

**COLORADO SPRINGS DOWNTOWN
DEVELOPMENT AUTHORITY
El Paso County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2018 AND 2017

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT	I
MANAGEMENT’S DISCUSSION AND ANALYSIS	II
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	1
STATEMENT OF ACTIVITIES	2
BALANCE SHEET GOVERNMENTAL FUND	3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUND	4
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES	5
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	6
NOTES TO BASIC FINANCIAL STATEMENTS	7
SUPPLEMENTARY INFORMATION	
SUMMARY OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED	22
SUMMARY OF INCREMENTAL ASSESSED VALUATION, MILL LEVY, AND INCREMENTAL PROPERTY TAXES COLLECTED	23

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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, 2018, 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 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 Authority, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof 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 and analysis on page II, 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.

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Summary of Assessed Valuation, Mill Levy, and Property Taxes Collected and the Summary of Incremental Assessed Valuation, Mill Levy, and Incremental Property Taxes Collected (supplementary information) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management was derived from and relate 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 by us and other auditors. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Osborne, Parsons & Nease LLP

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

The management of Colorado Springs Downtown Development Authority (the Authority) offers the readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2018.

Financial Highlights

- Net position increased \$674,637 in 2018 (20%).
- Change in net position went from (\$110,591) in 2017 to \$674,637 in 2018.
- Total revenues increased \$250,570 in 2018 (19%).
- Total expenses decreased \$534,658, from \$1,496,541 to \$961,833 in 2018, a reduction of 36%.
- The Authority continued its grant 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.
- The Authority paid out \$193,750 in Special Project Grants to the US Olympic Museum, and a \$150,000 payment for pre-development costs toward construction of affordable artist housing to ArtSpace of Minneapolis, Minnesota.
- The Authority created Job Incentive Grant Guidelines and paid out \$4,000 to a tech firm establishing a second headquarters in Downtown Colorado Springs.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of the three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Authority's assets, deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as net position.

The statement of activities presents information showing how the Authority's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 1-2 of this report.

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Authority are governmental funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Authority maintains one major governmental fund (general fund). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for this fund.

The Authority adopts an annual budget for its general fund. A budgetary comparison statement has been provided for this fund in the basic financial statements to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 3-6 of this report.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 7-20 of this report.

Supplementary and Other information. Information on taxes levied and collected can be found on pages 22 and 23 of the report.

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

Statement of Net Position

	December 31,	
	2018	2017
ASSETS		
Current Assets	\$ 2,720,355	\$ 2,779,299
Other Assets	2,793,285	2,278,854
Total Assets	5,513,640	5,058,153
DEFERRED OUTFLOWS OF RESOURCES		
Grants	387,500	581,250
Total Deferred Inflows of Resources	387,500	581,250
LIABILITIES		
Current Liabilities	43,692	30,647
Long-Term Obligations	387,500	1,062,414
Total Liabilities	431,192	1,093,061
DEFERRED INFLOWS OF RESOURCES		
Property Tax Revenue	768,123	787,414
Increment revenue	669,137	400,877
Total Deferred Inflows of Resources	1,437,260	1,188,291
NET POSITION		
Restricted for:		
TIF	1,195,174	-
Emergency Reserve	48,700	80,155
Unrestricted	2,788,814	3,277,896
Total Net Position	\$ 4,032,688	\$ 3,358,051

Net position may serve as a useful indicator for the Authority's financial position. In the Authority's case, 2018 and 2017 ended with total assets valued at \$5,513,640 and \$5,058,153, respectively, with outstanding liabilities of \$431,192 and \$1,093,061, respectively. The Authority's assets consist primarily of cash and investments, current receivables, and prepaid expenses.

Other assets increased by \$514,431 resulting from an increased amount of incremental property tax receivable. Long-term obligations decreased by \$674,914 due primarily to payment of grants payable.

