonds Series 2015 Dated April 22, 2015 Interest Rate of 6.75% Interest and Principal Payable December 1</b>		<b>\$1,725,000 Public Improvement Fee Revenue Bonds Series 2015 Dated April 22, 2015 Interest Rate of 6.75% Interest and Principal Payable December 1</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2017	\$ 20,000	\$ 115,425	\$ 30,000	\$ 116,438
2018	25,000	114,075	35,000	114,412
2019	25,000	112,387	40,000	112,050
2020	25,000	110,700	40,000	109,350
2021	30,000	109,012	45,000	106,650
2022	30,000	106,988	45,000	103,612
2023	35,000	104,962	50,000	100,575
2024	35,000	102,600	50,000	97,200
2025	35,000	100,238	55,000	93,825
2026	40,000	97,875	60,000	90,112
2027	45,000	95,175	65,000	86,063
2028	45,000	92,138	70,000	81,675
2029	50,000	89,100	75,000	76,950
2030	50,000	85,725	75,000	71,888
2031	55,000	82,350	85,000	66,825
2032	60,000	78,638	90,000	61,088
2033	65,000	74,587	95,000	55,012
2034	65,000	70,200	100,000	48,600
2035	70,000	65,813	110,000	41,850
2036	75,000	61,087	115,000	34,425
2037	80,000	56,025	125,000	26,662
2038	85,000	50,625	130,000	18,225
2039	95,000	44,888	140,000	9,450
2040	100,000	38,475	-	-
2041	105,000	31,725	-	-
2042	115,000	24,637	-	-
2043	120,000	16,875	-	-
2044	130,000	8,775	-	-
	<u>\$ 1,710,000</u>	<u>\$ 2,141,100</u>	<u>\$ 1,725,000</u>	<u>\$ 1,722,937</u>

**FIRST & MAIN BUSINESS IMPROVEMENT DISTRICT NO. 2**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
**December 31, 2016**  
**(Continued)**

<b>Bonds and Interest Maturing in the Year Ending December 31,</b>	<b>Total</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 130,000	\$ 575,263	\$ 705,263
2018	145,000	565,087	710,087
2019	160,000	553,812	713,812
2020	170,000	541,350	711,350
2021	190,000	528,037	718,037
2022	190,000	513,200	703,200
2023	215,000	498,362	713,362
2024	225,000	481,575	706,575
2025	240,000	463,938	703,938
2026	265,000	445,112	710,112
2027	290,000	424,338	714,338
2028	305,000	401,613	706,613
2029	335,000	377,700	712,700
2030	355,000	351,413	706,413
2031	390,000	323,425	713,425
2032	420,000	292,726	712,726
2033	450,000	259,649	709,649
2034	480,000	224,200	704,200
2035	525,000	186,288	711,288
2036	370,000	144,812	514,812
2037	395,000	116,687	511,687
2038	425,000	86,700	511,700
2039	235,000	54,338	289,338
2040	100,000	38,475	138,475
2041	105,000	31,725	136,725
2042	115,000	24,637	139,637
2043	120,000	16,875	136,875
2044	130,000	8,775	138,775
	<u>\$ 7,475,000</u>	<u>\$ 8,530,112</u>	<u>\$ 16,005,112</u>

**FIRST & MAIN BUSINESS IMPROVEMENT DISTRICT NO. 2  
SCHEDULE OF ASSESSED VALUATION,  
MILL LEVY AND PROPERTY TAXES COLLECTED  
December 31, 2016**

<b>Year Ended December 31,</b>	<b>Prior Year Assessed Valuation for Current Year Tax Levy</b>	<b>Mills Levied</b>	<b>Total Property Taxes</b>		<b>Percent Collected to Levied</b>
			<b>Levied</b>	<b>Collected</b>	
2012	\$ 7,381,280	51.000	\$ 376,445	\$ 376,918 (1)	100.13%
2013	\$ 7,003,410	51.000	\$ 357,173	\$ 357,174	100.00%
2014	\$ 6,419,740	51.000	\$ 327,407	\$ 326,886	99.84%
2015	\$ 8,701,060	51.000	\$ 443,754	\$ 443,755	100.00%
2016	\$ 10,391,320	51.000	\$ 529,957	\$ 529,950	100.00%
Estimated for the year ending December 31, 2017	\$ 10,400,770	51.000	\$ 530,439		

(1) Includes delinquent property tax receipts from prior years.

NOTE: Property taxes shown as collected in any one year include collection of delinquent property taxes or abatements of property taxes assessed in prior years. This presentation does not attempt to identify specific years of assessments.