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Accountant's Compilation Report

Board of Directors
SW Downtown Metropolitan District No. 1

Management is responsible for the accompanying budget of revenues, expenditures, and fund balances of SW Downtown Metropolitan District No. 1 for the year ending December 31, 2020, including the estimate of comparative information for the year ending December 31, 2019, and the actual comparative information for the year ended December 31, 2018, in the format prescribed by Colorado Revised Statutes (C.R.S.) 29-1-105 and the related summary of significant assumptions in accordance with guidelines for the presentation of a budget established by the American Institute of Certified Public Accountants (AICPA). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the budget nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on the accompanying budget.

The budgeted results may not be achieved as there will usually be differences between the budgeted and actual results, because events and circumstances frequently do not occur as expected, and these differences may be material. We assume no responsibility to update this report for events and circumstances occurring after the date of this report.

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

We are not independent with respect to SW Downtown Metropolitan District No. 1.

CliftonLarsonAllen LLP

Colorado Springs, Colorado
December 5, 2019



An independent member of Nexia International

**SW DOWNTOWN METROPOLITAN DISTRICT NO. 1
SUMMARY
2020 BUDGET
WITH 2018 ACTUAL AND 2019 ESTIMATED
For the Years Ended and Ending December 31,**

12/5/19

	ACTUAL 2018	ESTIMATED 2019	BUDGET 2020
BEGINNING FUND BALANCES	\$ -	\$ -	\$ -
REVENUES			
Property taxes	-	17,242	80,834
Specific ownership tax	-	2,260	8,892
Interest income	-	4	-
Other revenue	-	1,996	4,000
Total revenues	-	21,502	93,726
Total funds available	-	21,502	93,726
EXPENDITURES			
General Fund	-	21,502	24,431
Debt Service Fund	-	-	69,295
Total expenditures	-	21,502	93,726
Total expenditures and transfers out requiring appropriation	-	21,502	93,726
ENDING FUND BALANCES	\$ -	\$ -	\$ -

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

SW DOWNTOWN METROPOLITAN DISTRICT NO. 1
PROPERTY TAX SUMMARY INFORMATION
2020 BUDGET
WITH 2018 ACTUAL AND 2019 ESTIMATED
For the Years Ended and Ending December 31,

12/5/19

	ACTUAL 2018	ESTIMATED 2019	BUDGET 2020
ASSESSED VALUATION			
Commercial	\$ -	\$ 1,476,790	\$ 1,792,170
Vacant land	-	406,550	228,690
	-	1,883,340	2,020,860
Adjustments	-	(159,140)	-
Certified Assessed Value	<u>\$ -</u>	<u>\$ 1,724,200</u>	<u>\$ 2,020,860</u>
MILL LEVY			
General	0.000	10.000	10.000
Debt Service	0.000	0.000	30.000
Total mill levy	<u>0.000</u>	<u>10.000</u>	<u>40.000</u>
PROPERTY TAXES			
General	\$ -	\$ 17,242	\$ 20,208
Debt Service	-	-	60,626
Levied property taxes	-	17,242	80,834
Budgeted property taxes	<u>\$ -</u>	<u>\$ 17,242</u>	<u>\$ 80,834</u>
BUDGETED PROPERTY TAXES			
General	<u>\$ -</u>	<u>\$ 17,242</u>	<u>\$ 20,209</u>
Debt Service	<u>-</u>	<u>-</u>	<u>60,626</u>
	<u>\$ -</u>	<u>\$ 17,242</u>	<u>\$ 80,834</u>

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

**SW DOWNTOWN METROPOLITAN DISTRICT NO. 1
GENERAL FUND
2020 BUDGET
WITH 2018 ACTUAL AND 2019 ESTIMATED
For the Years Ended and Ending December 31,**

12/5/19

	ACTUAL 2018	ESTIMATED 2019	BUDGET 2020
BEGINNING FUND BALANCE	\$ -	\$ -	\$ -
REVENUES			
Property taxes	-	17,242	20,208
Specific ownership tax	-	2,260	2,223
Interest income	-	4	-
Other revenue	-	1,996	2,000
Total revenues	<u>-</u>	<u>21,502</u>	<u>24,431</u>
Total funds available	<u>-</u>	<u>21,502</u>	<u>24,431</u>
EXPENDITURES			
General and administrative			
Intergovernmental expenditures	-	19,243	22,128
County Treasurer's fee	-	259	303
Miscellaneous	-	2,000	2,000
Total expenditures	<u>-</u>	<u>21,502</u>	<u>24,431</u>
Total expenditures and transfers out requiring appropriation	<u>-</u>	<u>21,502</u>	<u>24,431</u>
ENDING FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

