

**INTERQUEST SOUTH BUSINESS IMPROVEMENT DISTRICT  
El Paso County, Colorado**

**FINANCIAL STATEMENTS  
December 31, 2016**



**RECEIVED**

*By Justin L. Smith at 9:55 am, Mar 28, 2017*

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## INDEPENDENT AUDITOR'S REPORT

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Board of Directors  
**Interquest South 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 Interquest South 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 21, 2017

## **BASIC FINANCIAL STATEMENTS**

**INTERQUEST SOUTH BUSINESS IMPROVEMENT DISTRICT  
STATEMENT OF NET POSITION  
December 31, 2016**

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Cash	\$ 6,374
Cash - Restricted	600
Accounts receivable - County Treasurer	189
Property taxes receivable	<u>18,048</u>
Total assets	<u>25,211</u>
<b>LIABILITIES</b>	
Accounts payable	23,179
Noncurrent liabilities	
Due in more than one year	<u>190,246</u>
Total liabilities	<u>213,425</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property tax revenue	<u>18,048</u>
Total deferred inflows of resources	<u>18,048</u>
<b>NET POSITION</b>	
Restricted for:	
Emergency reserves	600
Unrestricted	<u>(206,862)</u>
Total net position	<u><u>\$ (206,262)</u></u>

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

**INTERQUEST SOUTH BUSINESS IMPROVEMENT DISTRICT  
STATEMENT OF ACTIVITIES  
Year Ended December 31, 2016**

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>	
	<u>Expenses</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	\$ 37,247	\$ -	\$ -	\$ -	\$ (37,247)
Interest on long-term debt	9,488	-	-	-	(9,488)
	<u>\$ 46,735</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(46,735)</u>
General revenues:					
Property taxes					17,602
Specific ownership taxes					2,181
Net investment income					19
Total general revenues					<u>19,802</u>
Change in net position					(26,933)
Net position - Beginning					(179,329)
Net position - Ending					<u>\$ (206,262)</u>

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

**INTERQUEST SOUTH BUSINESS IMPROVEMENT DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2016**

	<b>General</b>	<b>Capital Projects</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash	\$ 6,374	\$ -	\$ 6,374
Cash - Restricted	600	-	600
Accounts receivable - County Treasurer	189	-	189
Property taxes receivable	18,048	-	18,048
<b>TOTAL ASSETS</b>	<b>\$ 25,211</b>	<b>\$ -</b>	<b>\$ 25,211</b>
<b>LIABILITIES, AND DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 23,179	\$ -	\$ 23,179
Total liabilities	23,179	-	23,179
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property tax revenue	18,048	-	18,048
Total deferred inflows of resources	18,048	-	18,048
<b>FUND BALANCES (DEFICITS)</b>			
Restricted for:			
Emergency reserves (TABOR)	600	-	600
Unassigned	(16,616)	-	(16,616)
Total fund balances (deficits)	(16,016)	-	(16,016)
<b>TOTAL LIABILITIES, AND DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)</b>	<b>\$ 25,211</b>	<b>\$ -</b>	

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

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

Developer advances payable	(138,235)
Accrued interest payable	(52,011)
Net position of governmental activities	<b>\$ (206,262)</b>

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

**INTERQUEST SOUTH BUSINESS IMPROVEMENT DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES (DEFICITS) - GOVERNMENTAL FUNDS  
Year Ended December 31, 2016**

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Property taxes	\$ 17,602	\$ -	\$ 17,602
Specific ownership taxes	2,181	-	2,181
Net investment income	19	-	19
Total revenues	<u>19,802</u>	<u>-</u>	<u>19,802</u>
<b>EXPENDITURES</b>			
Current			
Accounting	11,393	525	11,918
Audit	2,050	-	2,050
County Treasurer's fees	264	-	264
Election expense	985	-	985
Insurance and bonds	1,337	-	1,337
Dues and membership	276	-	276
Legal	12,977	-	12,977
Management	6,961	-	6,961
Miscellaneous	479	-	479
Total expenditures	<u>36,722</u>	<u>525</u>	<u>37,247</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(16,920)</u>	<u>(525)</u>	<u>(17,445)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Developer advance	<u>22,310</u>	<u>525</u>	<u>22,835</u>
Total other financing sources (uses)	<u>22,310</u>	<u>525</u>	<u>22,835</u>
<b>NET CHANGE IN FUND BALANCES</b>	5,390	-	5,390
<b>FUND BALANCES (DEFICITS) - BEGINNING OF YEAR</b>	<u>(21,406)</u>	<u>-</u>	<u>(21,406)</u>
<b>FUND BALANCES (DEFICITS) - END OF YEAR</b>	<u><u>\$ (16,016)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (16,016)</u></u>

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

**INTERQUEST SOUTH BUSINESS IMPROVEMENT DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS) 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	\$	5,390
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The issuance of long-term debt (e.g., 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.

