

***COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY***

***FINANCIAL STATEMENTS***

***AND***

***REQUIRED SUPPLEMENTAL INFORMATION***

***AND***

***ADDITIONAL INFORMATION***

***WITH***

***INDEPENDENT AUDITORS' REPORT***

***YEAR ENDED DECEMBER 31, 2016***



**RECEIVED**

*By Justin L. Smith at 11:54 am, Feb 23, 2017*

## TABLE OF CONTENTS

	<b>Page</b>
<b>Independent auditors' report</b>	1
<b>Management's Discussion and Analysis</b>	3
<b>Financial statements</b>	
Statement of net position and governmental fund balance sheet	9
Reconciliation of the governmental fund balance sheet to the statement of net position	10
Statement of activities and governmental fund revenue, expenditures, and changes in fund balances	11
Reconciliation of the governmental funds statement of revenue, expenditures and changes in fund balances to the statement of activities	12
<b>Notes to financial statements</b>	13
<b>Required supplemental information</b>	
Schedule of revenue, expenditures and changes in fund balance budget and actual - general fund	20
Notes to required supplemental information	21
<b>Additional information</b>	
Schedule of grant and other program expense	22

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## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Colorado Springs Downtown Development Authority  
Colorado Springs, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Colorado Springs Downtown Development Authority (Authority), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Authority'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 an opinion 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 opinion.

# INDEPENDENT AUDITOR'S REPORT - CONTINUED

Page 2

## Opinion

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 Authority, 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*

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 3 through 8, and the analysis and budgetary comparison information on pages 20 and 21, be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Additional Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of grant and other program expense is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of grant and other program expense 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 schedule of grant and other program expense is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Osborne, Parsons & Mosacher LLP*

Colorado Springs, Colorado

February 15, 2017

***MANAGEMENT'S DISCUSSION AND ANALYSIS***

## **COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Colorado Springs Downtown Development Authority (DDA), we offer readers of the DDA Annual Financial Report this narrative and analysis of the financial activities for the fiscal year ended December 31, 2016. We encourage readers to consider the information presented here in conjunction with additional information that can be found in the basic financial statements.

### **Financial Highlights**

- The DDA is authorized to use the form of financing known as “tax increment financing” (TIF). The division of property tax is made according to the “base” assessed valuation of the Authority’s area and any “increment” valuation (increase) that may have occurred within the area. Revenue from TIF received in 2016 was \$397,282.
- In 2016, the Board continued its events grants program, supporting major events and festivals that attract thousands of people downtown. Music, art, sports and youth-oriented events stimulate sales tax growth, increase retail and restaurant revenue and encourage business development. Other events aim to foster an entrepreneurial climate downtown. In 2016, DDA provided \$39,250 in grants for events such as the Downtown Olympic Celebration, Waldo Waldo 5K and the Community Built Association Conference.
- DDA marked the successful completion of the Experience Downtown Plan of Development and Master Plan, approved in November by City Council, capping an 18-month process engaging hundreds of stakeholders and utilizing the expertise of consultants knowledgeable in urban land use and development trends. Costs in 2016 totaled \$186,454
- DDA provided grants totaling \$248,675 to businesses and ventures meeting the goals of the Experience Downtown Plan of Development, including grants to Springs Rescue Mission for its new shelter; Pikes Peak Makerspace’s Tesla Lab; Coquette’s restaurant for façade improvements to its new location; and feasibility studies for a downtown sports event center and affordable artist housing.
- DDA provided \$45,000 to staff the downtown core with a team of two officers from a private security firm, enhancing safety in the commercial area and providing more “eyes on the streets.”
- DDA continued the Pop Up Shop program, filling one store vacancy during the holiday season, generating significant positive media coverage and helping entrepreneurs learn brick-and-mortar skills.
- DDA provided \$22,142 to operate the Downtown Sunday Market in Acacia Park, invigorating the park with positive activity and bringing patrons to downtown for shopping and dining.
- The Authority’s general fund balance increase is intended as a reserve for future high-impact projects and planning.

