

**SW DOWNTOWN BUSINESS
IMPROVEMENT DISTRICT
El Paso County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2019

**SW DOWNTOWN BUSINESS IMPROVEMENT DISTRICT
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
SW Downtown Business Improvement District
Colorado Springs, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of SW Downtown Business Improvement District (“District”), a component unit of the City of Colorado Springs, Colorado, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 District as of December 31, 2019, and the changes in its financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

BiggsKofford, P.C.

Colorado Springs, Colorado
April 20, 2020

BASIC FINANCIAL STATEMENTS

**SW DOWNTOWN BUSINESS IMPROVEMENT DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2019**

	Governmental Activities
ASSETS	
Cash and Investments	\$ 1,648
Cash and Investments - Restricted	598,033
Accounts Receivable - Intergovernmental	635
Accounts Receivable - County Treasurer	432
Property Taxes Receivable	69,131
Prepaid Expenses	6,854
Capital Assets, Not Being Depreciated:	
Construction in Progress	1,137,760
Total Assets	1,814,493
LIABILITIES	
Accounts Payable	1,009,086
Retainage Payable	29,546
Noncurrent Liabilities:	
Due in More Than One Year	837,506
Total Liabilities	1,876,138
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	69,131
Total Deferred Inflows of Resources	69,131
NET POSITION	
Restricted For:	
Emergency Reserves	800
Debt Service	32,922
Unrestricted	(164,498)
Total Net Position	\$ (130,776)

See accompanying Notes to Basic Financial Statements.

**SW DOWNTOWN BUSINESS IMPROVEMENT DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

		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	\$ 133,105	\$ -	\$ 18,578	\$ -	\$ (114,527)
Interest and Related Costs on Long-Term Debt	10,041	-	-	-	(10,041)
Total Governmental Activities	\$ 143,146	\$ -	\$ 18,578	\$ -	(124,568)
 GENERAL REVENUES					
Property Taxes					34,722
Specific Ownership Taxes					4,788
Net Investment Income					376
Total General Revenues					39,886
 CHANGE IN NET POSITION					
					(84,682)
Net Position - Beginning of Year					(46,094)
 NET POSITION - END OF YEAR					
					\$ (130,776)

See accompanying Notes to Basic Financial Statements.

**SW DOWNTOWN BUSINESS IMPROVEMENT DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

ASSETS	General	Debt Service	Capital Projects	Total Governmental Funds
Cash and Investments	\$ 1,648	\$ -	\$ -	\$ 1,648
Cash and Investments - Restricted	800	32,922	564,311	598,033
Accounts Receivable - Intergovernmental	635	-	-	635
Accounts Receivable - County Treasurer	432	-	-	432
Property Taxes Receivable	13,826	55,305	-	69,131
Prepaid Expenses	6,854	-	-	6,854
	Total Assets	\$ 88,227	\$ 564,311	\$ 676,733
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 18,156	\$ -	\$ 990,930	\$ 1,009,086
Retainage Payable	-	-	29,546	29,546
Total Liabilities	18,156	-	1,020,476	1,038,632
DEFERRED INFLOWS OF RESOURCES				
Property Tax Revenue	13,826	55,305	-	69,131
Total Deferred Inflows of Resources	13,826	55,305	-	69,131
FUND BALANCES				
Nonspendable:				
Prepaid Expenses	6,854	-	-	6,854
Restricted For:				
Emergencies (TABOR)	800	-	-	800
Debt Service	-	32,922	-	32,922
Unassigned	(15,441)	-	(456,165)	(471,606)
Total Fund Balances	(7,787)	32,922	(456,165)	(431,030)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 24,195	\$ 88,227	\$ 564,311	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Captail Assets, Not Being Depreciated 1,137,760

Long-term liabilities, including Developer advances payable are not due and payable in the current period and, therefore, are not reported in the funds.

Developer Advance Payable (827,554)
Accrued Interest Payable - Developer Advance (9,952)

Net Position of Governmental Activities **\$ (130,776)**

See accompanying Notes to Basic Financial Statements.

