

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2021 AND 2020

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

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
NOTES TO BASIC FINANCIAL STATEMENTS	7
SUPPLEMENTARY INFORMATION	
SUMMARY OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED	26
SUMMARY OF INCREMENTAL ASSESSED VALUATION, MILL LEVY, AND INCREMENTAL PROPERTY TAXES COLLECTED	27



INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of the governmental activities and each major fund of the Colorado Springs Downtown Development Authority (Authority), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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INDEPENDENT AUDITORS' REPORT - CONTINUED

February 24, 2022

Page 2

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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

INDEPENDENT AUDITORS' REPORT - CONTINUED

February 24, 2022

Page 3

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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Erickson, Brown & Kloster LLC

Colorado Springs, Colorado

February 24, 2022

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

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, 2021.

Financial Highlights

- Net position increased \$538,405 in 2021 (19%).
- Change in net position went from (\$899,721) in 2020 to \$538,405 in 2021.
- Total revenues decreased \$69,827 in 2021 (3%).
- Total expenses decreased \$1,507,953 from \$3,089,469 to \$1,581,516 in 2021, a decrease of 49%.
- The Authority paid out \$200,884 in Building Enhancement Grants to improve the facades of Downtown properties and to provide outdoor dining heaters to help restaurants during the height of covid restrictions. The Authority also paid \$12,644 for the Holiday Pop Ups shops program, an opportunity for new or growing retailers to test the Downtown Colorado Springs market as a viable option for a brick-and-mortar location. The Authority also paid \$50,000 for an energy efficiency and conservation grant.
- The Authority expended \$16,500 as part of the final elements of Phase 1 of its Gateways Initiative.

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, 2021 AND 2020**

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 7-24 of this report.

Supplementary and Other information. Information on taxes levied and collected can be found on pages 26 and 27 of the report.

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

Statement of Net Position

	December 31,	
	2021	2020
ASSETS		
Current Assets	\$ 1,844,569	\$ 1,309,412
Other Assets	3,186,104	2,757,858
Capital Assets, Net	2,064,188	2,104,982
Total Assets	7,094,861	6,172,252
LIABILITIES		
Current Liabilities	1,376,838	63,189
Long-Term Obligations	-	1,350,000
Total Liabilities	1,376,838	1,413,189
DEFERRED INFLOWS OF RESOURCES		
Property Tax Revenue	922,218	822,116
Increment revenue	1,381,800	1,061,347
Total Deferred Inflows of Resources	2,304,018	1,883,463
NET POSITION		
Net Investment in Capital Assets	714,188	754,982
Restricted for:		
TIF	796,490	308,557
Emergency Reserve	63,400	65,500
Unrestricted	1,839,927	1,746,561
Total Net Position	\$ 3,414,005	\$ 2,875,600

Net position may serve as a useful indicator for the Authority's financial position. In the Authority's case, 2021 and 2020 ended with total assets valued at \$7,094,861 and \$6,172,252, respectively, with outstanding liabilities of \$1,376,838 and \$1,413,189, respectively. The Authority's assets consist primarily of cash and investments, current receivables, and fixed assets.

Other assets increased by \$428,246 due to the increases in property taxes receivable and incremental tax receivable, offset by the reduction in line of credit receivable.

Fixed assets increased by \$16,500, from monument signage.

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

Changes in Net Position

	December 31,	
	2021	2020
REVENUES		
General revenues		
Property taxes	\$ 811,867	\$ 822,406
Incremental property taxes	1,048,568	942,481
Specific Ownership Taxes	105,476	98,210
COVID relief Income	-	267,100
Miscellaneous Income	61,500	3,830
Advertising	7,350	-
Rent Income	37,939	-
Interest Income	47,221	55,721
Total Revenues	2,119,921	2,189,748
EXPENSES		
General government	1,581,516	3,089,469
Total Expenses	1,581,516	3,089,469
CHANGES IN NET POSITION	538,405	(899,721)
Net Position - Beginning of Year	2,875,600	3,775,321
NET POSITION - END OF YEAR	\$ 3,414,005	\$ 2,875,600

The Authority's total revenue decreased by \$69,827.