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Overview of Financial Statements

- The contents of this memorandum are intended to serve as an introduction to the DDA's basic financial statements.

Government-Wide and Fund Financial Statements

- The Government-Wide financial statements (statements of net position and activities) are designed to provide readers with a broad overview of the Authority's finances using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when received and expenses are paid and recorded when a liability is incurred.
- Every fund within the accounts of the Authority is considered an individual fiscal and accounting unit. Each account contains a self-balancing set of accounts that record cash and/or other assets with related liabilities, obligations, reserved and equities that have been specified for individual activities or objectives.
- The Authority used the general fund to monitor its financial resources in 2016. The Authority adopts an annual appropriated budget for all funds. A budgetary comparison statement has been provided to demonstrate compliance with the accepted budget.

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Comparative statements of net position and comments relating to significant changes are:

**Statement of Net Position**

<b>Assets</b>	<b>2016</b>	<b>2015</b>	<b>Increase (Decrease)</b>
Cash and cash equivalents	\$ 2,826,014	\$ 2,494,315	\$ 331,699
Cash with county treasurer	7,961	8,525	(564)
Property tax receivable	733,854	746,952	(13,098)
TIF receivable	369,526	397,557	(28,031)
Prepaid expense	7,916	31,420	(23,504)
Accrued interest	64,699	41,031	23,668
Note receivable	760,677	760,677	-
<b>Total assets</b>	<b>\$ 4,770,647</b>	<b>\$ 4,480,477</b>	<b>\$ 290,170</b>
<b>Liabilities</b>			
Accounts payable	\$ 39	\$ 2,752	\$ (2,713)
Grants payable	113,980	105,869	8,111
Grants payable, related parties	75,000	86,666	(11,666)
Tax Escrow	9,606	9,870	(264)
<b>Total liabilities</b>	<b>198,625</b>	<b>205,157</b>	<b>(6,532)</b>
<b>Deferred inflows of financial resources</b>			
Unearned property tax revenue	733,854	746,952	(13,098)
Unearned TIF revenue	369,526	397,557	(28,031)
<b>Total deferred inflows of financial resources</b>	<b>1,103,380</b>	<b>1,144,509</b>	<b>(41,129)</b>
<b>Net position</b>			
Restricted for emergency	28,385	31,443	(3,058)
Unrestricted	3,440,257	3,099,368	340,889
<b>Total net position</b>	<b>\$ 3,468,642</b>	<b>\$ 3,130,811</b>	<b>\$ 337,831</b>

**Cash**

Increase due to revenues in excess of expenditures.

**Liabilities**

Decrease in outstanding grants payable, related parties at year-end.

**Net position**

Increase due to revenues in excess of expenditures.

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Comparative statement of activities and comments related to significant changes are:

<b>Statement of Activities</b>			
	<b>2016</b>	<b>2015</b>	<b>Increase (Decrease)</b>
<b>Expenses</b>			
Programs			
Grants and other program expense	\$ 581,988	\$ 644,270	\$ (62,282)
Contract for services	320,000	368,000	(48,000)
Overhead	1,565	1,650	(85)
Professional fees	21,146	11,654	9,492
Insurance	2,248	2,036	212
County treasurer fee	19,221	20,502	(1,281)
<b>Total expenses</b>	<b>946,168</b>	<b>1,048,112</b>	<b>(101,944)</b>
<b>Revenue</b>			
Property taxes	743,293	738,300	4,993
Specific ownership taxes	90,929	90,355	574
TIF taxes	397,282	455,519	(58,237)
Interest	41,925	57,728	(15,803)
Other revenue	10,570	10,154	416
<b>Total revenue</b>	<b>1,283,999</b>	<b>1,352,056</b>	<b>(68,057)</b>
<b>Change in net position</b>	337,831	303,944	33,887
<b>Net position</b>			
<b>Beginning of the year</b>	3,130,811	2,826,867	303,944
<b>End of the year</b>	<b>\$ 3,468,642</b>	<b>\$ 3,130,811</b>	<b>\$ 337,831</b>