**SW DOWNTOWN BUSINESS IMPROVEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2019**

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
Property Taxes	\$ 1,653	\$ 33,069	\$ -	\$ 34,722
Specific Ownership Taxes	4,788	-	-	4,788
Intergovernmental Revenue	18,578	-	-	18,578
Net Investment Income	20	348	8	376
Total Revenues	<u>25,039</u>	<u>33,417</u>	<u>8</u>	<u>58,464</u>
EXPENDITURES				
Current:				
Accounting	34,874	-	900	35,774
Audit	2,246	-	-	2,246
County Treasurer's Fee	26	495	-	521
Dues	993	-	-	993
Insurance	4,556	-	-	4,556
District Management	13,641	-	-	13,641
Legal	25,689	-	49,557	75,246
Miscellaneous	623	-	-	623
Project Manager	-	-	147,677	147,677
Capital Outlay				
Streets	-	-	990,083	990,083
Total Expenditures	<u>82,648</u>	<u>495</u>	<u>1,188,217</u>	<u>1,271,360</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(57,609)	32,922	(1,188,209)	(1,212,896)
OTHER FINANCING SOURCES (USES)				
Developer Advance	71,383	-	732,044	803,427
Total Other Financing Sources (Uses)	<u>71,383</u>	<u>-</u>	<u>732,044</u>	<u>803,427</u>
NET CHANGE IN FUND BALANCES	13,774	32,922	(456,165)	(409,469)
Fund Balances - Beginning of Year	<u>(21,561)</u>	<u>-</u>	<u>-</u>	<u>(21,561)</u>
FUND BALANCES - END OF YEAR	<u>\$ (7,787)</u>	<u>\$ 32,922</u>	<u>\$ (456,165)</u>	<u>\$ (431,030)</u>

See accompanying Notes to Basic Financial Statements.

**SW DOWNTOWN BUSINESS IMPROVEMENT DISTRICT
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

Net Change in Fund Balances - Governmental Funds \$ (409,469)

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 Assets Acquired 1,137,760

The issuance of long-term debt (e.g., issuance of bonds, the receipt of Developer advances) 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 report 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.

Developer Advance Receipts (803,427)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued Interest on Developer Advance - Change in Liability (9,546)

Change in Net Position of Governmental Activities \$ (84,682)

**SW DOWNTOWN BUSINESS IMPROVEMENT DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019**

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Property Taxes	\$ 1,724	\$ 1,724	\$ 1,653	\$ (71)
Specific Ownership Taxes	4,746	4,746	4,788	42
Intergovernmental Revenue	19,243	19,243	18,578	(665)
Net Investment Income	-	-	20	20
Total Revenues	<u>25,713</u>	<u>25,713</u>	<u>25,039</u>	<u>(674)</u>
EXPENDITURES				
Current:				
Accounting	12,500	28,000	34,874	(6,874)
Audit	-	2,246	2,246	-
County Treasurer's Fee	26	26	26	-
Dues	-	993	993	-
Engineering	10,000	10,000	-	10,000
Insurance	5,500	5,500	4,556	944
District Management	12,500	12,500	13,641	(1,141)
Legal	30,000	50,000	25,689	24,311
Miscellaneous	6,000	6,000	623	5,377
Contingency	18,474	19,735	-	19,735
Total Expenditures	<u>95,000</u>	<u>135,000</u>	<u>82,648</u>	<u>52,352</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(69,287)	(109,287)	(57,609)	51,678
OTHER FINANCING SOURCES (USES)				
Developer Advance	<u>93,000</u>	<u>133,000</u>	<u>71,383</u>	<u>(61,617)</u>
Total Other Financing Sources (Uses)	<u>93,000</u>	<u>133,000</u>	<u>71,383</u>	<u>(61,617)</u>
NET CHANGE IN FUND BALANCE	23,713	23,713	13,774	(9,939)
Fund Balance - Beginning of Year	<u>(22,873)</u>	<u>(22,873)</u>	<u>(21,561)</u>	<u>1,312</u>
FUND BALANCE - END OF YEAR	<u>\$ 840</u>	<u>\$ 840</u>	<u>\$ (7,787)</u>	<u>\$ (8,627)</u>

See accompanying Notes to Basic Financial Statements.