SW DOWNTOWN METROPOLITAN DISTRICT NO. 1
DEBT SERVICE FUND
2020 BUDGET
WITH 2018 ACTUAL AND 2019 ESTIMATED
For the Years Ended and Ending December 31,

12/5/19

	ACTUAL 2018	ESTIMATED 2019	BUDGET 2020
BEGINNING FUND BALANCE	\$ -	\$ -	\$ -
REVENUES			
Property taxes	-	-	60,626
Specific ownership tax	-	-	6,669
Other revenue	-	-	2,000
Total revenues	-	-	69,295
Total funds available	-	-	69,295
EXPENDITURES			
General and administrative			
County Treasurer's fee	-	-	909
Intergovernmental expenditures	-	-	66,386
Contingency	-	-	2,000
Total expenditures	-	-	69,295
Total expenditures and transfers out requiring appropriation	-	-	69,295
ENDING FUND BALANCE	\$ -	\$ -	\$ -

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

**SW DOWNTOWN METROPOLITAN DISTRICT NO. 1
2020 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Services Provided

SW Downtown Metropolitan District No. 1 (the "District") and SW Downtown Metropolitan District No. 2 ("District No. 2") (collectively the "Districts") were formed under a Service Plan approved by the City of Colorado Springs, El Paso County, Colorado (the "City"), on September 26, 2017. The Districts' service area is located entirely within the City. The primary purpose of the Districts will be to provide for the planning, design, acquisition, construction, installation, relocation and/or redevelopment of public improvements and services as listed below. The District was organized by El Paso County Court Order on December 11, 2017.

At an election held on November 7, 2017, the voters approved general indebtedness of \$440,000,000 at a maximum interest rate of 18% for each of the following improvements and services: streets, water supply, sanitary sewer, traffic and safety controls, parks and recreation, mosquito control, television relay and translation, public transportation, security services, and fire protection/medical emergency services. The election authorized indebtedness of \$440,000,000 each for operations and maintenance, reimbursement agreements, and debt refunding. The voters also approved an annual increase in taxes of up to \$5,000,000 at a mill levy rate without limitation or with such limitations as may be determined by the board for the purpose of the District's operations, maintenance, and other expenses. The election also allows the District to retain all revenues without regard to the limitations contained in Article X, Section 20 of the Colorado constitution.

Pursuant to the Districts' Service Plan filed with the City, the maximum debt mill levy for a residential district shall be 30 mills, which can be adjusted for changes in the method of calculating assessed valuation after January 1, 2006. The adjusted maximum debt mill levy is 33.167. The maximum debt mill levy for a commercial district is 50 mills. Pursuant to the Service Plan, the Districts are permitted to issue bond indebtedness of up to \$220,000,000.

The maximum operating mill levy for the payment of operating and maintenance expenses is 10 mills, which can be adjusted for changes in the method of calculating assessed valuation after January 1, 2006.

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

The District prepares its budget on the modified accrual basis of accounting, in accordance with requirements of Colorado Revised Statutes C.R.S. 29-1-105 using its best estimates as of the date of the budget hearing. These estimates are based on expected conditions and its expected course of actions. The assumptions disclosed herein are those that the District believes are significant to the budget. There will usually be differences between the budget and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

Revenues

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes

**SW DOWNTOWN METROPOLITAN DISTRICT NO. 1
2020 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Revenues – (continued)

during the ensuing calendar year. The taxes are payable by April or, if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

The calculation of the taxes levied is displayed on the Property Tax Summary page of the budget using the adopted mill levy imposed by the District.

Specific Ownership Taxes

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on vehicle licensing within the County as a whole. The specific ownership taxes are allocated by the County Treasurer to all taxing entities within the County. The budget assumes that the District's share will be equal to approximately 11% of the property taxes collected.

Expenditures

Intergovernmental Expenditures

Intergovernmental expenditures represent transfers to SW Downtown Business Improvement District to provide funding for the overall administrative and operating costs for the Districts.

County Treasurer's Fees

County Treasurer's fees have been computed at 1.5% of property tax collections.

Debt and Leases

The District has no debt, nor any operating or capital leases.

Reserves

Emergency Reserve

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of fiscal year spending. Since substantially all funds received by the District are transferred to SW Downtown Business Improvement District, which pays for all of the District's operations and maintenance costs, an Emergency Reserve is not reflected in the District's Budget. It is accounted for in the SW Downtown Business Improvement District.

This information is an integral part of the accompanying budget.