The Authority's net position increased \$538,405 due primarily to decreases in grants and programs from the prior year.

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 \$1,817,731. Of this balance, \$12,700 was nonspendable due to a prepaid amount recorded at year-end, \$796,490 was restricted to be used with TIF projects, and \$63,400 was restricted for emergencies (TABOR).

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

General Fund Budgetary Highlights

Total expenditures of 2021 are below the budgeted amount by \$996,847. The difference between the budgeted revenue of \$2,075,524, and the actual revenue of \$2,110,687 was \$35,163.

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, 2021**

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 907,255
Cash and Investments - Restricted	859,890
Accounts Receivable - County Treasurer	8,641
Miscellaneous Accounts Receivable	7,653
Short Term Loan Receivable	48,430
Prepaid Expenses	12,700
Property Taxes Receivable	922,218
Incremental Tax Receivable	1,381,800
Notes Receivable	760,677
Accrued Interest	121,409
Capital Assets, Net	2,064,188
Total Assets	<u>7,094,861</u>
LIABILITIES	
Accounts Payable	21,242
Tax Escrow	1,596
Rental Deposit	4,000
Noncurrent Liabilities:	
Due Within One Year	<u>1,350,000</u>
Total Liabilities	<u>1,376,838</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Property Tax Revenue	922,218
Deferred Incremental Property Tax Revenue	1,381,800
Total Deferred Inflows of Resources	<u>2,304,018</u>
NET POSITION	
Net Investment in Capital Assets	714,188
Restricted for:	
Emergency Reserve	63,400
TIF	796,490
Unrestricted	<u>1,839,927</u>
Total Net Position	<u><u>\$ 3,414,005</u></u>

See accompanying Notes to Basic Financial Statements.

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

		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	\$ 1,581,516	\$ -	\$ 1,098,568	\$ -	\$ (482,948)
Total Governmental Activities	<u>\$ 1,581,516</u>	<u>\$ -</u>	<u>\$ 1,098,568</u>	<u>\$ -</u>	(482,948)
GENERAL REVENUES					
Property Taxes					811,867
Specific Ownership Taxes					105,476
Miscellaneous Income					11,500
Advertising					7,350
Rent Income					37,939
Interest Income					47,221
Total General Revenues					<u>1,021,353</u>
CHANGE IN NET POSITION					
					538,405
Net Position - Beginning of Year - Restated					<u>2,875,600</u>
NET POSITION - END OF YEAR					<u>\$ 3,414,005</u>

See accompanying Notes to Basic Financial Statements.

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY
BALANCE SHEET GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2021**

		General Fund
ASSETS		
Cash and Investments	\$	907,255
Cash and Investments - Restricted		859,890
Miscellaneous Accounts Receivable		7,653
Accounts Receivable - County Treasurer		8,641
Property Taxes Receivable		922,218
Incremental Property Tax Receivable		1,381,800
Short Term Loan Receivable		48,430
Prepaid Expenses		12,700
		4,148,587
Total Assets	\$	4,148,587
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
LIABILITIES		
Accounts Payable	\$	21,242
Tax Escrow		1,596
Rental Deposit		4,000
Total Liabilities		26,838
DEFERRED INFLOWS OF RESOURCES		
Property Tax Revenue		922,218
Tax Increment Revenue		1,381,800
Total Deferred Inflows of Resources		2,304,018
FUND BALANCES		
Nonspendable:		
Prepaid Expenses		12,700
Restricted For:		
Emergencies (TABOR)		63,400
TIF		796,490
Assigned for:		
Board Designated Projects		945,141
Total Fund Balances		1,817,731
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$	4,148,587
Amounts reported for governmental activities in the statement of net position are different because:		
Long term liabilities are not due and payable in the current period and, therefore, are deferred in the funds.		
Loan Payable		(1,350,000)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital Assets, Net		2,064,188
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		121,409
		882,086
Net Position of Governmental Activities	\$	3,414,005

