

**FIRST & MAIN BUSINESS IMPROVEMENT DISTRICT
El Paso County, Colorado**

**FINANCIAL STATEMENTS
December 31, 2016**



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
First & Main Business Improvement District
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 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
STATEMENT OF NET POSITION
December 31, 2016

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 11,573
Cash and investments - Restricted	81,022
Accounts receivable - County Treasurer	1,662
Property taxes receivable	165,120
Capital assets, net	<u>1,194,567</u>
Total assets	<u>1,453,944</u>
LIABILITIES	
Accounts payable - Intergovernmental	13,235
Accrued interest payable	10,413
Noncurrent liabilities:	
Due within one year	25,000
Due in more than one year	<u>1,451,381</u>
Total liabilities	<u>1,500,029</u>
DEFERRED INFLOWS OF RESOURCES	
Property tax revenue	<u>165,120</u>
Total deferred inflows of resources	<u>165,120</u>
NET POSITION	
Net investment in capital assets	(275,433)
Restricted for:	
Debt service	70,609
Unrestricted	<u>(6,381)</u>
Total net position	<u><u>\$ (211,205)</u></u>

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

**FIRST & MAIN BUSINESS IMPROVEMENT DISTRICT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government:					
Government activities:					
General government	\$ 76,546	\$ -	\$ -	\$ -	\$ (76,546)
Interest on long-term debt and related costs	129,700	-	-	-	(129,700)
	<u>\$ 206,246</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(206,246)</u>
General revenues:					
Property taxes					166,288
Specific ownership taxes					19,135
Net investment income					791
Total general revenues					<u>186,214</u>
Change in net position					(20,032)
Net position - Beginning					(191,173)
Net position - Ending					<u>\$ (211,205)</u>

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

**FIRST & MAIN BUSINESS IMPROVEMENT DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016**

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash and investments	\$ 11,573	\$ -	\$ 11,573
Cash and investments - Restricted	-	81,022	81,022
Accounts receivable - County Treasurer	1,662	-	1,662
Property taxes receivable	3,238	161,882	165,120
TOTAL ASSETS	\$ 16,473	\$ 242,904	\$ 259,377
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable - Intergovernmental	\$ 13,235	\$ -	\$ 13,235
Total liabilities	13,235	-	13,235
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	3,238	161,882	165,120
Total deferred inflows of resources	3,238	161,882	165,120
FUND BALANCES			
Restricted for:			
Debt service	-	81,022	81,022
Total fund balances	-	81,022	81,022
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 16,473	\$ 242,904	

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

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

Bonds payable	(1,470,000)
Developer advance payable	(5,100)
Accrued interest payable - Bonds	(10,413)
Accrued interest payable - Developer advance	(1,281)

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

Net position of governmental activities	\$ (211,205)
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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
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year Ended December 31, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
REVENUES			
Property taxes	\$ 3,261	\$ 163,027	\$ 166,288
Specific ownership taxes	19,135	-	19,135
Net investment income	33	758	791
Total revenues	<u>22,429</u>	<u>163,785</u>	<u>186,214</u>
EXPENDITURES			
Current			
County Treasurer's fees	49	2,445	2,494
Miscellaneous	361	-	361
Intergovernmental expenditure	22,019	-	22,019
Debt service			
Bond interest	-	127,075	127,075
Bond principal	-	25,000	25,000
Total expenditures	<u>22,429</u>	<u>154,520</u>	<u>176,949</u>
NET CHANGE IN FUND BALANCES	-	9,265	9,265
FUND BALANCES -			
BEGINNING OF YEAR	<u>-</u>	<u>71,757</u>	<u>71,757</u>
FUND BALANCES -			
END OF YEAR	<u>\$ -</u>	<u>\$ 81,022</u>	<u>\$ 81,022</u>

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

**FIRST & MAIN BUSINESS IMPROVEMENT DISTRICT
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	\$	9,265
<p>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.</p>		
Depreciation expense		(54,117)
<p>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 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.</p>		
Principal payment - Series 2009		25,000
<p>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.</p>		
Accrued interest on bonds - Change in liability		177
Accrued interest on Developer advance - Change in liability		(357)
		(180)
Change in net position of governmental activities	\$	(20,032)