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

Changes in Net Position

	December 31,	
	2018	2017
REVENUES		
General revenues		
Property taxes	\$ 751,898	\$ 720,244
Incremental property taxes	607,778	500,216
Specific ownership tax	105,056	105,058
Sale of Mineral Rights	122,230	-
Other income	8,150	17,501
Interest income	41,408	42,931
Total Revenues	1,636,520	1,385,950
EXPENSES		
General government	961,883	1,496,541
Total Expenses	961,883	1,496,541
CHANGES IN NET POSITION	674,637	(110,591)
Net Position - Beginning of Year - Restated	3,358,051	3,468,642
NET POSITION - END OF YEAR	\$ 4,032,688	\$ 3,358,051

The Authority's total revenue increased by \$250,570. This was primarily due to the sale of mineral rights in 2018.

The Authority's net position increased \$674,637 due primarily to the repayment of long-term grants payable, while not entering into any new, binding agreements for long-term grants.

Financial Analysis of the Government's Funds

The Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Authority's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements. In particular, unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the Authority's governmental fund reported ending fund balances of \$2,676,663. Of this balance, \$6,701 was nonspendable due to a prepaid amount recorded at year-end, \$1,582,674 was restricted to be used with TIF projects, and \$48,700 was restricted for emergencies (TABOR).

Reclassifications

For comparability, certain 2017 amounts have been reclassified where appropriate to conform with the 2018 financial statement presentation.

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

General Fund Budgetary Highlights

The Authority's total expenditures of 2018 are below the budgeted amount by \$2,093,000. The difference between the original budgeted revenue of \$1,279,711, and the actual revenue of \$1,621,058 was \$341,347. This favorable variance was primarily attributable to a difference in budget method, of netting a TIF reimbursement agreement against budgeted revenue, as opposed to reflecting the reimbursement agreement as an expenditure in the fund financial statements.

Request for Information

This report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Colorado Springs Downtown Development Authority
111 S. Tejon Street, Suite 703
Colorado Springs, CO 80903

BASIC FINANCIAL STATEMENTS

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2018**

	Governmental Activities
ASSETS	
Cash and Investments	\$ 1,072,872
Cash and Investments - Restricted	1,631,374
Accounts Receivable - County Treasurer	8,958
Miscellaneous accounts receivable	450
Prepaid Expenses	6,701
Property Taxes Receivable	768,123
Incremental tax receivable	669,137
Notes Receivable	760,677
Accrued Interest	95,348
Line of Credit Receivable	500,000
Total Assets	5,513,640
DEFERRED OUTFLOWS OF RESOURCES	
Grants	387,500
Total Deferred Inflows of Resources	387,500
LIABILITIES	
Accounts Payable	33,464
Tax Escrow	10,228
Grants Payable	
Due Within One Year	193,750
Due in More Than One Year	193,750
Total Liabilities	431,192
DEFERRED INFLOWS OF RESOURCES	
Deferred Property Tax Revenue	768,123
Deferred Incremental Property Tax Revenue	669,137
Total Deferred Inflows of Resources	1,437,260
NET POSITION	
Restricted for:	
Emergency Reserve	48,700
TIF	1,195,174
Unrestricted	2,788,814
Total Net Position	\$ 4,032,688

See accompanying Notes to Basic Financial Statements.

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018**

		Program Revenues			Net Revenues (Expenses) and Change in Net Position
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Governmental Activities:					
General Government	\$ 961,883	\$ -	\$ 607,778	\$ -	\$ (354,105)
Total Governmental Activities	\$ 961,883	\$ -	\$ 607,778	\$ -	(354,105)
 GENERAL REVENUES					
Property Taxes					751,898
Specific Ownership Taxes					105,056
Sale of Mineral Rights					122,230
Other Income					8,150
Interest Income					41,408
Total General Revenues					1,028,742
 CHANGE IN NET POSITION					
					674,637
Net Position - Beginning of Year - Restated					3,358,051
 NET POSITION - END OF YEAR					
					\$ 4,032,688

See accompanying Notes to Basic Financial Statements.