**Expenses**

Decrease in grant requests/approved funding and reduced contract for service

**Revenue**

Decrease in TIF property taxes, due to lower property tax valuations for 2015

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Comparison of original and final budget:

	<b>Budgeted Amounts</b>		<b>Difference</b>
	<b>Original</b>	<b>Final</b>	
<b>Expenditures</b>			
Programs	\$ 3,153,156	\$ 3,153,156	\$ -
Overhead	50,617	50,617	-
Professional fees	26,000	26,000	-
<b>Total expenditures</b>	<u>3,229,773</u>	<u>3,229,773</u>	<u>-</u>
<b>Revenue</b>			
Property tax	745,632	745,632	-
Specific ownership tax	75,000	75,000	-
TIF tax	419,233	419,233	-
Interest	15,280	15,280	-
<b>Total revenue</b>	<u>1,255,145</u>	<u>1,255,145</u>	<u>-</u>
<b>Revenue over expenditures</b>	<u>\$ (1,974,628)</u>	<u>\$ (1,974,628)</u>	<u>\$ -</u>

There was no modification to the original budget adopted.

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

A comparison of the final budget and actual, with comments concerning significant variance:

	<u>Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<b>Expenditures</b>			
Programs	\$ 3,153,156	\$ 581,988	\$ 2,571,168
Contract for services	-	320,000	(320,000)
Overhead	50,617	1,565	49,052
Professional fees	26,000	21,146	4,854
Insurance	-	2,248	(2,248)
County treasurer fee	-	19,221	(19,221)
<b>Total expenditures</b>	<u>3,229,773</u>	<u>946,168</u>	<u>2,283,605</u>
<b>Revenue</b>			
Property taxes	745,632	743,293	(2,339)
Specific ownership tax	75,000	90,929	15,929
TIF taxes	419,233	397,282	(21,951)
Interest	15,280	18,257	2,977
Other	-	10,570	10,570
<b>Total revenue</b>	<u>1,255,145</u>	<u>1,260,331</u>	<u>5,186</u>
<b>Revenue over expenditures</b>	<u>\$ (1,974,628)</u>	<u>\$ 314,163</u>	<u>\$ 2,278,419</u>

**Expenditures**

Decrease in grant requests and approved funding

**Revenue**

Decrease in TIF property taxes, due to lower property tax valuations for 2015

**Requests for Information**

Additional information or questions may be addressed by contacting Susan Edmondson at  
111 S. Tejon St, Suite 404, Colorado Springs, CO 80903

*FINANCIAL STATEMENTS*

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY**  
**STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET**  
**DECEMBER 31, 2016**

	<b>General fund</b>	<b>Adjustments</b>	<b>Statement of net position</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 2,826,014	\$ -	\$ 2,826,014
Cash held by county treasurer	7,961	-	7,961
Property taxes receivable	733,854	-	733,854
TIF receivable	369,526	-	369,526
Prepaid expense	7,916	-	7,916
Accrued interest	-	64,699	64,699
Note receivable	-	760,677	760,677
<b>Total assets</b>	<b>\$ 3,945,271</b>	<b>\$ 825,376</b>	<b>\$ 4,770,647</b>
<b>Liabilities</b>			
Accounts payable	\$ 39	\$ -	\$ 39
Grants payable	113,980	-	113,980
Grants payable, related parties	75,000	-	75,000
Tax escrow	9,606	-	9,606
<b>Total liabilities</b>	<b>198,625</b>	<b>-</b>	<b>198,625</b>
<b>Deferred inflows of financial resources</b>			
Unearned property tax revenue	733,854	-	733,854
Unearned TIF revenue	369,526	-	369,526
<b>Total deferred inflows of financial resources</b>	<b>1,103,380</b>	<b>-</b>	<b>1,103,380</b>
<b>Fund balance</b>			
Non-spendable	7,916	(7,916)	
Restricted for emergency	28,385	(28,385)	
Assigned	1,502,144	(1,502,144)	
Unassigned	1,104,821	(1,104,821)	
<b>Total fund balances</b>	<b>2,643,266</b>	<b>\$ (2,643,266)</b>	
<b>Total liabilities, deferred inflows of financial resources, and fund balances</b>	<b>\$ 3,945,271</b>		
<b>Net position</b>			
Restricted for emergency		\$ 28,385	28,385
Unrestricted		3,440,257	3,440,257
<b>Total net position</b>		<b>\$ 3,468,642</b>	<b>\$ 3,468,642</b>

