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Accountant's Compilation Report

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

Management is responsible for the accompanying budget of revenues, expenditures, and fund balances of First & Main Business Improvement District No. 2 for the year ending December 31, 2018, including the estimate of comparative information for the year ending December 31, 2017, and the actual comparative information for the year ending December 31, 2016, in the format prescribed by Colorado Revised Statutes (C.R.S.) 29-1-105. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the budget nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on the accompanying budget.

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

We are not independent with respect to First & Main Business Improvement District No. 2.

Colorado Springs, Colorado
December 4, 2017

FIRST & MAIN BUSINESS IMPROVEMENT DISTRICT NO. 2

SUMMARY

2018 BUDGET AS ADOPTED

WITH 2016 ACTUAL AND 2017 ESTIMATED

For the Years Ended and Ending December 31,

12/4/2017

	ACTUAL 2016	ESTIMATED 2017	ADOPTED 2018
BEGINNING FUND BALANCES	\$ 1,597,562	\$ 1,923,562	\$ 1,061,162
REVENUES			
1 Property taxes	529,950	530,439	578,423
2 Specific ownership taxes	60,981	71,700	75,200
3 Public improvement fees	452,460	438,000	475,000
4 Developer advance	10,014,285	-	-
5 Net investment income	11,699	24,500	12,400
6 Other income	-	2,036	-
7 Intergovernmental revenue - First & Main BID	22,019	24,309	24,919
Total revenues	11,091,394	1,090,984	1,165,942
TRANSFERS IN	-	1,168,616	-
Total funds available	12,688,956	4,183,162	2,227,104
EXPENDITURES			
8 Accounting	27,525	28,000	26,000
9 Audit	6,900	7,000	7,500
10 Contingency	-	3,501	3,830
11 County Treasurer's fees	156	156	170
12 District management	14,771	7,000	12,000
13 Dues and membership	-	1,066	1,500
14 Election	1,227	-	2,000
15 Insurance	3,625	3,625	4,000
16 Legal	9,467	10,000	12,000
17 Miscellaneous	1,656	1,000	1,000
18 PIF services	-	5,000	5,000
19 Street repairs	-	640,652	-
20 Bond interest - Series 2009	192,525	189,550	186,150
21 Bond interest - Series 2011	157,250	153,850	150,450
22 Bond interest - Series 2015 GO	116,775	115,425	114,075
23 Bond interest - Series 2015 PIF	116,438	116,438	114,413
24 Bond principal - Series 2009	35,000	40,000	40,000
25 Bond principal - Series 2011	40,000	40,000	45,000
26 Bond principal - Series 2015 GO	20,000	20,000	25,000
27 Bond principal - Series 2015 PIF	-	30,000	35,000
28 Contingency	-	3,320	3,405
29 County Treasurer's fees	7,794	7,801	8,507
30 Contingency	-	2,036	-
31 Landscape improvements	4,534,082	-	-
32 Sewer	2,026,510	-	-
33 Streets	3,453,693	527,964	-
Total expenditures	10,765,394	1,953,384	797,000
TRANSFERS OUT	-	1,168,616	-
Total expenditures and transfers out requiring appropriation	10,765,394	3,122,000	797,000
ENDING FUND BALANCES	\$ 1,923,562	\$ 1,061,162	\$ 1,430,104
EMERGENCY RESERVE	\$ 2,900	\$ 3,300	\$ 3,400
TOTAL RESERVE	\$ 2,900	\$ 3,300	\$ 3,400

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

FIRST & MAIN BUSINESS IMPROVEMENT DISTRICT NO. 2
PROPERTY TAX SUMMARY INFORMATION
For the Years Ended and Ending December 31,

