

City of Colorado Springs Marketplace at
Austin Bluffs General Improvement District
(A Component Unit of the City of Colorado Springs, Colorado)

2016

Financial Statements

For the year ended December 31, 2016



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Independent Auditor's Report

Honorable Mayor and Members of City Council
and City Auditor
City of Colorado Springs
Colorado Springs, Colorado

We have audited the accompanying financial statements of the governmental activities and the major fund of the City of Colorado Springs Marketplace at Austin Bluffs General Improvement District (the District), a component unit of the City of Colorado Springs, Colorado, as of and for the year ended December 31, 2016 and the related notes to the financial statements, 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.

Honorable Mayor and Members of City Council
and City Auditor
City of Colorado Springs

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 the major fund of the District as of December 31, 2016, and the respective changes in financial position 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 the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinions on the basic financial statements are not affected by the missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements of the District's basic financial statements. The Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual – Debt Service Fund listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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. The 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

BKD, LLP

Colorado Springs, Colorado
June 12, 2017

City of Colorado Springs Marketplace at Austin Bluffs
 General Improvement District
 STATEMENT OF NET POSITION
 December 31, 2016

	<u>Governmental Activities</u>
ASSETS	
Due from other governments	\$ 166,151
Accounts receivable	2,351
Taxes receivable	<u>231,318</u>
Total assets	<u>399,820</u>
LIABILITIES	
Accounts payable	250
Accrued interest payable	12,756
Noncurrent liabilities:	
Due within one year	80,000
Due in more than one year	<u>2,275,000</u>
Total liabilities	<u>2,368,006</u>
DEFERRED INFLOWS OF RESOURCES	
Property taxes	<u>231,318</u>
Total deferred inflows of resources	<u>231,318</u>
NET POSITION	
Unrestricted (deficit)	<u>(2,199,504)</u>
Total net position (deficit)	<u><u>\$ (2,199,504)</u></u>

The accompanying notes are an integral part of this statement.

City of Colorado Springs Marketplace at Austin Bluffs
 General Improvement District
 STATEMENT OF ACTIVITIES
 For the year ended December 31, 2016

Function/Programs	Expenses	Net (Expense) Revenue and Changes in Net Position Governmental Activities
Governmental activities		
General government	\$ 5,834	
Interest on long-term debt	157,543	\$ (163,377)
General revenues:		
Property taxes		256,865
Investment earnings		2,884
Total general revenues		259,749
Change in net position		96,372
Net position (deficit) - beginning of year		(2,295,876)
Net position (deficit) - end of year		\$ (2,199,504)

The accompanying notes are an integral part of this statement.

City of Colorado Springs Marketplace at Austin Bluffs
 General Improvement District
 GOVERNMENTAL FUND BALANCE SHEET
 December 31, 2016

	<u>Debt Service Fund</u>
ASSETS	
Due from other governments	\$ 166,151
Accounts receivable	2,351
Taxes receivable	<u>231,318</u>
Total assets	<u><u>399,820</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	
Liabilities	
Accounts payable	<u>250</u>
Total liabilities	<u>250</u>
Deferred inflows of resources	
Unavailable revenue - property taxes	<u>231,318</u>
Total deferred inflows of resources	<u>231,318</u>
Fund balance	
Restricted for debt service	<u>168,252</u>
Total fund balance	<u>168,252</u>
Total liabilities, deferred inflows of resources and fund balance	<u><u>\$ 399,820</u></u>

The accompanying notes are an integral part of this statement.

City of Colorado Springs Marketplace at Austin Bluffs
 General Improvement District
 RECONCILIATION OF THE GOVERNMENTAL
 FUND BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 December 31, 2016

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

Fund balance - governmental fund	\$	168,252
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. The details of this difference are as follows:

		(2,355,000)
Bonds payable		(2,355,000)
Accrued interest payable		(12,756)
		(12,756)
Net position (deficit) - governmental activities	\$	(2,199,504)

The accompanying notes are an integral part of this statement.