Developer advance		(22,835)
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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 advance - change in liability		<u>(9,488)</u>
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Change in net position of governmental activities	\$	<u><u>(26,933)</u></u>
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These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**INTERQUEST SOUTH BUSINESS IMPROVEMENT DISTRICT  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES (DEFICITS) - BUDGET AND ACTUAL  
Year Ended December 31, 2016**

	<b>Original and Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>			
Property taxes	\$ 18,951	\$ 17,602	\$ (1,349)
Specific ownership taxes	1,900	2,181	281
Net investment income	10	19	9
Total revenues	<u>20,861</u>	<u>19,802</u>	<u>(1,059)</u>
<b>EXPENDITURES</b>			
Current			
Accounting	10,000	11,393	(1,393)
Audit	2,100	2,050	50
County Treasurer's fees	284	264	20
Election expense	1,000	985	15
Insurance and bonds	1,500	1,337	163
Dues and membership	500	276	224
Legal	10,000	12,977	(2,977)
Management	8,000	6,961	1,039
Miscellaneous	500	479	21
Contingency	116	-	116
Total expenditures	<u>34,000</u>	<u>36,722</u>	<u>(2,722)</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(13,139)</u>	<u>(16,920)</u>	<u>(3,781)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Developer advance	14,000	22,310	8,310
Total other financing sources (uses)	<u>14,000</u>	<u>22,310</u>	<u>8,310</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	861	5,390	4,529
<b>FUND BALANCES (DEFICITS) - BEGINNING OF YEAR</b>	<u>672</u>	<u>(21,406)</u>	<u>(22,078)</u>
<b>FUND BALANCES (DEFICITS) - END OF YEAR</b>	<u>\$ 1,533</u>	<u>\$ (16,016)</u>	<u>\$ (17,549)</u>

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

**INTERQUEST SOUTH BUSINESS IMPROVEMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 1 - DEFINITION OF REPORTING ENTITY**

Interquest South Business Improvement District (the District), a quasi-municipal corporation was organized by ordinance of the City of Colorado Springs (the City) on October 26, 2004, 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 of resources and the sum of liabilities and deferred inflows of resources is reported as net position.

**INTERQUEST SOUTH 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 and specific ownership 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 fund:

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 Capital Projects Fund was established to account for financial resources to be used for the acquisition and construction of capital infrastructure 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.

**INTERQUEST SOUTH BUSINESS IMPROVEMENT DISTRICT**  
**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.

The District incurred expenditures in excess of appropriations for the year ended December 31, 2016 in the General Fund, which may be in violation of the Local Government Budget Law.

**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.

**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 unearned property tax revenues are recorded as revenue in the year they are available or collected.

**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 item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *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.

**INTERQUEST SOUTH BUSINESS IMPROVEMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

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

**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.
- *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.

**Deficits**

The General Fund reported a deficit of \$(16,016) as of December 31, 2016. The deficit is anticipated to be eliminated in 2017 through the receipt of property taxes and developer advances.

**INTERQUEST SOUTH BUSINESS IMPROVEMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**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	\$ 6,374
Cash - Restricted	<u>600</u>
Total cash and investments	<u><u>\$ 6,974</u></u>

Cash as of December 31, 2016, consists of the following:

Deposits with financial institutions	<u>\$ 6,974</u>
Total cash and investments	<u><u>\$ 6,974</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.

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 \$6,974 and a carrying balance of \$6,974.

The District had no investments during the year, or as of December 31, 2016.

**INTERQUEST SOUTH BUSINESS IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016**

**NOTE 4 - 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>
Nor'wood Development Group advances	\$ 16,000	\$ -	\$ -	\$ 16,000	\$ -
Accrued interest on Nor'wood advances	9,660	1,120	-	10,780	-
COPT advances	99,400	-	-	99,400	-
Accrued interest on COPT advances	32,863	6,701	-	39,564	-
Chalon advances	-	22,835	-	22,835	-
Accrued interest on Chalon advances	-	1,667	-	1,667	-
	<u>\$ 157,923</u>	<u>\$ 32,323</u>	<u>\$ -</u>	<u>\$ 190,246</u>	<u>\$ -</u>

**Developer Advances**

The District entered into a Reimbursement Agreement (Agreement) with the former developer, Nor'wood Development Group (Nor'wood), whereby the District agreed to reimburse Nor'wood for operational advances made on behalf of the District. The District agreed to repay Nor'wood along with accrued interest at a rate of 7%. Interest is to begin accruing 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 made by Nor'wood totaled \$16,000 and accumulated accrued interest totaled \$10,780.