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY
BALANCE SHEET GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2018**

		General Fund
ASSETS		
Cash and Investments	\$	1,072,872
Cash and Investments - Restricted		1,631,374
Miscellaneous Accounts Receivable		450
Accounts Receivable - County Treasurer		8,958
Property Taxes Receivable		768,123
Incremental Property Tax Receivable		669,137
Prepaid Expenses		6,701
Total Assets	\$	4,157,615

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES,
AND FUND BALANCES**

LIABILITIES		
Accounts Payable	\$	33,464
Tax Escrow		10,228
Total Liabilities		43,692

DEFERRED INFLOWS OF RESOURCES		
Property Tax Revenue		768,123
Tax Increment Revenue		669,137
Total Deferred Inflows of Resources		1,437,260

FUND BALANCES		
Nonspendable:		
Prepaid Expenses		6,701
Restricted For:		
Emergencies (TABOR)		48,700
TIF		1,582,674
Assigned for:		
Board Designated Projects		1,038,588
Total Fund Balances		2,676,663

Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$	4,157,615
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Amounts reported for governmental activities in the statement of net position are different because:

Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds.

Note Receivable	\$	760,677
Accrued Interest on Note Receivable		95,348
Line of Credit Receivable		500,000

Net Position of Governmental Activities	\$	4,032,688
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See accompanying Notes to Basic Financial Statements.

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2018**

REVENUES

Property Taxes	\$ 751,898
Incremental Property Taxes	607,778
Specific Ownership Taxes	105,056
Sale of Mineral Rights	122,230
Other Income	8,150
Net Investment Income	25,946
Total Revenues	1,621,058

EXPENDITURES

Programs	842,583
Contract for services	420,110
Marketing	109,545
Other	1,527
Professional Fees	45,882
Insurance	2,489
County Treasurer Fee	20,911
Total Expenditures	1,443,047

**EXCESS OF REVENUES OVER (UNDER)
EXPENDITURES**

178,011

OTHER FINANCING SOURCES (USES)

Line of Credit Issuance to Others	(250,000)
Total Other Financing Sources (Uses)	(250,000)

NET CHANGES IN FUND BALANCE

(71,989)

Fund Balance - Beginning of Year - Restated

2,748,652

FUND BALANCE - END OF YEAR

\$ 2,676,663

See accompanying Notes to Basic Financial Statements.

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018**

Net Change in Fund Balances - Governmental Funds \$ (71,989)

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

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

Accrued Interest	15,462
Line of Credit Receivable	250,000

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds reported the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Payment of Grants Payable	481,164
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Change in Net Position of Governmental Activities	\$ 674,637
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**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Budget Positive (Negative)</u>
REVENUES			
Property Taxes	\$ 779,914	\$ 751,898	\$ (28,016)
TIF revenue	387,177	607,778	220,601
Specific Ownership Taxes	81,000	105,056	24,056
Other Income	9,800	8,150	(1,650)
Sale of Mineral Rights	-	122,230	122,230
Net Investment Income	21,820	25,946	4,126
Total Revenues	<u>1,279,711</u>	<u>1,621,058</u>	<u>341,347</u>
EXPENDITURES			
Programs	3,457,839	842,583	2,615,256
Contract for services	-	420,110	(420,110)
Marketing	-	109,545	(109,545)
Other	41,608	1,527	40,081
Professional fees	36,600	45,882	(9,282)
Insurance	-	2,489	(2,489)
County treasurer fee	-	20,911	(20,911)
Total Expenditures	<u>3,536,047</u>	<u>1,443,047</u>	<u>2,093,000</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(2,256,336)	178,011	2,434,347
OTHER FINANCING SOURCES AND (USES)			
Line of credit issuance	-	(250,000)	(250,000)
Total Other Financing Sources and (Uses)	<u>-</u>	<u>(250,000)</u>	<u>(250,000)</u>
NET CHANGE IN FUND BALANCE	(2,256,336)	(71,989)	2,184,347
Fund Balance - Beginning of Year - Restated	<u>2,371,768</u>	<u>2,748,652</u>	<u>376,884</u>
FUND BALANCE - END OF YEAR	<u>\$ 115,432</u>	<u>\$ 2,676,663</u>	<u>\$ 2,561,231</u>

See accompanying Notes to Basic Financial Statements.

COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 DEFINITION OF REPORTING ENTITY

Colorado Springs Downtown Development Authority (Authority), was established in January 2007 by the City Council of Colorado Springs, Colorado (the City). 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.

The Authority 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 Authority is not financially accountable for any other organization.

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

The Authority has no employees and all operations and administrative functions are contracted. The Authority normally enters into a short-term Contract to 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's annual budget is required to be submitted to and approved by the City, thus enabling the City to impose its will on the Authority. Consequently, the Authority is considered to be a component unit of the City.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the Authority 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 Authority.

The statement of net position reports all financial and capital resources of the Authority. 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.

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (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 operation 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.

Government 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 Authority 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 tax and incremental property tax. All other revenue items are considered to be measurable and available only when cash is received by the Authority. Expenditures, other than long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The Authority reports the following major governmental funds:

The General Fund is the Authority's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Budgets

In accordance with the State Budget Law, the Authority'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 level and lapses at year-end. The Authority'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.

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pooled Cash and Investments

The Authority follows the practice of pooling cash and investments of all programs 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 programs based upon each program's average equity balance in the total cash and investments.

Property Taxes

Property taxes are levied by the Authority'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 Authority.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflow 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.

Incremental Property Taxes

The Authority receives incremental property tax revenue for the Downtown Development area. Incremental property tax revenues are the property tax revenues in excess of an amount equal to the ad valorem property taxes produced by the levy at the rates fixed for such year by or for the governing bodies of the various taxing jurisdictions within or overlapping the Downtown Development area upon a valuation for assessment equal to the property tax base amount. The property tax base amount is certified by the County Assessor as the valuation for assessment of all taxable property within the Downtown Development area last certified by the County Assessor prior to the adoption of the Downtown Development plan. The base amount may be proportionately adjusted for general reassessments in accordance with Colorado law.

Property taxes are levied by various taxing entities in each of the project areas by certification to the County Commissioners. 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. 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 incremental taxes collected monthly to the Authority.

COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Incremental Property Taxes (Continued)

Incremental property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows of resources in the year they are levied and measurable. The incremental property tax revenues are recorded as revenue in the year they are available or collected.

Grants

The Authority recognizes long term grants payable in the statement of net position and as an expense in the statement of activities when all applicable eligibility requirements, including the time requirements, are met. If all applicable eligibility requirements except a time requirement are met, the grants are recognized as a long term liability and a deferred outflow of resources in the statement of net position.

Deferred Inflow/Outflow of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The Authority has one item that qualifies for reporting in this category. Accordingly, the item, Grants, is deferred and recognized as an outflow of resources in the period that the amount is incurred.

In addition to liabilities, the statement of net 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 and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has one item that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amount becomes 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.

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (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.

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2018 are classified in the accompanying financial statements as follows:

	2018
Statement of Net Position:	
Cash and Investments	\$ 1,072,872
Cash and Investments - Restricted	1,631,374
Total Cash and Investments	\$ 2,704,246

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Cash and investments as of December 31, 2018 consist of the following:

	2018
Deposits with Financial Institutions	\$ 2,704,246
Total Cash and Investments	\$ 2,704,246

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, 2018, the Authority's cash deposits had a bank balance of \$2,714,422 and a carrying balance of \$2,704,246.

Restricted cash included Emergency Reserves as required by Article X, Section 20 of the Constitution of the state of Colorado (see Note 12) of \$48,700 at December 31, 2018.

Investments

The Authority has not adopted a formal investment policy; however, the Authority follows state statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest, which include:

COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

- . Obligations of the United States, certain U.S. government agency securities and securities of the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Certain certificates of participation
- . Certain securities lending agreements
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- . Local government investment pools

The Authority had no investments during, nor as of the year ended December 31, 2018.

NOTE 4 LINE OF CREDIT RECEIVABLE

In 2017, the Authority's Board of Directors approved a Line of Credit of up to \$500,000 to Downtown Ventures, a charitable nonprofit organization related to the Authority as an affiliate of the Downtown Partnership, to fund a bike share program. The Line of Credit involves no collateral and is interest free. The organization borrowed \$250,000 against the Line of Credit during 2018, and the balance at December 31, 2018 is \$500,000.