City of Colorado Springs Marketplace at Austin Bluffs
 General Improvement District
 GOVERNMENTAL FUND STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGE IN FUND BALANCE
 For the year ended December 31, 2016

	<u>Debt Service Fund</u>
Revenues	
Property taxes	\$ 256,865
Investment earnings	2,884
	<u>259,749</u>
Expenditures	
Current:	
Miscellaneous	5,834
Debt service:	
Interest	157,950
Principal	75,000
	<u>238,784</u>
Net change in fund balance	20,965
Fund balance - beginning of year	<u>147,287</u>
Fund balance - end of year	<u><u>\$ 168,252</u></u>

The accompanying notes are an integral part of this statement.

City of Colorado Springs Marketplace at Austin Bluffs
 General Improvement District
 RECONCILIATION OF THE GOVERNMENTAL
 FUND STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGE IN FUND BALANCE
 TO THE STATEMENT OF ACTIVITIES
 For the year ended December 31, 2016

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

Net change in fund balance - governmental fund	\$	20,965
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The detail of this difference is as follows:</p>		
Principal payment		75,000
<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. The detail of this difference is as follows:</p>		
Change in accrued interest payable		407
Change in net position (deficit) - governmental activities	\$	96,372

The accompanying notes are an integral part of this statement.

City of Colorado Springs Marketplace at Austin Bluffs General Improvement District
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements follows:

1. *Reporting entity*

The Colorado Springs Marketplace at Austin Bluffs General Improvement District (the District) is a quasi-municipal political subdivision and body corporate of the State of Colorado established pursuant to Title 31, Article 25, Part 6, of the Colorado Revised Statutes, as amended. The District, located in central Colorado Springs, is governed by a Board of Directors comprised of the members of the City Council of the City of Colorado Springs, Colorado (City), and was established to provide for the redevelopment of a retail center formerly known as Shops at the Bluffs. Improvements include new public storm water detention conduits, ponds, pipe and all associated facilities; new water, sanitary sewer, fire protection systems; and improvements to public streets entering the property, including new curb/gutters, landscaping and acceleration/deceleration lanes. As this District was formed to issue debt to fund infrastructure improvements, after the outstanding bonds are retired, the District will be dissolved. Under accounting principles generally accepted in the United States of America (US GAAP), the District is considered to be a component unit of the City. Accordingly, the District's financial data is included in the City's financial statements.

The financial statements of the District consist only of the funds of the District. There are no legally separate organizations for which the governing officials of the District are financially accountable or for which the nature and significance of their relationship with the District are such that exclusion of their financial data would cause the District's financial statements to be misleading or incomplete.

2. *Government-wide and fund financial statements*

The government-wide financial statements (i.e., the statement of net position (deficit) and the statement of activities) report information on all of the activities of the District. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District only has *governmental activities*.

City of Colorado Springs Marketplace at Austin Bluffs General Improvement District
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

The statement of activities demonstrates the degree to which the direct 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. Indirect expenses have not been allocated. *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*. The District only has *general revenues*.

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

3. *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. Property taxes are recognized as revenues in the year for which they are levied.

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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes are recognized as revenues in the year for which the property taxes were levied as an enforceable lien on property. All other revenue items are considered to be measurable and available only when cash is received by the government.

City of Colorado Springs Marketplace at Austin Bluffs General Improvement District
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

The government reports the following major governmental funds:

The *debt service fund* accounts for the servicing of long-term debt.

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

4. *Assets, liabilities, deferred inflows of resources and equity*

Deposits and investments

The City of Colorado Springs holds all cash and cash equivalents for the District. The amount held by the City on behalf of the District is included in due from other governments on the governmental fund balance sheet/statement of net position in the amount of \$166,151.

Property taxes

The El Paso County Assessor certifies property valuations to the District on November 25 of each year. By December 15, the District sets and certifies its mill levy rate with El Paso County, which then bills and collects the property taxes due. These property taxes attach as an enforceable lien on January 1. The taxes are payable in two installments on February 28 and June 15, or in one installment due April 30. Revenue is recorded in the year for which the property tax was levied as an enforceable legal claim at this time.

Deferred inflows of resources

Property tax revenues are levied and recorded as an asset in the current year but attached as an enforceable lien on the property in the immediately subsequent year. As such, these revenues are reported as a deferred inflow of resources.

City of Colorado Springs Marketplace at Austin Bluffs General Improvement District
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

Long-term obligations

For long-term obligations, only that portion financed from expendable available financial resources is reported as a fund liability. The current and non-current portions are recorded in the government-wide financial statements.