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

**FIRST & MAIN BUSINESS IMPROVEMENT DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
December 31, 2016**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Property taxes	\$ 3,261	\$ 3,261	\$ -
Specific ownership tax	18,292	19,135	843
Net investment income	15	33	18
Other income	1,000	-	(1,000)
Total revenues	<u>22,568</u>	<u>22,429</u>	<u>(139)</u>
EXPENDITURES			
Current			
County Treasurer's fees	49	49	-
Miscellaneous	500	361	139
Intergovernmental expenditure	21,019	22,019	(1,000)
Contingency	1,000	-	1,000
Total expenditures	<u>22,568</u>	<u>22,429</u>	<u>139</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

FIRST & MAIN BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 - DEFINITION OF REPORTING ENTITY

First & Main Business Improvement District (the District), a quasi-municipal corporation, was organized by ordinance of the City of Colorado Springs (the City) on March 11, 2003, 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 sum of assets and deferred outflows and the sum of liabilities and deferred inflows is reported as net position.

FIRST & MAIN BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. 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. 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 debt of the governmental funds.

FIRST & MAIN BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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
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 component of the District's net position.

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
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Deferred Inflows of Resources

In addition to liabilities, the statement of financial 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
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	\$ 11,573
Cash and investments - Restricted	<u>81,022</u>
Total cash and investments	<u><u>\$ 92,595</u></u>

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

Investments	\$ <u>92,595</u>
Total cash and investments	<u><u>\$ 92,595</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
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 had no deposits with financial institutions.

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

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.

**FIRST & MAIN BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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

Investment	Maturity	Fair Value
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	<u>\$ 92,595</u>

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.

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, being depreciated:				
Streets	\$ 1,623,500	\$ -	\$ -	\$ 1,623,500
Less accumulated depreciation for:				
Streets	<u>(374,816)</u>	<u>(54,117)</u>	<u>-</u>	<u>(428,933)</u>
Total capital assets, being depreciated, net	<u>\$ 1,248,684</u>	<u>\$ (54,117)</u>	<u>\$ -</u>	<u>\$ 1,194,567</u>

Depreciation expense of \$54,117 for the year ended December 31, 2016, was charged to general government activities.

**FIRST & MAIN BUSINESS IMPROVEMENT DISTRICT
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	\$ 1,495,000	\$ -	\$ 25,000	\$ 1,470,000	\$ 25,000
Developer advances	5,100	-	-	5,100	-
Interest on Developer advances	924	357	-	1,281	-
	<u>\$ 1,501,024</u>	<u>\$ 357</u>	<u>\$ 25,000</u>	<u>\$ 1,476,381</u>	<u>\$ 25,000</u>

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

\$1,650,000 Limited Tax General Obligation Bonds, Series 2009

On January 28, 2009, the District issued \$1,650,000 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
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	\$ 25,000	\$ 124,950	\$ 149,950
2018	25,000	122,825	147,825
2019	30,000	120,700	150,700
2020	30,000	118,150	148,150
2021	210,000	545,275	755,275
2022-2026	300,000	442,000	742,000
2027-2036	465,000	288,575	753,575
2037-2038	385,000	67,150	452,150
	<u>\$ 1,470,000</u>	<u>\$ 1,829,625</u>	<u>\$ 3,299,625</u>

Authorized Debt

On November 1, 2005, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$2,500,000 at an interest rate not to exceed 12% per annum. On November 7, 2006, the District's electors authorized additional indebtedness of \$44,250,000 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 1, 2005 Election</u>	<u>Authorized November 7, 2006 Election</u>	<u>Authorization Used Series 2009 Bonds</u>	<u>Authorization Used Series 2011 Bonds</u>	<u>Remaining at December 31, 2016</u>
Water	\$ 2,000,000	\$ -	\$ -	\$ -	\$ 2,000,000
Storm drainage	500,000	-	-	-	500,000
Streets	-	19,000,000	1,650,000	-	17,350,000
Parks and recreation	-	3,000,000	-	-	3,000,000
Operations and maintenance	-	250,000	-	55,816	194,184
Refunding	-	22,000,000	-	-	22,000,000
	<u>\$ 2,500,000</u>	<u>\$ 44,250,000</u>	<u>\$ 1,650,000</u>	<u>\$ 55,816</u>	<u>\$ 45,044,184</u>

As set forth in the District's 2005 Operating Plan, the City has limited the amount of debt to be issued by the District to a total of \$22,000,000 without future approval by the City.

The District's 2010 Operating Plan amended the total amount of debt authorized by the City to \$5,000,000.

**FIRST & MAIN BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Developer Advances

The District entered into a Reimbursement Agreement (Agreement) with the Developer (see Note 7) whereby the District agrees to reimburse the Developer for operational advances made on behalf of the District. 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. As of December 31, 2016, outstanding advances totaled \$5,100 and accumulated accrued interest totaled \$1,281.