**SW DOWNTOWN BUSINESS IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 DEFINITION OF REPORTING ENTITY

SW Downtown Business Improvement District (the District), a quasi-municipal corporation, was organized by ordinance of the City of Colorado Springs (the City) on October 12, 2017 and is governed pursuant to provisions of the Colorado Business Improvement Act (Title 31). The District's service area is located entirely within the City in El Paso County, Colorado. The District was organized to provide the financing, acquisition, construction, completion, installation, replacement, and/or operation and maintenance of all of the services and public improvements allowed under Colorado law for business improvement districts. Specific improvements and services provided by the District include water service, safety protection devices, sanitation services, street improvements, curbs, gutters, culverts, drainage facilities, sidewalks, parking facilities, paving, lighting, grading, landscaping, storm and wastewater management facilities, associated land acquisition, and remediation.

The District 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 District has no employees and all operations and administrative functions are contracted.

The District's annual budget is required to be submitted to and approved by the City, thus enabling the City to impose its will on the District. Consequently, the District is considered to be a component unit of the City.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the District 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 District. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by property taxes and intergovernmental revenues.

The statement of net position reports all financial and capital resources of the District. The difference between the assets, deferred outflow of resources, liabilities, and deferred inflow of resources of the District is reported as net position.

**SW DOWNTOWN BUSINESS IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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 operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. The District has determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation due.

The District reports the following major governmental funds:

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

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

**SW DOWNTOWN BUSINESS IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with the State Budget Law, the District'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 and other financing uses level and lapses at year-end. The District'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. The budget includes each fund on its basis of accounting unless otherwise indicated.

The District amended its annual budget for the year ended December 31, 2019.

Pooled Cash and Investments

The District follows the practice of pooling cash and investments of all funds 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 funds based upon each fund's average equity balance in the total cash and investments.

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 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.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflow of resources in the year they are levied and measurable. The 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 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 net investment in capital assets.

**SW DOWNTOWN BUSINESS IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows of Resources

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 District 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.

**SW DOWNTOWN BUSINESS IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's practice to use the most restrictive classification first.

Deficits

The General Fund reported a deficit in the fund financial statements as of December 31, 2019. The deficit will be eliminated with the receipt of funds advanced by the Developer in 2020.

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2019, are classified in the accompanying financial statements as follows:

Cash and Investments	\$ 1,648
Cash and Investments - Restricted	598,033
Total Cash and Investments	<u>\$ 599,681</u>

Cash and investments as of December 31, 2019, consist of the following:

Deposits with Financial Institutions	\$ 565,861
Investments	33,820
Total Cash and Investments	<u>\$ 599,681</u>

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, 2019, the District's cash deposits had a bank balance of \$565,861 and a carrying balance of \$565,861.

**SW DOWNTOWN BUSINESS IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments

The District has not adopted a formal investment policy; however, the District 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:

- . 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, 2019, the District 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	\$ 33,820

**SW DOWNTOWN BUSINESS IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

COLOTRUST

The District 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 and the District 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.

NOTE 4 CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2019 follows:

	Balance - December 31, 2018	Increases	Decreases	Balance - December 31, 2019
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ -	\$ 1,137,760	\$ -	\$ 1,137,760
 Total Capital Assets, Not Being Depreciated	<u>\$ -</u>	<u>\$ 1,137,760</u>	<u>\$ -</u>	<u>\$ 1,137,760</u>

**SW DOWNTOWN BUSINESS IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 5 LONG-TERM OBLIGATIONS

The following is an analysis of changes in the District's long-term obligations for the year ended December 31, 2019:

	Balance - December 31, 2018	Additions	Retirements	Balance - December 31, 2019	Due Within One Year
Developer Advances - Operations	\$ 24,127	\$ 71,383	\$ -	\$ 95,510	\$ -
Accrued Interest: Developer Advances - Operations	406	3,805	-	4,211	-
Developer Advances - Capital	-	732,044	-	732,044	-
Accrued Interest: Developer Advances - Capital	-	5,741	-	5,741	-
Total	\$ 24,533	\$ 812,973	\$ -	\$ 837,506	\$ -

Authorized Debt

On November 7, 2017, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$5,720,000,000 at an interest rate not to exceed 18% per annum. At December 31, 2019, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Authorized November 7, 2017 Election	Remaining at December 31, 2019
Water	\$ 440,000,000	\$ 440,000,000
Sanitation	440,000,000	440,000,000
Streets	440,000,000	440,000,000
Traffic and safety	440,000,000	440,000,000
Parks and recreation	440,000,000	440,000,000
Public Transportation	440,000,000	440,000,000
Television relay/translation	440,000,000	440,000,000
Mosquito control	440,000,000	440,000,000
Security	440,000,000	440,000,000
Fire protection/medical	440,000,000	440,000,000
Operations/Maintenance	440,000,000	440,000,000
Debt refunding	440,000,000	440,000,000
Reimbursement agreements	440,000,000	440,000,000
Total	\$ 5,720,000,000	\$ 5,720,000,000

SW DOWNTOWN BUSINESS IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

As set forth in the District's 2017 Operating Plan, the City has limited the amount of debt to be issued by the District to a total of \$105,000,000 without further approval by the City.

The District anticipates issuing \$28,275,000 in general obligation debt in the year ending December 31, 2020 as set forth in the budget for the year ending December 31, 2020.

Developer Advances

The District has entered into Funding and Operations Reimbursement Agreements with the Developer as follows:

Operations Reimbursement Agreement

On December 14, 2017, the District entered into an Operations Reimbursement Agreement to repay advances made by the Developer for operations and maintenance (O&M) costs. The District agreed to repay the Developer for such advances plus accrued interest at the rate of 6% beginning on the date of the advance to the date of repayment. As of December 31, 2019, outstanding Developer advances under the agreement totaled \$95,510 and accrued interest totaled \$4,211.

Facilities Funding and Acquisition Agreement

On December 14, 2017, the District entered into a Facilities Funding and Acquisition Agreement to repay advances or costs incurred by the Developer for capital infrastructure costs. The District has agreed to repay the Developer for such advances or improvements plus accrued interest at the rate of 8% from the date of the expenditure through the date of repayment. The repayment is anticipated to come from future bond issuances of the District. This agreement terminates on December 31, 2047, unless terminated earlier by the mutual written agreement of the parties. Any amount of principal and accrued interest outstanding at such time shall be deemed to be forever discharged and satisfied in full. As of December 31, 2019, outstanding Developer advances under the agreement total \$732,044 and accrued interest totaled \$5,741.

NOTE 6 NET POSITION

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

Restricted net position consists of assets 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 District had a restricted net position as of December 31, 2019, as follows:

Restricted Net Position:

Emergencies	\$ 800
Debt Service	32,922
Total Restricted Net Position	<u><u>\$ 33,722</u></u>

**SW DOWNTOWN BUSINESS IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 6 NET POSITION (CONTINUED)

The District's unrestricted net position as of December 31, 2019 is \$(164,498). This deficit amount is a result of the District being responsible for the repayment of developer advances received for operations.

NOTE 7 RELATED PARTIES

The Developer of the property which constitutes the District is Nor'wood Development Group. Certain members of the Board of Directors are officers of, employees of, or associated with the Developer and may have conflicts of interest in dealing with the District.

NOTE 8 ECONOMIC DEPENDENCY

The District has not yet established a revenue base sufficient to pay operational expenditures. Until an independent revenue base is established, continuation of operations in the District will be dependent upon funding by the Developer.