See notes to financial statements

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY  
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2016**

**Fund balance per the governmental fund balance sheet** \$ 2,643,266

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

Long-term receivables, including accrued interest and note receivable, are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds

Accrued interest	64,699	
Note receivable	760,677	
Total long-term receivables	<u>825,376</u>	<u>825,376</u>

**Total net position - governmental activities** **\$ 3,468,642**

See notes to financial statements

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY  
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUE,  
EXPENDITURES, AND CHANGES IN FUND BALANCES  
YEAR ENDED DECEMBER 31, 2016**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>Expenditures/expenses</b>			
Program			
Grants and other program expense	\$ 581,988	\$ -	\$ 581,988
Contract for services	320,000	-	320,000
Overhead	1,565	-	1,565
Professional fees	21,146	-	21,146
Insurance	2,248	-	2,248
County treasurer fee	19,221	-	19,221
<b>Total expenditures/expenses</b>	<u>946,168</u>	<u>-</u>	<u>946,168</u>
<b>Revenue</b>			
Property tax	743,293	-	743,293
Specific ownership tax	90,929	-	90,929
TIF	397,282	-	397,282
Interest	18,257	23,668	41,925
Other revenue	10,570	-	10,570
<b>Total revenue</b>	<u>1,260,331</u>	<u>23,668</u>	<u>1,283,999</u>
Revenue over expenditures/expenses	314,163	(314,163)	-
Change in net position	-	337,831	337,831
<b>Fund balance/net position</b>			
<b>Beginning of the year</b>	<u>2,329,103</u>	<u>801,708</u>	<u>3,130,811</u>
<b>End of the year</b>	<u>\$ 2,643,266</u>	<u>\$ 825,376</u>	<u>\$ 3,468,642</u>

See notes to financial statements

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT  
OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
DECEMBER 31, 2016**

**Revenue over expenditures - governmental funds** \$ 314,163

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

Interest revenue on the notes receivable in the statement of activities differs from the amount reported in the governmental funds because interest revenue is recognized as revenue in the governmental funds when it is available to pay for current period expenditures. In the statement of activities, interest revenue is recognized as it accrues regardless of when it is due and collected. The interest revenue reported in the statement of activities is the result of the increased accrued interest on the note receivable.

23,668

**Total net change in statement of activities**

\$ 337,831

See notes to financial statements

***NOTES TO FINANCIAL STATEMENTS***

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**History and organization** - The Colorado Springs Downtown Development Authority (Authority) was established in January 2007 by the City Council of Colorado Springs, Colorado. The Authority was organized for the public health, safety, prosperity, security, and welfare of Downtown in order to halt or prevent deterioration of property values or structures within the central business district, to assist in the planning, development, and redevelopment of this district. Operations are financed primarily by tax revenues collected on real and personal property located within the central business district.

An eleven-member Board of Directors, as provided by the City of Colorado Springs, Colorado, Ordinance 07-15, governs the Authority.

The Authority normally enters into a short-term Contract for Services Agreement with the Downtown Partnership of Colorado Springs (Partnership), a non-profit corporation. Under this service agreement, the Partnership agrees to manage and administer the Authority in accordance with the Authority's Budget and Scope of Work.

The Authority has no component units for which either discrete or blended presentation is required.

The Authority is considered a governmental fund type, component unit of the City of Colorado Springs.

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to a governmental unit. The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles.