**INTERQUEST SOUTH BUSINESS IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016**

**NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)**

The District entered into a Reimbursement Agreement (Agreement) with COPT Interquest, LLC (former Developer) whereby the District agrees to reimburse the former Developer for operational advances made on behalf of the District. The District agreed to repay the former 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 former Developer advances totaled \$99,400 and accumulated accrued interest totaled \$39,564.

Effective January 1, 2016, the District entered into a Reimbursement Agreement (Agreement) with Chalon Properties, Inc. (Developer) (see Note 6) 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 8% simple interest beginning on the date of the advance to the date of repayment. The Agreement does not constitute a multiple-fiscal year obligation. As of December 31, 2016, outstanding Developer advances totaled \$22,835 and accumulated accrued interest totaled \$1,667.

**Authorized Debt**

On November 2, 2004, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$24,000,000 at an interest rate not to exceed 12% per annum. On November 1, 2005, the District's electors authorized additional indebtedness of \$3,500,000 at an interest rate not to exceed 12% per annum. At December 31, 2016, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	<b>Authorized November 2, 2004 Election</b>	<b>Authorized November 1, 2005 Election</b>	<b>Authorization Used</b>	<b>Remaining at December 31, 2016</b>
Streets	\$ 24,000,000	\$ -	\$ -	\$ 24,000,000
Water	-	2,000,000	-	2,000,000
Sanitary sewer	-	1,500,000	-	1,500,000
	<u>\$ 24,000,000</u>	<u>\$ 3,500,000</u>	<u>\$ -</u>	<u>\$ 27,500,000</u>

As set forth in the District's 2006 Operating Plan, the City has limited the amount of debt to be issued by the District to a total of \$24,000,000 without future approval by the City.

In the future, the District may issue a portion of all the remaining authorized but unissued general obligation debt, subject to City limitation, for purposes of providing public improvements to support development as it occurs within the District's service area.

**INTERQUEST SOUTH BUSINESS IMPROVEMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 5 - NET POSITION**

The District has net position consisting of two components - restricted and unrestricted. Restricted net position consists of 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:

Restricted net position:

Emergencies (see Note 9)	\$ 600
Total restricted net position	<u>\$ 600</u>

The District has a deficit unrestricted net position. This deficit amount is the result of the District being responsible for the repayment of Developer advances for operations.

**NOTE 6 - RELATED PARTIES**

The Developer of the property which constitutes the District is Chalon Properties, Inc. 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 7 - ECONOMIC DEPENDENCY**

The District has not yet established a revenue base sufficient to pay the District's operational expenditures. Until an independent revenue base is established, continuation of operations in the District will be dependent upon funding by the Developer.

**NOTE 8 - 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 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.

**INTERQUEST SOUTH BUSINESS IMPROVEMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 9 - 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 2, 2004, the District's voters authorized the District to increase property taxes \$60,000 annually, adjusted for inflation plus annual local growth in each subsequent fiscal year thereafter, 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 (TABOR).

**SUPPLEMENTARY INFORMATION**

**INTERQUEST SOUTH BUSINESS IMPROVEMENT DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
Year Ended December 31, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Total revenues	\$ -	\$ -	\$ -	\$ -
<b>EXPENDITURES</b>				
Current				
Accounting	-	600	525	75
Total expenditures	-	600	525	75
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	-	(600)	(525)	75
<b>OTHER FINANCING SOURCES (USES)</b>				
Developer advance	-	600	525	(75)
Total other financing sources (uses)	-	600	525	(75)
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	-	-	-	-
<b>FUND BALANCES - BEGINNING OF YEAR</b>	-	-	-	-
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**INTERQUEST SOUTH BUSINESS IMPROVEMENT DISTRICT  
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	\$ 11,249,270	1.000	\$ 11,249	\$ 11,032	98.07%
2013	\$ 11,496,890	1.000	\$ 11,496	\$ 11,519	100.20%
2014	\$ 11,182,040	1.000	\$ 11,182	\$ 11,182	100.00%
2015	\$ 15,562,210	1.000	\$ 15,562	\$ 14,615 (1)	93.91%
2016	\$ 18,950,660	1.000	\$ 18,951	\$ 17,602 (2)	92.88%
Estimated for the year ending December 31, 2017	\$ 18,048,200	1.000	\$ 18,048		

(1) Includes a property tax rebate of \$947 paid to taxpayers.

(2) Includes a property tax rebate of \$1,349 paid to taxpayers.

**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.