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, 2021**

REVENUES

Property Taxes	\$ 811,867
Incremental Property Taxes	1,048,568
Specific Ownership Taxes	105,476
Advertising	7,350
Miscellaneous Income	61,500
Net Investment Income	37,987
Rent Income	37,939
Total Revenues	2,110,687

EXPENDITURES

Administrative	52,679
Board Support	3,297
Professional Services	24,180
Other Administrative	1,835
Program	849,758
Artspace	33,502
Gateway	9,994
TIF	565,477
Total Expenditures	1,540,722

NET CHANGES IN FUND BALANCE

569,965

Fund Balance - Beginning of Year

1,247,766

FUND BALANCE - END OF YEAR

\$ 1,817,731

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, 2021**

Net Change in Fund Balances - Governmental Funds \$ 569,965

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

Governmental funds report capital outlays as expenditures. In the statement of activities,
capital outlay is not reported as an expenditure. However, the statement of activities will
report as depreciation expense, the allocation of the cost of any depreciable asset over
the estimated useful life of the asset. Capital outlay, the conveyance of capital assets to
other governments and depreciation expense in the current period are as follows:

Capital Outlay	16,500
Depreciation Expense	(57,294)

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. The net effect of these differences of long-term receivables and
related items is as follows:

Accrued Interest	9,234
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Change in Net Position of Governmental Activities \$ 538,405

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2021**

	Original and Final Budget	Actual	Variance with Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 822,116	\$ 811,867	\$ (10,249)
Incremental Property Taxes	1,133,367	1,048,568	(84,799)
Specific Ownership Taxes	82,212	105,476	23,264
Advertising	5,000	7,350	2,350
Miscellaneous Income	-	61,500	61,500
Net Investment Income	32,829	37,987	5,158
Rent Income	-	37,939	37,939
Total Revenues	2,075,524	2,110,687	35,163
EXPENDITURES			
Administrative			
Contract for Services/Admin	39,144	39,144	-
Treasurer's Collection Fee/Mill	12,332	12,370	(38)
Legal Notices	100	35	65
Bank Service Charges	1,400	1,130	270
Board Support			
Board Development	500	-	500
Board Meeting Expenses	250	108	142
Insurance - Directors and Officers	3,000	3,189	(189)
Professional Services			
Accounting/Audit	14,400	9,387	5,013
Accounting/Services	8,000	6,233	1,767
Legal Fees	25,000	8,560	16,440
Other Administrative			
Community Relations	1,000	-	1,000
Membership & Subscriptions	1,150	1,800	(650)
Training	-	35	(35)
Travel	1,000	-	1,000
Program			
Contract for Svcs Prgm Adm	472,549	472,549	-
Grants	124,145	135,884	(11,739)
Research/Market Reports	15,000	22,934	(7,934)
Marketing/Branding	200,000	166,028	33,972
Miscellaneous	1,000	37	963
Projects	300,000	-	300,000
Consultants	-	500	(500)
Job Retention	35,000	27,000	8,000
Business Development	138,162	24,826	113,336
Artspace			
Insurance	8,142	5,991	2,151
Consultants	4,000	-	4,000
Legal	350	8,935	(8,585)
Miscellaneous	-	223	(223)
Management Expense	-	18,353	(18,353)
Property Management	6,000	-	6,000
Gateway			
Commercial Liability Insurance	2,500	2,751	(251)
Repairs and Maintenance	2,000	4,438	(2,438)
Utilities	400	2,805	(2,405)
TIF			
TIF SD11 IGA	215,168	211,975	3,193
TIF Reimbursements	225,000	177,682	47,318
Treasurers Collection Fee/TIF	17,001	15,970	1,031
Project - TIF	299,776	25,950	273,826
Job Incentives	64,100	18,900	45,200
Grants - TIF	300,000	115,000	185,000
Total Expenditures	2,537,569	1,540,722	996,847
NET CHANGE IN FUND BALANCE	(462,045)	569,965	1,032,010
Fund Balance - Beginning of Year	1,214,061	1,247,766	33,705
FUND BALANCE - END OF YEAR	\$ 752,016	\$ 1,817,731	\$ 1,065,715

See accompanying Notes to Basic Financial Statements.