**Government-wide financial statements** - The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government.

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

**Fund financial statements** - The accounts of the Authority are organized on the basis of funds. Each fund is considered an independent fiscal and accounting entity with a self-balancing set of accounts. Each fund records cash and/or other assets, together with all related liabilities, obligations, reserves and equities, segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

**Governmental fund type** - The General Fund is the general operating fund of the Authority. It is used to account for all financial resources except those required to be accounted for in another fund.

**Basis of accounting** - Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement focus applied.

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

Governmental funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Taxpayer assessed income and gross receipts are considered measurable when in the hands of intermediary collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are reported as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which is recognized when due.

**Deferred inflow of financial resources** - Upon certification of the amount of levy by the Authority to El Paso County, Colorado, the County levies the property tax in December of the year prior to the year of collection of the tax. The County also acts as the billing and collection agency for the Authority. Property taxes attach as a lien on January 1, and may be paid in full by April 30, or in equal installments by February 28 and July 31. The tax is recorded as a receivable when measurable and an enforceable legal claim attaches to the property and is recognized as revenue when the money is available in the following year.

**Fund balances/net position** - The Authority adopted the provisions of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, on January 1, 2011. The objective of the statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. As such, governmental funds report fund balances in classifications based primarily on the extent to which the Authority is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance for the Authority's governmental fund consists of the following:

Nonspendable – includes amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash such as prepaid items.

Restricted – includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation.

Committed – includes amounts that can only be used for the specific purposes determined by the passage of a resolution of the Authority's Board of Directors. Commitments may be modified or changed only by the Authority's Board of Directors approving a new resolution.

Assigned – includes amounts intended to be used by the Authority for specific purposes that are neither restricted nor committed. Intent is expressed by the Authority's Board of Directors to which the assigned amounts are to be used for specific purposes. Assigned amounts may include appropriations of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's balance.

Unassigned – this is the residual classification for the general fund.

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications, fund balance is reduced in the order of restricted, committed, assigned and unassigned.

In the government-wide financial statements, net position is classified in the following categories:

Invested in capital assets, net of related debt - this classification consists of capital assets net of accumulated depreciation and reduced by outstanding related debt that is attributed to the acquisition, construction, or improvement of capital assets.

Restricted net assets - this classification consists of restrictions created by external creditors, grantors, contributors, laws or regulations of other governments, enabling legislation and constitutional provisions.

Unrestricted net assets - this classification represents the remainder of net assets that do not meet the definition of “invested in capital assets, net of related debt”, or “restricted net assets.”

**Employee benefits** - The Authority has no employees; all services are contracted out.

**Fair value of financial instruments** - Financial instruments include cash and cash equivalents, taxes receivable, TIF receivable, and accounts payable. The Authority estimates that the fair value of all financial instruments at December 31, 2016, does not differ materially from the aggregate carrying value of its financial instruments recorded in the statement of net position and governmental fund balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments

**Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Stewardship, compliance, and accountability - budgetary information** - An annual budget is adopted on a basis consistent with generally accepted accounting principles for the general fund. Colorado law requires that all funds have legally adopted budgets and total expenditures for each fund cannot exceed the amount appropriated. Appropriations for a fund may be increased provided they are offset by unanticipated revenues. Appropriations are adopted by resolution for each fund in total. Over expenditures are not deemed to exist unless the fund as a total has expenditures in excess of appropriations. All appropriations lapse at year-end.

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – DEPOSITS**

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

Deposits are categorized to give an indication of risk assumed by the Authority at the end of the year. Category a) Uncollateralized, Category b) Collateralized with securities held by pledging institution, Category c) Collateralized with securities held by the pledging institution's trust department or agent but not in the depositor-governments name.

**Custodial credit risk deposits** - Custodial credit risk is the risk that in the event of bank failure, the Authority's deposits will not be returned to it. The Authority does not currently have a policy related to custodial credit risk. As of December 31, 2016, deposits with a bank balance of \$2,587,702 are uninsured but are not exposed to custodial credit risk because they are collateralized with securities held by the pledging financial institution through the PDPA.