12/4/2017

	ACTUAL 2016	ESTIMATED 2017	ADOPTED 2018
ASSESSED VALUATION - EL PASO			
Commercial	\$ 10,080,420	\$ 10,095,130	\$ 11,033,040
Vacant Land	199,410	199,410	205,150
State Assessed	111,490	106,230	103,440
Certified Assessed Value	<u>\$ 10,391,320</u>	<u>\$ 10,400,770</u>	<u>\$ 11,341,630</u>
MILL LEVY			
GENERAL FUND	1.000	1.000	1.000
DEBT SERVICE FUND	50.000	50.000	50.000
Total Mill Levy	<u>51.000</u>	<u>51.000</u>	<u>51.000</u>
PROPERTY TAXES			
GENERAL FUND	\$ 10,391	\$ 10,401	\$ 11,342
DEBT SERVICE FUND	519,566	520,039	567,081
Levied property taxes	<u>529,957</u>	<u>530,439</u>	<u>578,423</u>
Adjustments to actual/rounding	(7)	-	-
Budgeted Property Taxes	<u>\$ 529,950</u>	<u>\$ 530,439</u>	<u>\$ 578,423</u>
BUDGETED PROPERTY TAXES			
GENERAL FUND	\$ 10,391	\$ 10,401	\$ 11,342
DEBT SERVICE FUND	519,559	520,038	567,081
	<u>\$ 529,950</u>	<u>\$ 530,439</u>	<u>\$ 578,423</u>

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FIRST & MAIN BUSINESS IMPROVEMENT DISTRICT NO. 2
GENERAL FUND

2018 BUDGET AS ADOPTED
WITH 2016 ACTUAL AND 2017 ESTIMATED
For the Years Ended and Ending December 31,

12/4/2017

	ACTUAL 2016	ESTIMATED 2017	ADOPTED 2018
BEGINNING FUND BALANCES	\$ 66,651	\$ 94,968	\$ 136,030
REVENUES			
1 Property taxes	10,391	10,401	11,342
2 Specific ownership taxes	60,981	71,700	75,200
3 Net investment income	253	1,000	1,500
4 Intergovernmental revenue - First & Main BID	22,019	24,309	24,919
Total revenues	93,644	107,410	112,961
TRANSFERS IN			
DEBT SERVICE FUND	-	640,652	-
Total transfers in	-	640,652	-
Total funds available	160,295	843,030	248,991
EXPENDITURES			
General and administration			
5 Accounting	27,525	28,000	26,000
6 Audit	6,900	7,000	7,500
7 Contingency	-	3,501	3,830
8 County Treasurer's fees	156	156	170
9 District management	14,771	7,000	12,000
10 Dues and membership	-	1,066	1,500
11 Election	1,227	-	2,000
12 Insurance	3,625	3,625	4,000
13 Legal	9,467	10,000	12,000
14 Miscellaneous	1,656	1,000	1,000
15 PIF services	-	5,000	5,000
16 Street repairs	-	640,652	-
Total expenditures	65,327	707,000	75,000
Total expenditures and transfers out requiring appropriation	65,327	707,000	75,000
ENDING FUND BALANCES	\$ 94,968	\$ 136,030	\$ 173,991
EMERGENCY RESERVE	\$ 2,900	\$ 3,300	\$ 3,400
TOTAL RESERVE	\$ 2,900	\$ 3,300	\$ 3,400

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FIRST & MAIN BUSINESS IMPROVEMENT DISTRICT NO. 2
DEBT SERVICE FUND
2018 BUDGET AS ADOPTED
WITH 2016 ACTUAL AND 2017 ESTIMATED
For the Years Ended and Ending December 31,

12/4/2017

	ACTUAL 2016	ESTIMATED 2017	ADOPTED 2018
BEGINNING FUND BALANCES	\$ 1,530,911	\$ 1,828,594	\$ 925,132
REVENUES			
1 Property taxes	519,559	520,038	567,081
2 Public improvement fees	452,460	438,000	475,000
3 Net investment income	11,446	23,500	10,900
Total revenues	983,465	981,538	1,052,981
Total funds available	2,514,376	2,810,132	1,978,113
EXPENDITURES			
Debt service			
4 Bond interest - Series 2009	192,525	189,550	186,150
5 Bond interest - Series 2011	157,250	153,850	150,450
6 Bond interest - Series 2015 GO	116,775	115,425	114,075
7 Bond interest - Series 2015 PIF	116,438	116,438	114,413
8 Bond principal - Series 2009	35,000	40,000	40,000
9 Bond principal - Series 2011	40,000	40,000	45,000
10 Bond principal - Series 2015 GO	20,000	20,000	25,000
11 Bond principal - Series 2015 PIF	-	30,000	35,000
12 Contingency	-	3,320	3,405
13 County Treasurer's fees	7,794	7,801	8,507
Total expenditures	685,782	716,384	722,000
TRANSFERS OUT			
GENERAL FUND	-	640,652	-
CAPITAL PROJECTS FUND	-	527,964	-
Total transfers out	-	1,168,616	-
Total expenditures and transfers out requiring appropriation	685,782	1,885,000	722,000
ENDING FUND BALANCES	\$ 1,828,594	\$ 925,132	\$ 1,256,113