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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, 2021**

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, 2021

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, 2021**

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.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress, and are not included in the calculation of investment in capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

Buildings and improvements	40 years
Monument Signs	30 years

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 as 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.

COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflow/Outflow of Resources (continued)

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.

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.

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2021 are classified in the accompanying financial statements as follows:

	2021
Statement of Net Position:	
Cash and Investments	\$ 907,255
Cash and Investments - Restricted	859,890
Total Cash and Investments	\$ 1,767,145

Cash and investments as of December 31, 2021 consist of the following:

	2021
Deposits with Financial Institutions	\$ 55,873
Investments	1,711,272
Total Cash and Investments	\$ 1,767,145

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, 2021, the Authority's cash deposits had a bank balance of \$100,077 and a carrying balance of \$55,873.

Restricted cash included Emergency Reserves as required by Article X, Section 20 of the Constitution of the state of Colorado (see Note 12) of \$65,500 at December 31, 2021.

Investments

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

The Authority 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 Authority is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

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:

- . 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

As of December 31, 2021, the Authority had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted Average Under 60 Days	\$ 1,711,272

COLOTRUST

The Authority invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAM by Standard & Poor's. COLOTRUST records its investments at fair value that the Authority records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 4 CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2021 follows:

	Balance at December 31, 2020	Increases	Decreases	Balance at December 31, 2021
Governmental Activities:				
Capital Assets, Being Depreciated:				
Buildings	\$ 1,804,802	\$ -	\$ -	\$ 1,804,802
Monument signs	364,424	16,500	-	380,924
Total Capital Assets, Being Depreciated	<u>2,169,226</u>	<u>16,500</u>	<u>-</u>	<u>2,185,726</u>
Less Accumulated Depreciation for:				
Buildings	<u>(64,244)</u>	<u>(57,294)</u>	<u>-</u>	<u>(121,538)</u>
Total Accumulated Depreciation	<u>(64,244)</u>	<u>(57,294)</u>	<u>-</u>	<u>(121,538)</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 2,104,982</u>	<u>\$ (40,794)</u>	<u>\$ -</u>	<u>\$ 2,064,188</u>

Depreciation expense was charged to functions/programs of the District as follows:

Governmental Activities:	
General Government	<u>\$ 57,294</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 57,294</u>

NOTE 5 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. In 2020, the Authority forgave the outstanding \$250,000 due under this agreement.

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 6 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 \$2,400 per month during the year ending December 31, 2019. The balance of the note with any unpaid interest is due and payable on December 30, 2023. On June 20, 2019 the Authority and the art school entered into an amendment to the agreement, allowing the art school to sell the property. The amendment has no impact on the note receivable due to the Authority.

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.

NOTE 7 LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the Authority's long-term obligations for the years ended December 31, 2021 and 2020:

<u>Long-Term Obligations</u>	<u>Balance December 31, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2021</u>	<u>Amounts Due Within One Year</u>
Loans Payable:					
2019 Promissory Note	1,350,000	-	-	1,350,000	1,350,000
Total Loans Payable	<u>1,350,000</u>	<u>-</u>	<u>-</u>	<u>1,350,000</u>	<u>1,350,000</u>
 Total Long-Term Obligations	 <u>\$ 1,350,000</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 1,350,000</u>	 <u>\$ 1,350,000</u>

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 7 LONG-TERM OBLIGATIONS (CONTINUED)