**NOTE 2 – CASH AND CASH EQUIVALENTS**

As of December 31, 2016, cash and cash equivalents consisted of the following:

Cash	\$ 1,801,372
Money Market Funds	1,024,642
	<u>\$ 2,826,014</u>

**NOTE 3 – NOTE RECEIVABLE**

In 2008, the Authority approved a \$500,000 note receivable collateralized by a first note and deed of trust for the purchase of a building for use as an art school. The total purchase price of the building was approximately \$3,500,000. The note had a 6% per annum fixed rate of interest, was being amortized over 20 years and is payable at the end of 15 years. During 2010, the Authority stopped receiving monthly payments and began accruing an interest receivable. In May of 2014, the Authority entered into new agreements with the art school to refinance the note. The modified note receivable balance was increased to include the accrued but unrecognized interest receivable, as well as late payment charges, and reduced the interest rate from 6% to 5%. The agreement also allows the art school to make regular monthly payments of \$1,250 per month with the accrued but not paid interest on the note not added to the note principal or subject to bearing interest on a compound basis. The balance of the note with any unpaid interest is due and payable on December 30, 2023 (See NOTE 6 – Contingencies).

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 – FUND BALANCE**

As of December 31, 2016, fund balances are composed of the following amounts:

		<u>General Fund</u>
Nonspendable		
Prepaid expenses		\$ 7,916
Restricted		
Emergency		28,385
Assigned		
Grants payable	188,980	
TIF reserve fund	<u>1,313,164</u>	
Total assigned		1,502,144
Unassigned		<u>1,104,821</u>
Total fund balance		<u><u>\$ 2,643,266</u></u>

**NOTE 5 – AMENDMENT TO COLORADO CONSTITUTION**

In November 1992, the voters of Colorado approved the Taxpayer's Bill of Rights (TABOR), which added 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.

TABOR also requires local governments to establish emergency reserve funds. The reserve fund must consist of at least 3% of fiscal year spending. TABOR allows local governments to impose emergency taxes (other than property taxes) if certain conditions are met. Local governments are not allowed to use emergency reserves to compensate for economic conditions, revenue shortfall, or local government salary or benefit increases.

TABOR is complex and subject to interpretation. Ultimate implementation may depend upon litigation and legislative guidance.

Authority voters elected to override the TABOR amendment for 2007 and future years. However, the above-mentioned emergency reserve requirement remains.

The Authority believes it has complied with all appropriate aspects of TABOR.

**NOTE 6 – CONTINGENCIES**

On May 21, 2013, the Authority entered into a new agreement with a significant downtown employer for the purpose of job retention. The agreement provides for twenty annual payments of \$20,000 beginning April 1, 2014. The payments are contingent upon the employer having entered into a twenty-year lease extension, not defaulting on the terms of the lease, remaining in the leased property through

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 – CONTINGENCIES - Continued**

March 31, 2034, maintaining its corporate headquarters at the leased facility, and annual appropriation by the Authority's Board of Directors.

The Authority is accruing unpaid interest related to the note receivable. Due to historical nonperformance, management evaluated the note and accrued interest for impairment and determined that no allowance is necessary due to the fair value of collateral exceeding the balance of the note and accrued interest (see NOTE 3 – Note Receivable).

**NOTE 7 – RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which it carries commercial insurance.

**NOTE 8 – CONTRACT FOR SERVICES**

The Authority entered into a Contract for Service Agreement with the Downtown Partnership of Colorado Springs (Partnership) for a twelve-month period ending December 31, 2016. Terms of the agreement specify that the Partnership would manage and administer the Authority in accordance with the 2016 budget and operating plan. The Partnership's compensation under the agreement was \$320,000.

Effective January 1, 2017, the District entered into an agreement, similar to the above, for 2017 services. The Partnership's total compensation under this agreement is \$410,110.