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FIRST & MAIN BUSINESS IMPROVEMENT DISTRICT NO. 2
CAPITAL PROJECTS FUND
2018 BUDGET AS ADOPTED
WITH 2016 ACTUAL AND 2017 ESTIMATED
For the Years Ended and Ending December 31,

12/4/2017

	ACTUAL 2016	ESTIMATED 2017	ADOPTED 2018
BEGINNING FUND BALANCES	\$ -	\$ -	\$ -
REVENUES			
1 Developer advance	10,014,285	-	-
2 Other income	-	2,036	-
Total revenues	10,014,285	2,036	-
TRANSFERS IN			
DEBT SERVICE FUND	-	527,964	-
Total transfers in	-	527,964	-
Total funds available	10,014,285	530,000	-
EXPENDITURES			
Capital projects			
3 Contingency	-	2,036	-
4 Landscape improvements	4,534,082	-	-
5 Sewer	2,026,510	-	-
6 Streets	3,453,693	527,964	-
Total expenditures	10,014,285	530,000	-
Total expenditures and transfers out requiring appropriation	10,014,285	530,000	-
ENDING FUND BALANCES	\$ -	\$ -	\$ -

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

FIRST & MAIN BUSINESS IMPROVEMENT DISTRICT NO. 2
2018 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS

Services Provided

The District was organized by Ordinance of the City of Colorado Springs on September 9, 2008, 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 water, sanitation, street, storm, park and recreation, and the operation and maintenance of the District. The District's service area is located entirely within the City of Colorado Springs, El Paso County, Colorado.

On November 4, 2008, the District's electors authorized the issuance of indebtedness in an amount not to exceed \$5,000,000 for water, \$20,000,000 for streets, \$5,000,000 for sanitation, \$5,000,000 for park and recreation, and \$20,000,000 for refunding of debt. The voters also approved an annual increase in taxes of \$150,000 annually, at a mill levy rate not to exceed one mill for operations and maintenance. The election also allows the District to retain all revenues without regard to the limitations contained within Article X, Section 20 of the Colorado constitution. As set forth in the District's 2009 operating plan, the City has limited the amount of debt to be issued to a total of \$20,000,000 in the authorized voted categories, without further approval by the City.

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

The District prepares its budget on the modified accrual basis of accounting in accordance with the requirements of C.R.S 29-1-105.

Revenues

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

The calculation of the taxes levied is displayed on page 3 of the Budget at the total adopted mill levy of 51.000 mills.

Specific Ownership Taxes

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on vehicle licensing within the County as a whole. The specific ownership taxes are allocated by the County Treasurer to all taxing entities within the County. The budget assumes that the District's share will be equal to approximately 13% of the property taxes collected.

Net Investment Income

Interest earned on the District's available funds has been estimated based on an average interest rate of approximately 1%.

FIRST & MAIN BUSINESS IMPROVEMENT DISTRICT NO. 2
2018 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS

Revenues - (continued)

Intergovernmental Revenue

Pursuant to an Intergovernmental Agreement entered into during 2014 with First & Main Business Improvement District, the intergovernmental revenue represents transfers from First & Main Business Improvement District to provide funding for the overall administrative and operating costs for both Districts.

Public Improvement Fees

The District anticipates receiving \$475,000 in Public Improvement Fees (PIF) during 2018. Pursuant to the PIF Covenant, these fees are pledged revenue to be used toward the repayment of the Series 2011 and Series 2015 Public Improvement Fee Revenue Bonds.