NOTE 5 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 16 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 payment 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 entity increased its monthly payment to \$2,100 per month during the year ending December 31, 2018. The balance of the note with any unpaid interest is due and payable on December 30, 2023.

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.

COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 6 LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the Authority's long-term obligations for the years ended December 31, 2018 and 2017:

<u>Long-Term Obligations</u>	Balance December 31, 2017	Additions	Reductions	Balance December 31, 2018	Amounts Due Within One Year
Grants Payable:					
United States Olympic Museum	\$ 581,250	\$ -	\$ 193,750	\$ 387,500	\$ 193,750
Colorado Springs Chamber		-	-	-	-
Employment Incentive	100,000	-	100,000	-	-
Winfield Stratton Block	90,000	-	90,000	-	-
Winfield Stratton Block Electric		-	-	-	-
Undergrounding	150,000	-	150,000	-	-
Colorado Craft	9,850	-	9,850	-	-
Carter Payne	38,700	-	38,700	-	-
The Bench	7,000	-	7,000	-	-
Coquette's Bistro	45,000	-	45,000	-	-
Midtown Ventures - 9 S Weber	15,000	-	15,000	-	-
Total Grants Payable	1,036,800	-	649,300	387,500	193,750
Contracts for Services:					
HB&A Alley Improvements	8,128	-	8,128	-	-
Kimley-Horn Gateway Improvements	17,486	-	17,486	-	-
Total Contracts for Services	25,614	-	25,614	-	-
Total Long-Term Obligations	<u>\$ 1,062,414</u>	<u>\$ -</u>	<u>\$ 674,914</u>	<u>\$ 387,500</u>	<u>\$ 193,750</u>

US Olympic Museum

On March 23, 2017, the Authority entered into a Grant agreement with the US Olympic Museum (USOM), whereby the Authority agreed to pay a grant of \$775,000 to USOM, payable in four equal installments beginning in 2017 and completing in 2020. Under the terms of the grant agreement, USOM agrees to recognize the Authority as a supporter/sponsor in a manner consistent to the sponsorship level accorded a grant of \$775,000. USOM also agrees to use the logo provided by the Authority and refer to support in all publicity as "Downtown Colorado Springs."

NOTE 7 NET POSITION

The Authority has net position consisting of two components –restricted and unrestricted.

Restricted assets include net position 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 Authority had restricted net position as of December 31, 2018 as follows:

Restricted Net Position:	<u>2018</u>
TIF	\$ 1,195,174
Emergencies	48,700
Total Restricted Net Position	<u>\$ 1,243,874</u>

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 7 NET POSITION (CONTINUED)

The Authority's unrestricted net position as of December 31, 2018, is \$2,788,814.

Incremental property taxes received by the Authority are restricted by the City of Colorado Springs to be used to support the plan of development – currently the Experience Downtown Plan.

NOTE 8 COMMITMENTS AND CONTINGENCIES

Job Retention Agreement

On May 21, 2013, the Authority entered into an 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 March 31, 2034, maintaining its corporate headquarters at the leased facility, maintaining at least 200 employees at the Colorado Square location, and annual appropriation by the Authority's Board of Directors.

During 2009 and again in 2013, the corporation entered into an agreement 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, 2018, both parties have complied with the aforementioned agreement, and assuming both parties comply with the terms in the future, the Authority will make fifteen additional payments to the corporation.

1350 Distilling

On May 17, 2018, the Authority entered into an agreement with 1350 Distilling LLC (1350) for the purposes of building enhancement. The agreement provides for grant funding from the Authority up to \$25,000. The payment is contingent upon 1350 incurring eligible costs of at least \$50,000 used towards the building at the specified location. Should 1350 spend less than \$50,000, the amount paid will be adjusted on a pro rata basis. No payments were made in 2018 under this agreement.