**NOTE 9 – JOB RETENTION PROGRAM**

During 2009 and again in 2013, a corporation entered into an agreement (NOTE 6) with the Authority to maintain its headquarters in the downtown area of Colorado Springs, beginning April 1, 2010 and ending March 31, 2034. The Authority's goal is to promote economic strength, vitality and increase the number of workers in the downtown area, as well as indirectly support regional and local workers.

The terms stipulate the Authority will make annual payments of \$20,000, to the corporation, for a period not to exceed twenty years. As of December 31, 2016, both parties have complied with the aforementioned agreement, and assuming both parties comply with the terms in the future, the Authority will make seventeen additional payments to the corporation.

**NOTE 10 – REDEVELOPMENT AGREEMENT**

In November 2014, the Authority entered into an agreement with a developer to allocate under Colorado State statutes tax increment financing to assist in the construction of downtown apartments. Under this agreement, the Authority will back the developer with 100% of the net tax increment generated by and attributable to the residential portion of the property for the TIF period (property tax increment rebate). The TIF allocation is calculated by subtracting the property taxes generated annually based on the valuation of the property as of the effective date from the total property taxes generated annually based on the valuation of the property for each year following the effective date. The total allocation is then

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 10 – REDEVELOPMENT AGREEMENT - Continued**

reduced by the increment due to a local school district, and .5% annual administration fee paid to the Authority. The developer shall only be eligible to receive a rebate of taxes in the actual amount paid. Construction was completed and the apartments were available for occupancy as of January 29, 2016.

**NOTE 11 – RELATED-PARTY TRANSACTIONS**

As of December 31, 2015, related-party grants payable in the amount of \$75,000 consists of amounts payable to business entities affiliated with a board members.

In January 2016, the board approved agreements with two developers to allocate, under Colorado State statutes, tax increment financing to assist in the construction of two downtown apartment complexes. Under these agreements, the Authority will back the developers with 100% of the net tax increment generated by and attributable to the residential portion of the property for the TIF period (property tax increment rebate), less amounts owed to Colorado Springs School District 11. One of the projects will also receive five mills of property tax revenue that other downtown businesses pay to the DDA. Both developers were currently serving on the Authority's Board of Directors at the time the agreements were approved.

**NOTE 12 – SUBSEQUENT EVENTS**

On February 14, 2017, the Authority's Board of Directors awarded a \$775,000 grant to the City of Colorado Springs' U.S. Olympic Museum project, payable to the City over four years. This grant was awarded in addition to a previous \$225,000 grant, which brought the Authority's total investment in the project to \$1 million.

See also NOTE 8- Contract for Services regarding contracts entered into by the Authority for 2017.

Management has evaluated subsequent events through February 15, 2017 the date on which the financial statements were available to be issued.

***REQUIRED SUPPLEMENTAL INFORMATION***

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY  
SCHEDULE OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
YEAR ENDED DECEMBER 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
Programs	\$ 3,153,156	\$ 3,153,156	\$ 581,988	\$ 2,571,168
Contract for services	-	-	320,000	(320,000)
Overhead	50,617	50,617	1,565	49,052
Professional fees	26,000	26,000	21,146	4,854
Insurance	-	-	2,248	(2,248)
County treasurer fee	-	-	19,221	(19,221)
<b>Total expenditures</b>	<u>3,229,773</u>	<u>3,229,773</u>	<u>946,168</u>	<u>2,283,605</u>
<b>Revenue</b>				
Property taxes	745,632	745,632	743,293	(2,339)
Specific ownership tax	75,000	75,000	90,929	15,929
TIF	419,233	419,233	397,282	(21,951)
Interest	15,280	15,280	18,257	2,977
Other	-	-	10,570	10,570
<b>Total revenue</b>	<u>1,255,145</u>	<u>1,255,145</u>	<u>1,260,331</u>	<u>5,186</u>
<b>Revenue over expenditures</b>	(1,974,628)	(1,974,628)	314,163	2,288,791
<b>Beginning fund balance, January 1</b>	<u>2,329,103</u>	<u>2,329,103</u>	<u>2,329,103</u>	<u>-</u>
<b>Ending fund balance, December 31</b>	<u>\$ 354,475</u>	<u>\$ 354,475</u>	<u>\$ 2,643,266</u>	<u>\$ 2,288,791</u>

See notes to required supplemental information

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY  
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Budget accounting** - Budgets are prepared in accordance with the requirements of Colorado Revised Statutes - (29-1-103) and accordingly include "anticipated income and other means of financing proposed expenditures". Expenditures also include, in addition to those shown in the operating statements, debt redemptions, and capital expenditures.

