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Accountant's Compilation Report

Board of Directors
SW Downtown Business Improvement District

Management is responsible for the accompanying budget of revenues, expenditures, and fund balances of SW Downtown Business Improvement District 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 difference 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 Business Improvement District.

CliftonLarsonAllen LLP

Colorado Springs, Colorado
January 30, 2020



An independent member of Nexia International

**SW DOWNTOWN BUSINESS IMPROVEMENT DISTRICT
SUMMARY
2020 BUDGET
WITH 2018 ACTUAL AND 2019 ESTIMATED
For the Years Ended and Ending December 31,**

1/30/20

	ACTUAL 2018	ESTIMATED 2019	BUDGET 2020
BEGINNING FUND BALANCES	\$ -	\$ (21,561)	\$ 20,117
REVENUES			
Property taxes	-	36,208	69,131
Specific ownership tax	-	4,746	7,604
Interest income	2	372	321,309
TIF revenue	-	-	69,155
Developer advance	24,127	263,242	28,100,042
Bond issuance	-	-	28,275,000
Intergovernmental revenues	-	19,243	88,514
Total revenues	<u>24,129</u>	<u>323,811</u>	<u>56,930,755</u>
Total funds available	<u>24,129</u>	<u>302,250</u>	<u>56,950,872</u>
EXPENDITURES			
General Fund	45,690	133,739	149,090
Debt Service Fund	-	517	346,472
Capital Projects Fund	-	147,877	56,454,000
Total expenditures	<u>45,690</u>	<u>282,133</u>	<u>56,949,562</u>
Total expenditures and transfers out requiring appropriation	<u>45,690</u>	<u>282,133</u>	<u>56,949,562</u>
ENDING FUND BALANCES	<u>\$ (21,561)</u>	<u>\$ 20,117</u>	<u>\$ 1,310</u>
EMERGENCY RESERVE	\$ -	\$ 800	\$ 1,310
AVAILABLE FOR OPERATIONS	(21,561)	-	-
TOTAL RESERVE	<u>\$ (21,561)</u>	<u>\$ 800</u>	<u>\$ 1,310</u>

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

**SW DOWNTOWN BUSINESS IMPROVEMENT DISTRICT
PROPERTY TAX SUMMARY INFORMATION
2020 BUDGET
WITH 2018 ACTUAL AND 2019 ESTIMATED
For the Years Ended and Ending December 31,**

1/30/20

	ACTUAL 2018	ESTIMATED 2019	BUDGET 2020
ASSESSED VALUATION - EL PASO			
Vacant land	\$ -	\$ 406,550	\$ 280,800
Commercial	-	1,476,790	2,484,460
	-	1,883,340	2,765,260
Adjustments	-	(159,140)	-
Certified Assessed Value	<u>\$ -</u>	<u>\$ 1,724,200</u>	<u>\$ 2,765,260</u>
MILL LEVY			
General	0.000	1.000	5.000
Debt Service	0.000	20.000	20.000
Total mill levy	<u>0.000</u>	<u>21.000</u>	<u>25.000</u>
PROPERTY TAXES			
General	\$ -	\$ 1,724	\$ 13,826
Debt Service	-	34,484	55,305
	-	36,208	69,131
Levied property taxes	-	36,208	69,131
Budgeted property taxes	<u>\$ -</u>	<u>\$ 36,208</u>	<u>\$ 69,131</u>
BUDGETED PROPERTY TAXES			
General	\$ -	\$ 1,724	\$ 13,826
Debt Service	-	34,484	55,305
	-	36,208	69,131
	<u>\$ -</u>	<u>\$ 36,208</u>	<u>\$ 69,131</u>

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

**SW DOWNTOWN BUSINESS IMPROVEMENT DISTRICT
GENERAL FUND
2020 BUDGET
WITH 2018 ACTUAL AND 2019 ESTIMATED
For the Years Ended and Ending December 31,**

1/30/20

	ACTUAL 2018	ESTIMATED 2019	BUDGET 2020
BEGINNING FUND BALANCE	\$ -	\$ (21,561)	\$ 800
REVENUES			
Property taxes	-	1,724	13,826
Specific ownership tax	-	4,746	7,604
Interest income	2	16	-
Developer advance	24,127	130,371	106,042
Intergovernmental revenues	-	19,243	22,128
Total revenues	<u>24,129</u>	<u>156,100</u>	<u>149,600</u>
Total funds available	<u>24,129</u>	<u>134,539</u>	<u>150,400</u>
EXPENDITURES			
General and administrative			
Accounting	15,014	28,000	50,000
Auditing	-	2,246	2,500
County Treasurer's fee	-	26	207
Dues and licenses	-	993	1,000
District management	5,779	12,500	15,000
Election expense	1,597	-	1,500
Insurance and bonds	1,525	5,500	5,500
Legal services	20,875	50,000	50,000
Miscellaneous	900	6,000	6,000
Contingency	-	18,474	17,383
Operations and maintenance			
Engineering	-	10,000	-
Total expenditures	<u>45,690</u>	<u>133,739</u>	<u>149,090</u>
Total expenditures and transfers out requiring appropriation	<u>45,690</u>	<u>133,739</u>	<u>149,090</u>
ENDING FUND BALANCE	<u>\$ (21,561)</u>	<u>\$ 800</u>	<u>\$ 1,310</u>
EMERGENCY RESERVE	\$ -	\$ 800	\$ 1,310
AVAILABLE FOR OPERATIONS	(21,561)	-	-
TOTAL RESERVE	<u>\$ (21,561)</u>	<u>\$ 800</u>	<u>\$ 1,310</u>