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 8 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Artspace Agreement

On March 31, 2018, the Authority executed a letter of agreement (the Agreement) with Artspace Projects, Inc. (Artspace) regarding predevelopment work to be done by Artspace for the Authority, establishing the terms under which the Authority will make payments to Artspace. Under the Terms of the agreement, the Authority was to pay a \$150,000 Commencement fee to Artspace within 30 days of the execution of the Agreement. Additionally, once Artspace completes Site Selection, Analysis, and Conceptual/Schematic Design, the Authority shall pay the Artspace \$300,000. Once Design and Financial Analysis are completed, the Authority shall pay Artspace an additional \$150,000. Under the last provision of the Agreement, once Artspace completes Financing and Fundraising, the Authority shall be required to pay \$150,000 to Artspace.

Formstack Agreement

On May 1, 2018, the Authority entered into an agreement with Formstack, LLC (Formstack) for the purpose of job retention. The agreement provides for five annual payments, not to exceed \$100,000 in total, beginning on May 31, 2018. The payments are contingent upon Formstack meeting hiring performance requirements in each grant year. In 2018, \$4,000 was paid out under this agreement.

NOTE 9 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, 2018. Terms of the agreement specify that the partnership would manage and administer the Authority in accordance with the 2018 budget and operating plan. The Partnership's compensation under the agreement was \$420,110.

Effective January 1, 2019, the District entered into an agreement, similar to the above, for 2019 services. The Partnership's total compensation under this agreement is \$441,115.

NOTE 10 REDEVELOPMENT AGREEMENT

Blue Dot Place

In November 2014, the Authority entered into an agreement with a developer to allocate under Colorado Revised 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 for each year following the effective date. The total allocation is then reduced by the increment due to a local school district, and 0.5% 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. In 2018, \$16,829 was paid under this agreement.

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 10 REDEVELOPMENT AGREEMENT (CONTINUED)

117-119 East Bijou LLC and 117-121 Bijou LLC

August 25, 2016, the Authority entered into an agreement with property owners to allocate under Colorado Revised statutes tax increment financing to assist in the construction of downtown condos. Under this agreement, the Authority will back the owners 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 for each year following the effective date. The total allocation is then reduced by the increment due to a local school district, and 0.5% annual administration fee paid to the Authority. The owners shall only be eligible to receive a rebate of taxes in the actual amount paid. In 2018, \$7,854 was accrued to be paid under this agreement.

333 ECO, LLC

On March 24, 2017, the Authority entered into an agreement with a property owner to allocate under Colorado Revised statutes tax increment financing to assist in the construction of downtown apartments. Under this agreement, the Authority will back the owner 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 for each year following the effective date. The total allocation is then reduced by the increment due to a local school district, and 0.5% annual administration fee paid to the Authority. The owner shall only be eligible to receive a rebate of taxes in the actual amount paid. No payments were made under this agreement in 2018.

609 S Cascade, LLC

On April 11, 2017, the Authority entered into an agreement with a property owner to allocate under Colorado Revised statutes tax increment financing to assist in the construction of downtown apartments. Under this agreement, the Authority will back the owner 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 for each year following the effective date. The total allocation is then reduced by the increment due to a local school district, and 0.5% annual administration fee paid to the Authority. The owner shall only be eligible to receive a rebate of taxes in the actual amount paid. No payments were made under this agreement in 2018.

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 10 REDEVELOPMENT AGREEMENT (CONTINUED)

528 South Tejon LLC

On January 25, 2018, the Authority entered into an agreement with a developer to allocate under Colorado Revised statutes tax increment financing to assist in the redevelopment of a mixed use building. Under this agreement, the Authority will back the developer with 60% 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 for each year following the effective date. The total allocation is then reduced by the increment due to a local school district, and 0.5% annual administration fee paid to the Authority. The developer shall only be eligible to receive a rebate of taxes in the actual amount paid. No payments were made under this agreement in 2018.