NOTE 6 - NET POSITION

The District has 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 a net investment in capital assets calculated as follows:

	Governmental Activities
Net investment in capital assets:	
Capital assets, net	\$ 1,194,567
Current portion of outstanding long-term obligations	(25,000)
Noncurrent portion of outstanding long-term obligations	<u>(1,445,000)</u>
Net investment in capital assets	<u><u>\$ (275,433)</u></u>

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:

	Governmental Activities
Restricted net position:	
Debt service (see Note 5)	<u>\$ 70,609</u>
Total restricted net position	<u><u>\$ 70,609</u></u>

FIRST & MAIN BUSINESS IMPROVEMENT DISTRICT
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 received for operations and the bonds issued for public improvements.

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 No. 2 (BID No. 2). The IGA is effective as of January 1, 2014. Under the IGA, all operation and maintenance costs of the District are to be paid by BID No. 2. The District shall transfer the total amount of its operations mill levy receipts to BID No. 2.

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 worker compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

FIRST & MAIN BUSINESS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 9 - RISK MANAGEMENT (CONTINUED)

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 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. Pursuant to the Intergovernmental Agreement with BID No. 2, the District transfers all available General Fund revenue to BID No. 2. Therefore, no emergency reserve related to its revenue stream is captured in the District.

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 7, 2006, the District's voters authorized the District to increase property taxes \$25,000 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
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
December 31, 2016**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Property taxes	\$ 163,028	\$ 163,027	\$ (1)
Net investment income	110	758	648
Total revenues	<u>163,138</u>	<u>163,785</u>	<u>647</u>
EXPENDITURES			
Current			
County Treasurer's fees	2,445	2,445	-
Debt service			
Bond interest	127,075	127,075	-
Bond principal	25,000	25,000	-
Contingency	3,480	-	3,480
Total expenditures	<u>158,000</u>	<u>154,520</u>	<u>3,480</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	5,138	9,265	4,127
FUND BALANCES - BEGINNING OF YEAR	<u>71,763</u>	<u>71,757</u>	<u>(6)</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 76,901</u></u>	<u><u>\$ 81,022</u></u>	<u><u>\$ 4,121</u></u>

**FIRST & MAIN BUSINESS IMPROVEMENT DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2016**

**\$1,650,000 General Obligation Bonds
Dated January 28, 2009
Interest Rate 8.5%
Principal Due December 1
Interest Payable December 1**

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 25,000	\$ 124,950	\$ 149,950
2018	25,000	122,825	147,825
2019	30,000	120,700	150,700
2020	30,000	118,150	148,150
2021	35,000	115,600	150,600
2022	40,000	112,625	152,625
2023	40,000	109,225	149,225
2024	45,000	105,825	150,825
2025	50,000	102,000	152,000
2026	50,000	97,750	147,750
2027	55,000	93,500	148,500
2028	60,000	88,825	148,825
2029	65,000	83,725	148,725
2030	70,000	78,200	148,200
2031	80,000	72,250	152,250
2032	85,000	65,450	150,450
2033	90,000	58,225	148,225
2034	100,000	50,575	150,575
2035	110,000	42,075	152,075
2036	120,000	32,725	152,725
2037	125,000	22,525	147,525
2038	140,000	11,900	151,900
	<u>\$ 1,470,000</u>	<u>\$ 1,829,625</u>	<u>\$ 3,299,625</u>

**FIRST & MAIN BUSINESS IMPROVEMENT DISTRICT
SCHEDULE OF ASSESSED VALUATION,
MILL LEVY AND PROPERTY TAXES COLLECTED
December 31, 2016**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Tax Levy	Mills Levied	Total Property Taxes		Percent Collected to Levied
			Levied	Collected	
2012	\$ 3,446,700	51.000	\$ 175,782	\$ 175,816 (1)	100.02%
2013	\$ 3,360,100	51.000	\$ 171,365	\$ 171,365	100.00%
2014	\$ 3,330,180	51.000	\$ 169,839	\$ 169,839	100.00%
2015	\$ 3,233,080	51.000	\$ 164,887	\$ 164,887	100.00%
2016	\$ 3,260,570	51.000	\$ 166,289	\$ 166,288	100.00%
Estimated for the year ending December 31, 2017	\$ 3,237,640	51.000	\$ 165,120		

(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 assessment.