Fund balance

In the fund financial statements, the governmental fund reports the following classification of fund balances:

Restricted fund balances indicate amounts subject to externally enforceable legal restrictions. Such restrictions are typically imposed by parties altogether outside the District such as creditors, grantors, contributors or other governments. The restricted amount noted in the financial statements is for debt service.

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on its use, either through enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. *Budgetary information*

Annual budgets are adopted on a basis consistent with US GAAP for the debt service fund. All annual appropriations lapse at fiscal year-end.

A budget is required by state law. The Board of Directors holds public hearings and adopts a budget resolution to legally enact the budget. Any revisions that alter total expenditures of the debt service fund must be approved by the Board of Directors.

City of Colorado Springs Marketplace at Austin Bluffs General Improvement District
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2016

NOTE C – DETAILED NOTES

1. *Long-term debt*

In November 2008, the District issued \$2,790,000 limited tax general obligation bonds. The bonds carry interest at 6.5%. Remaining annual maturities range from \$80,000 to \$220,000 with the final payment due in 2033. As of December 31, 2016, the principal amount of \$2,355,000 was outstanding. The proceeds from the sale of the 2008 bonds were used to construct and/or acquire street and water improvements. The 2008 bonds are a general obligation of the District and are not an obligation of the City. There is no obligation for the City to levy taxes with respect to the bonds.

The following schedule reflects the debt service requirements to maturity of the District's general obligation refunding bonds as of December 31, 2016:

Year ending December 31,	Principal	Interest	Total
2017	\$ 80,000	\$ 153,075	\$ 233,075
2018	85,000	147,875	232,875
2019	90,000	142,350	232,350
2020	95,000	136,500	231,500
2021	105,000	130,325	235,325
2022-2026	620,000	541,775	1,161,775
2027-2031	855,000	312,000	1,167,000
2032-2033	425,000	41,925	466,925
	<u>\$ 2,355,000</u>	<u>\$ 1,605,825</u>	<u>\$ 3,960,825</u>

The changes in long-term debt for the year ended December 31, 2016 were as follows:

	Balance January 1, 2016	Additions	Reductions	Balance December 31, 2016	Amounts due within one year
Series 2008 refunding general obligation bonds	\$ 2,430,000	\$ -	\$ 75,000	\$ 2,355,000	\$ 80,000

City of Colorado Springs Marketplace at Austin Bluffs General Improvement District
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

NOTE D- OTHER INFORMATION

1. *TABOR*

In November 1992, the voters of Colorado approved Amendment 1, commonly known as the Taxpayer's Bill of Rights (TABOR) which added a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations that apply to the State of Colorado and all local governments.

The District's financial activity for 1992 provides the basis for calculation of future limitations adjusted for allowable increases tied to inflation and local growth. Subsequent to 1992, revenue in excess of the District's "spending limit" must be refunded, unless voters approve the retainage of such excess revenue. TABOR generally requires voter approval for any new tax, tax increases and new debt.

TABOR is complex and subject to interpretation. Ultimate interpretation may depend upon litigation and legislative guidance. The District does not believe it is subject to the provisions of TABOR because of the nature of its operations; however, it believes it has complied with all aspects of the TABOR amendment.

SUPPLEMENTARY INFORMATION

City of Colorado Springs Marketplace at Austin Bluffs
 General Improvement District
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN
 FUND BALANCE - BUDGET AND ACTUAL - DEBT SERVICE FUND
 For the year ended December 31, 2016

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 255,833	\$ 255,833	\$ 256,865	\$ 1,032
Investment earnings	1,750	1,750	2,884	1,134
Total revenues	<u>257,583</u>	<u>257,583</u>	<u>259,749</u>	<u>2,166</u>
Expenditures				
Current				
Miscellaneous	2,000	2,000	5,834	(3,834)
Debt service				
Interest	157,950	157,950	157,950	-
Principal	75,000	75,000	75,000	-
Total expenditures	<u>234,950</u>	<u>234,950</u>	<u>238,784</u>	<u>(3,834)</u>
Net change in fund balance	<u>\$ 22,633</u>	<u>\$ 22,633</u>	20,965	<u>\$ (1,668)</u>
Fund balance - beginning of year			<u>147,287</u>	
Fund balance - end of year			<u>\$ 168,252</u>	