418 South Tejon

On May 18, 2018, the Authority entered into an agreement with a developer to allocate under Colorado Revised statutes tax increment financing to assist in the construction of downtown lofts. 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 for each year following the effective date. The total allocation is then reduced by the increment due to a local school district, and 0.5% annual administration fee paid to the Authority. The developer shall only be eligible to receive a rebate of taxes in the actual amount paid. No payments were made under this agreement in 2018.

NOTE 11 RELATED PARTY TRANSACTIONS

The Authority has entered into the following redevelopment agreements listed in Note 10, Blue Dot Place, 333 ECO, LLC, 609 S Cascade LLC, and 418 S Tejon. Members of the Board are affiliated with those Organizations. In 2018, \$16,829 was paid under those agreements.

In May 2017, the Authority entered an agreement with a local architecture firm to perform concept design services for alleyways in downtown Colorado Springs. The firm is affiliated with a Board Member and the agreement is based on hours worked, but is not to exceed \$30,500. In 2018, \$4,660 was paid under this agreement.

In 2017, the Authority entered into an agreement with Downtown Ventures to help fund a bike-share program. The organization shares management personnel within the Authority.

In 2018, the Authority entered into an Agreement with CliftonLarsonAllen LLP (CLA) to provide consulting services. CLA is affiliated with a Board Member of the Authority. The Authority paid \$6,460 for services rendered in 2018 under this agreement.

COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 12 RISK MANAGEMENT

The Authority 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 Authority maintains commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 13 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 Authority'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 and Enterprise qualifications will require judicial interpretation.

On November 7, 2006, the Authority's voters authorized the District to increase property taxes \$750,000 annually, at a rate not to exceed five mills. The election also allows the Authority to collect, spend, and retain all revenues without regard to the limitations contained within Article X, Section 20 of the Colorado Constitution (TABOR).

NOTE 14 RESTATEMENT OF PRIOR YEAR ITEMS

Certain items have been adjusted in the prior year, impacting beginning Fund Balance and beginning Net Position. In the fund financial statements, grants expenditures were removed to be recognized as grant payments are made. In the government-wide financial statements, a grant payable was removed from the statement of net position and grant expense from the statement of activities as the eligibility requirements are not yet met. Additionally, a grant expense was adjusted to a deferred outflow of resources, as the time requirements of the grant have not yet been met.

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 14 RESTATEMENT OF PRIOR YEAR ITEMS (CONTINUED)

The nature and impact of those adjustments is reflected as follows:

Fund Balance Adjustment

Ending Fund Balance as Previously Stated	\$ 1,234,988
Adjustment of Grants Expenditures	<u>1,513,664</u>
Ending Fund Balance as Restated	<u><u>\$ 2,748,652</u></u>

Net Position Adjustment

Ending Net Position as Previously Stated	\$ 2,026,801
Adjustment of Grants Payable	750,000
Adjustment of General Governmental Expenses	<u>581,250</u>
Ending Net Position as Restated	<u><u>\$ 3,358,051</u></u>

SUPPLEMENTARY INFORMATION

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY
SUMMARY OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2018**

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Tax Levy</u>	<u>Mills Levied</u>	<u>Total Property Taxes</u>		<u>Percentage Collected to Levied</u>
			<u>Levied</u>	<u>Collected</u>	
2018	\$ 157,483,760	5.000	\$ 780,903	\$ 751,898	96.29%

Estimated for
the Year Ending
December 31,
2019

153,624,780	5.000	768,124
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Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy if delinquent taxes are collected.

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY
SUMMARY OF INCREMENTAL ASSESSED VALUATION, MILL LEVY,
AND INCREMENTAL PROPERTY TAXES COLLECTED
YEAR ENDED DECEMBER 31, 2018**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy			Combined Mills Levied	Total Incremental Property Taxes		Percentage Collected to Levied
	Total Assessed Valuation	Less: Base Valuation	Net Increment Valuation		Levied	Collected	
2018	\$ 166,288,890	\$ 157,483,760	\$ 8,805,130	62.973-67.973	\$ 636,381	\$ 607,778	95.51%
Estimated for the Year Ending December 31, 2019	162,943,200	153,624,780	9,318,420	74.494-79.494	669,137		

Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy if delinquent taxes are collected.