Expenditures

Administrative and Operating Expenditures

Administrative and operating expenditures include the estimated services necessary to maintain the District's administrative viability such as legal, management, election, accounting, insurance, and other administrative expenses.

County Treasurer's Fees

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

Debt Service

Principal and interest payments in 2018 are provided based on the debt amortization schedules from the General Obligation Bond Series 2009, the Public Improvement Fee Revenue Bond Series 2011, the Limited Tax General Obligation Bond Series 2015, and the Public Improvement Fee Revenue Bond Series 2015.

Debt and Leases

On January 28, 2009, the District issued \$2,400,000 in General Obligation Bonds Series 2009 (Series 2009 Bonds). The Series 2009 Bonds are due December 1, 2038, and bear an interest rate of 8.5% paid annually on December 1. The proceeds from the Series 2009 Bonds were used to reimburse the Developer for capital infrastructure costs and to pay bond issuance costs.

On January 12, 2011, the District issued \$2,000,000 in Public Improvement Fee Revenue Bonds (Series 2011 Bonds). The Series 2011 Bonds are due December 1, 2035, and bear an interest rate of 8.5% paid annually on December 1. The Series 2011 Bonds are subject to redemption prior to maturity on or after December 1, 2012. The Series 2011 Bonds will be repaid by pledged revenues consisting of public improvement fee revenues and payable to the District pursuant to the Public Improvement Fee Covenant. The proceeds from the Series 2011 Bonds were used to reimburse the Developer for capital infrastructure costs and to pay bond issuance costs.

FIRST & MAIN BUSINESS IMPROVEMENT DISTRICT NO. 2
2018 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS

Debt and Leases - (continued)

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.

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 public improvement fee revenues and payable to the District pursuant to the Public Improvement Fee Covenant. The proceeds from the Series 2015 PIF Bonds were used to reimburse the Developer for capital infrastructure costs and to pay bond issuance costs.

The District has no capital or operating leases.

Reserves

Emergency Reserve

The District has provided for an Emergency Reserve fund equal to at least 3% of fiscal year spending for 2018, as defined under TABOR.

This information is an integral part of the accompanying budget.

FIRST & MAIN BUSINESS IMPROVEMENT DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY

Bonds and Interest Maturing in the Year Ending <u>December 31,</u>	\$2,400,000 General Obligation Bonds Series 2009 Dated January 28, 2009 Interest Rate of 8.5% Interest and Principal Payable December 1			\$2,000,000 Public Improvement Fee Revenue Bonds Series 2011 Dated January 12, 2011 Interest Rate of 8.5% Interest and Principal Payable December 1		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 40,000	\$ 186,150	\$ 226,150	\$ 45,000	\$ 150,450	\$ 195,450
2019	45,000	182,750	227,750	50,000	146,625	196,625
2020	50,000	178,925	228,925	55,000	142,375	197,375
2021	55,000	174,675	229,675	60,000	137,700	197,700
2022	55,000	170,000	225,000	60,000	132,600	192,600
2023	60,000	165,325	225,325	70,000	127,500	197,500
2024	65,000	160,225	225,225	75,000	121,550	196,550
2025	70,000	154,700	224,700	80,000	115,175	195,175
2026	80,000	148,750	228,750	85,000	108,375	193,375
2027	85,000	141,950	226,950	95,000	101,150	196,150
2028	90,000	134,725	224,725	100,000	93,075	193,075
2029	100,000	127,075	227,075	110,000	84,575	194,575
2030	110,000	118,575	228,575	120,000	75,225	195,225
2031	120,000	109,225	229,225	130,000	65,025	195,025
2032	130,000	99,025	229,025	140,000	53,975	193,975
2033	140,000	87,975	227,975	150,000	42,075	192,075
2034	150,000	76,075	226,075	165,000	29,325	194,325
2035	165,000	63,325	228,325	180,000	15,300	195,300
2036	180,000	49,300	229,300	-	-	-
2037	190,000	34,000	224,000	-	-	-
2038	210,000	17,850	227,850	-	-	-
2039	-	-	-	-	-	-
2040	-	-	-	-	-	-
2041	-	-	-	-	-	-
2042	-	-	-	-	-	-
2043	-	-	-	-	-	-
2044	-	-	-	-	-	-
	<u>\$ 2,190,000</u>	<u>\$ 2,580,600</u>	<u>\$ 4,770,600</u>	<u>\$ 1,770,000</u>	<u>\$ 1,742,075</u>	<u>\$ 3,512,075</u>