2019 Promissory Note

On October 11, 2019, the John E and Margaret L Lane Foundation (LaneF) and G.E. Johnson Construction Company Community Foundation (GEJF), together (the “Lenders”) issued a Promissory Note (the “Note”) to the Authority in the amounts of \$850,000 and \$500,000, respectively, in total \$1,350,000, to purchase the property at 313-315 East Costilla Street (the “Property”). The Note bears no interest, and is due and payable upon the earlier of the sale of the Property, or December 31, 2022. In the event the Property has not been sold prior to the maturity date and the Authority has not paid the balance of the Note, the Authority shall have until December 31, 2023 to sell the Property and repay the Note. In the event proceeds from the sale are insufficient to repay the Note, the proceeds from the sale will be split between the Authority and the Lenders based on the total contribution to the purchase and capital improvements of the Property. In the event of a post maturity sale, the Lenders will be entitled to 50% of the post maturity sale profit. The Note is secured by a deed of trust encumbering the Property.

NOTE 8 NET POSITION

The Authority has net position consisting of three components – net investment in capital assets, restricted and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balance of bonds that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2021, the District had net investment in capital assets calculated as follows:

Net Investment in Capital Assets:	
Capital Assets, Net	\$ 2,064,188
Noncurrent Portion of Long-Term Obligations	(1,350,000)
Net Investment in Capital Assets	<u>\$ 714,188</u>

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, 2021 as follows:

Restricted Net Position:	
TIF	\$ 796,490
Emergencies	63,400
Total Restricted Net Position	<u>\$ 859,890</u>

The Authority’s unrestricted net position as of December 31, 2021, is \$1,839,927.

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.

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 9 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, 2021, both parties have complied with the aforementioned agreement, and assuming both parties comply with the terms in the future, the Authority will make thirteen additional payments to the corporation.

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. On December 13, 2019, the Authority and Artspace executed the First Amendment to the Letter of Agreement (the "Amended Agreement"). Under the Amended Agreement, the \$300,000 for the Site Selection, Analysis and Conceptual/Schematic Design was reduced by \$44,250. As of December 31, 2021, an additional anticipated \$300,000 is anticipated to be paid under this agreement.

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 2021, payments under this agreement were mutually waived in 2021 to allow for more resources for the DDA Small Business Relief Grant Fund.

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 9 COMMITMENTS AND CONTINGENCIES (CONTINUED)

BombBomb Agreement

On November 6, 2019, the Authority entered into an agreement with BombBomb, Inc., (BombBomb) for the purpose of job retention. The agreement provides for five annual payments, beginning March 30, 2020, not to exceed \$250,000 in total, nor \$50,000 for any grant year. The payments are contingent upon BombBomb meeting hiring performance requirements in each grant year. In 2021, payments under this agreement were mutually waived in 2021 to allow for more resources for the DDA Small Business Relief Grant Fund.

BlueStaq Agreement

In 2019, the Authority entered into an agreement with the BlueStaq, LLC., for the purpose of promoting job growth in the Colorado Springs Downtown area. The agreement provides \$10,000 in total grant money. In 2021, no payments were made under this agreement.

401 S. Nevada Agreement

On October 10, 2020, the Authority entered into an agreement with the Beer GardenGroup., (the Garden) for the purpose of exterior façade improvement elements. The agreement provides \$10,000 in total grant money. In 2021, \$10,000 was paid under this agreement.

521 S. Tejon Agreement

In 2020, the Authority entered into an agreement with Red Swing for the purpose of exterior façade improvement elements. The agreement provides \$7,500 in total grant money. In 2021, \$7,500 was paid under this agreement.

230 S. Wahsatch

In December, 2019, the Board approved a TIF Reimbursement for a 148-unit apartment complex at 230 S. Wahsatch Ave. Eligible expenses are capped a \$6,552,378. The agreement has not yet been finalized. In 2021, no payments were made under this agreement.