NOTE 9 AGREEMENTS AND COMMITMENTS

Intergovernmental Agreement

On November 28, 2018, the District entered into an Intergovernmental Agreement for Operational Cost Sharing (IGA) with SW Downtown Metropolitan District No. 1 and SW Downtown Metropolitan District No. 2. The Operational and Maintenance Costs will be cooperatively funded by the Districts pursuant to this IGA. Pursuant to the IGA, the general operational costs of the Districts include accounting, legal, management and other consultant or administrative costs. Operational and maintenance costs will not include infrastructure construction costs, costs of issuance or bond repayment obligations of the individual Districts.

Construction Commitments

As of December 31, 2019, the District had unexpended construction related contract commitments of approximately \$9,113,000.

NOTE 10 RISK MANAGEMENT

The District 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 District is a member of the Colorado Special Districts Property and Liability Pool (the Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery, and workers' compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

**SW DOWNTOWN BUSINESS IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 10 RISK MANAGEMENT (CONTINUED)

The District pays annual premiums to the Pool for liability, property and public officials' liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 11 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.

At an election held on November 7, 2017, the voters 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.

The District'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 will require judicial interpretation.

NOTE 12 SUBSEQUENT EVENT

On February 11, 2020, the District entered into the cooperation agreement with the City of Colorado Springs, the Colorado Springs Utilities, the Colorado Springs Urban Renewal Authority and Interurban Development Company, LLC for redevelopment of portions of the southwest downtown area of the City of Colorado Springs. The District will be responsible for design, construction, operation and maintenance of certain facilities pursuant to the terms and conditions of the agreement. The funding source of the District projects will be from the issuance of bonds by the District.

SUPPLEMENTARY INFORMATION

**SW DOWNTOWN BUSINESS IMPROVEMENT DISTRICT
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property taxes	\$ 34,484	\$ 33,069	\$ (1,415)
Interest income	-	348	348
Total Revenues	<u>34,484</u>	<u>33,417</u>	<u>(1,067)</u>
EXPENDITURES			
Current:			
County Treasurer's fee	517	495	22
Contingency	<u>500</u>	<u>-</u>	<u>500</u>
Total expenditures	<u>1,017</u>	<u>495</u>	<u>522</u>
EXCESS OF REVENUES OVER EXPENDITURES	33,467	32,922	(545)
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 33,467</u>	<u>\$ 32,922</u>	<u>\$ (545)</u>

**SW DOWNTOWN BUSINESS IMPROVEMENT DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Net Investment Income	\$ -	\$ 8	\$ 8
Total Revenues	-	8	8
EXPENDITURES			
General and Administrative:			
Accounting	-	900	(900)
Legal	-	49,557	(49,557)
Project Manager	150,000	147,677	2,323
Capital			
Streets	-	990,083	(990,083)
Capital outlay	25,000,000	-	25,000,000
Total Expenditures	25,150,000	1,188,217	23,961,783
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(25,150,000)	(1,188,209)	23,961,791
OTHER FINANCING SOURCES (USES)			
Developer Advance	25,150,000	732,044	(24,417,956)
Total Other Financing Sources (Uses)	25,150,000	732,044	(24,417,956)
NET CHANGE IN FUND BALANCE	-	(456,165)	(456,165)
Fund Balance - Beginning of Year	-	-	-
FUND BALANCE - END OF YEAR	\$ -	\$ (456,165)	\$ (456,165)

OTHER INFORMATION

**SW DOWNTOWN BUSINESS IMPROVEMENT DISTRICT
 SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
 DECEMBER 31, 2019**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Tax Levy	Mills Levied	Total Property Taxes		Percent Collected to Levied
			Levied	Collected	
2018	\$ -	0.000	\$ -	\$ -	- %
2019	1,724,200	21.000	36,208	34,722	95.90
Estimated for the Year Ending December 31, 2020	\$ 2,765,260	25.000	\$ 69,131		

NOTE: Property taxes shown as collected in any one year include collection of delinquent property taxes or abatements of property taxes assessed in prior years. This presentation does not attempt to identify specific years of assessment.