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

FIRST & MAIN BUSINESS IMPROVEMENT DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
(Continued)

Bonds and Interest Maturing in the Year Ending December 31,	\$1,750,000			\$1,725,000		
	Limited Tax General Obligation Bonds			Public Improvement Fee Revenue Bonds		
	Series 2015			Series 2015		
	Dated April 22, 2015			Dated April 22, 2015		
	Interest Rate of 6.75%			Interest Rate of 6.75%		
	Interest and Principal			Interest and Principal		
	Payable December 1			Payable December 1		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 25,000	\$ 114,075	\$ 139,075	\$ 35,000	\$ 114,413	\$ 149,413
2019	25,000	112,388	137,388	40,000	112,050	152,050
2020	25,000	110,700	135,700	40,000	109,350	149,350
2021	30,000	109,013	139,013	45,000	106,650	151,650
2022	30,000	106,988	136,988	45,000	103,613	148,613
2023	35,000	104,963	139,963	50,000	100,575	150,575
2024	35,000	102,600	137,600	50,000	97,200	147,200
2025	35,000	100,238	135,238	55,000	93,825	148,825
2026	40,000	97,875	137,875	60,000	90,113	150,113
2027	45,000	95,175	140,175	65,000	86,063	151,063
2028	45,000	92,138	137,138	70,000	81,675	151,675
2029	50,000	89,100	139,100	75,000	76,950	151,950
2030	50,000	85,725	135,725	75,000	71,888	146,888
2031	55,000	82,350	137,350	85,000	66,825	151,825
2032	60,000	78,638	138,638	90,000	61,088	151,088
2033	65,000	74,588	139,588	95,000	55,013	150,013
2034	65,000	70,200	135,200	100,000	48,600	148,600
2035	70,000	65,813	135,813	110,000	41,850	151,850
2036	75,000	61,088	136,088	115,000	34,425	149,425
2037	80,000	56,025	136,025	125,000	26,663	151,663
2038	85,000	50,625	135,625	130,000	18,225	148,225
2039	95,000	44,888	139,888	140,000	9,450	149,450
2040	100,000	38,475	138,475	-	-	-
2041	105,000	31,725	136,725	-	-	-
2042	115,000	24,638	139,638	-	-	-
2043	120,000	16,875	136,875	-	-	-
2044	130,000	8,775	138,775	-	-	-
	<u>\$ 1,690,000</u>	<u>\$ 2,025,675</u>	<u>\$ 3,715,675</u>	<u>\$ 1,695,000</u>	<u>\$ 1,606,500</u>	<u>\$ 3,301,500</u>

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FIRST & MAIN BUSINESS IMPROVEMENT DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
(Continued)

Bonds and Interest Maturing in the Year Ending <u>December 31,</u>	TOTAL ALL BONDS		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 145,000	\$ 565,088	\$ 710,088
2019	160,000	553,813	713,813
2020	170,000	541,350	711,350
2021	190,000	528,038	718,038
2022	190,000	513,200	703,200
2023	215,000	498,363	713,363
2024	225,000	481,575	706,575
2025	240,000	463,938	703,938
2026	265,000	445,113	710,113
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	292,725	712,725
2033	450,000	259,650	709,650
2034	480,000	224,200	704,200
2035	525,000	186,288	711,288
2036	370,000	144,813	514,813
2037	395,000	116,688	511,688
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	24,638	139,638
2043	120,000	16,875	136,875
2044	130,000	8,775	138,775
	<u>\$ 7,345,000</u>	<u>\$ 7,954,850</u>	<u>\$ 15,299,850</u>

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