225 E Cimarron

In December, 2019, the Board approved a TIF Reimbursement for a 81-unit apartment complex at 225 E. Cimarron St. Eligible expenses are capped a \$6,640,324. It should be noted that the project has fallen through, so there will be no agreement or obligations on the project. In 2021, no payments were made under this agreement.

NOTE 10 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, 2021. Terms of the agreement specify that the partnership would manage and administer the Authority in accordance with the 2021 budget and operating plan. The Partnership's compensation under the agreement was \$511,693.

Effective January 1, 2022, the District entered into an agreement, similar to the above, for 2022 services. The Partnership's total compensation under this agreement is \$570,000.

COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 11 TIF REIMBURSEMENT AGREEMENTS

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 2021, \$21,567 was paid under this agreement.

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 2021, \$12,848 was 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. In 2021, \$126,452 was paid under this agreement.

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 11 TIF REIMBURSEMENT AGREEMENTS (CONTINUED)

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. In 2021, no payments were made under this agreement.

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. In 2021, \$13,735 was paid under this agreement.

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. In 2021, no payments were made under this agreement.

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 11 TIF REIMBURSEMENT AGREEMENTS (CONTINUED)

421 South Nevada

On January 18, 2019, 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 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. In 2021, \$3,080 was paid under this agreement.

322 Vermijo

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. In 2021, no payments were made under this agreement.

720 East Pikes Peak Ave

On June 18, 2020, 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 75% 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. In 2021, no payments were made under this agreement.

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 11 TIF REIMBURSEMENT AGREEMENTS (CONTINUED)

400 East Pikes Peak Ave

On December 22, 2020, 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 75% 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. In 2021, no payments were made under this agreement.

321-329 East Cimarron

On August 31, 2021 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 75% 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. In 2021, no payments were made under this agreement.

345 East Rio Grande

On October 1, 2021, 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 75% 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. In 2021, no payments were made under this agreement.

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 11 TIF REIMBURSEMENT AGREEMENTS (CONTINUED)

345 East Rio Grande

On August 19, 2021, 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 75% 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. In 2021, no payments were made under this agreement.

NOTE 12 RELATED PARTY TRANSACTIONS

The Authority has entered into the following redevelopment agreements listed in Note 11, Blue Dot Place, 333 ECO, LLC, 609 S Cascade LLC, and 418 S Tejon. Certain members of the Board of Directors are affiliated with those Organizations. In 2021, \$148,019 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. In 2021 no payments were made under this agreement

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. In 2021, \$7,945 was paid under this agreement.

Certain members of the Board of Directors are affiliated with the Lenders that issued the Authority the Note explained in more detail in Note 7.

Certain members of the Board of Directs are affiliated with Olive Real Estate Group, Inc. (Olive Real Estate). In 2021, Olive Real Estate contributed no services to the Authority. Olive Real Estate assist with the managing of 315 E Costilla on behalf of the Authority as the Authority has no staff to perform such tasks.

NOTE 13 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.

COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 14 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).

SUPPLEMENTARY INFORMATION

**COLORADO SPRINGS DOWNTOWN DEVELOPMENT AUTHORITY
SUMMARY OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2021**

<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 %
2019	153,624,780	5.000	768,124	761,566	99.15
2020	166,892,610	5.000	834,463	822,406	98.56
2021	164,423,390	5.000	822,116	811,867	98.75
Estimated for the Year Ending December 31, 2022	183,264,840	5.000	922,218		

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, 2021**

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 %
2019	162,943,200	153,624,780	9,318,420	74.494-79.494	636,381	664,137	104.36
2020	180,707,700	166,892,610	13,815,090	78.375-83.477	955,646	942,481	98.62
2021	180,707,700	166,892,610	13,815,090	78.375-83.477	1,062,890	1,048,568	98.65
Estimated for the Year Ending December 31, 2022	207,729,220	183,264,840	24,464,380	78.375-83.477	1,381,800		

Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received