**Budgets** - The Authority adheres to the following procedures in establishing the budgetary data reflected in the financial statements.

- A. Budgets are required by State law for all funds. During September, the proposed budget is submitted to the Board of Directors by the budget officer for the fiscal year commencing the following January 1. The budget includes proposed expenditures and means of financing them.
- B. Public hearings are conducted by the Board of Directors to obtain taxpayer comments.
- C. Prior to December 31, the budget is adopted and appropriations made by formal resolution.
- D. Expenditures may not legally exceed appropriations at the fund level. Board approval is required for changes in the total budget of any fund or changes in project or department budgets. Budget amounts included in the financial statements are based on the final, legally amended budget.
- E. Budget appropriations lapse at the end of each year.

Accordingly, budget comparisons are of the legally adopted budget. The level of budget control is determined by the resolution appropriating sums of monies. Encumbrances are neither recorded on the books of the Authority nor included in the budget. The Board of Directors has the authority to make budget amendments.

***ADDITIONAL INFORMATION***

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY**  
**SCHEDULE OF GRANT AND OTHER PROGRAM EXPENSE**  
**YEAR ENDED DECEMBER 31, 2016**

<u>Grantee</u>	<u>Grants Awarded</u>	<u>Grants Paid</u>	<u>Grants Payable</u>
<b>Special Projects Grants</b>			
Artist Housing Feasibility Study	\$ 12,500	\$ 5,000	\$ 7,500
Event Center Feasibility Study	21,000	21,000	-
Pikes Peak Makerspace	15,000	15,000	-
Colorado Springs Regional Business Alliance	35,000	35,000	-
Springs Rescue Mission	100,000	100,000	-
<b>Event Grants</b>			
Community Built Association - Concrete Couch	5,000	5,000	-
Downtown Olympic Celebration	25,000	25,000	-
Rocky Mountain PBS	1,000	1,000	-
UpaDowna Roar	1,000	1,000	-
Waldo Waldo	3,000	3,000	-
ULI Explorer Series	2,500	2,500	-
Bike Summit	1,750	1,750	-
<b>Job Retention Program Grant</b>			
Kinder Morgan	20,000	20,000	-
<b>Building Enhancement Grants</b>			
Coquette's Bistro	45,000	-	45,000
<b>Grants Payable</b>			
Pikes Peak Center (2014)	-	11,666	-
BDP Development LLC - 408 S Nevada (2015)	-	25,000	-
Bonny & Read's (2015)	-	20,000	-
Catalyst Campus - Homburg Building (2015)	-	-	75,000
Downtown Development Group LLC - 210 Pueblo (2015)	-	-	20,000
Iron Bird Pizza (2015)	-	8,925	-
Midtown Ventures - 9 S Weber (2015)	-	-	15,000
Pedestrian Experience Plan (2015)	-	6,375	-
Pop-Up Shops (2015)	-	1,873	-
	<u>287,750</u>	<u>309,089</u>	<u>162,500</u>
<b>Other Program Expense</b>			
Business Development Costs	21,478	21,478	-
Downtown Master Plan Update	186,454	159,974	26,480
Downtown Security	45,000	45,000	-
Holiday Pop Up Shops	4,063	4,063	-
Michelle's Signage Preservation	175	175	-
Sunday Market	22,142	22,142	-
Tourism Magazine	14,926	14,926	-
	<u>\$ 581,988</u>	<u>\$ 576,847</u>	<u>\$ 188,980</u>