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

**SW DOWNTOWN BUSINESS IMPROVEMENT DISTRICT
DEBT SERVICE FUND
2020 BUDGET
WITH 2018 ACTUAL AND 2019 ESTIMATED
For the Years Ended and Ending December 31,**

1/30/20

	ACTUAL 2018	ESTIMATED 2019	BUDGET 2020
BEGINNING FUND BALANCE	\$ -	\$ -	\$ 34,317
REVENUES			
Property taxes	-	34,484	55,305
TIF Revenue			69,155
Intergovernmental revenues	-	-	66,386
Interest income	-	350	121,309
Total revenues	-	34,834	312,155
Total funds available	-	34,834	346,472
EXPENDITURES			
General and administrative			
County Treasurer's fee	-	517	830
Bond interest - 2019 A Series	-	-	339,642
Paying agent fees	-	-	5,000
Contingency	-	-	1,000
Total expenditures	-	517	346,472
Total expenditures and transfers out requiring appropriation	-	517	346,472
ENDING FUND BALANCE	\$ -	\$ 34,317	\$ -

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

**SW DOWNTOWN BUSINESS IMPROVEMENT DISTRICT
CAPITAL PROJECTS FUND
2020 BUDGET
WITH 2018 ACTUAL AND 2019 ESTIMATED
For the Years Ended and Ending December 31,**

1/30/20

	ACTUAL 2018	ESTIMATED 2019	BUDGET 2020
BEGINNING FUND BALANCE	\$ -	\$ -	\$ (15,000)
REVENUES			
Interest income	-	6	200,000
Developer advance	-	132,871	27,994,000
Bond issuance	-	-	28,275,000
Total revenues	<u>-</u>	<u>132,877</u>	<u>56,469,000</u>
Total funds available	<u>-</u>	<u>132,877</u>	<u>56,454,000</u>
EXPENDITURES			
General and Administrative			
Accounting	-	200	-
Contingency	-	-	181
Capital Projects			
Project manager	-	147,677	180,000
Repay developer advance	-	-	27,988,819
Engineering	-	-	10,000
Bond issue costs	-	-	286,181
Capital outlay	-	-	27,988,819
Total expenditures	<u>-</u>	<u>147,877</u>	<u>56,454,000</u>
Total expenditures and transfers out requiring appropriation	<u>-</u>	<u>147,877</u>	<u>56,454,000</u>
ENDING FUND BALANCE	<u>\$ -</u>	<u>\$ (15,000)</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 BUSINESS IMPROVEMENT DISTRICT
2020 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Services Provided

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 services, safety protection devices, sanitation services, street improvements, curbs, gutters, culverts, drainage facilities, sidewalks, parking facilities, paving, lighting, grading, landscaping, and storm and wastewater management facilities and associated land acquisition and remediation.. The District's service area is located entirely within the City of Colorado Springs, El Paso County, Colorado (the "City").

The District was organized by Ordinance of the City on October 12, 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 District's Operating Plan filed annually with the City, the maximum debt mill levy is 50 mills, and the maximum operating mill levy for the payment of operating and maintenance expenses is 10 mills. The maximum debt authorization for the District is \$105,000,000.

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 the 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 difference 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 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.

**SW DOWNTOWN BUSINESS IMPROVEMENT DISTRICT
2020 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Revenues – (continued)

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.

Developer Advances

Since the District is in the development stage, operational expenditures are anticipated to be funded by the Developer. Developer advances are to be recorded as revenues for budget purposes and may be repaid to the Developer from unpledged revenue in future years. The District entered into a Reimbursement Agreement for Operations with the Developer on December 14, 2017. Advances under the agreement bear simple interest at the rate of 6% per annum beginning on the date of advance to the date of repayment.

Intergovernmental Revenues

Intergovernmental revenues represent transfers from SW Downtown Metropolitan District No. 1 to provide funding for the overall administrative and operating costs for the Districts.

Bond Issuance

The District anticipates issuing general obligation bonds. Bond proceeds will be used to pay infrastructure costs, bond issue costs and capitalized interest. Significant terms of the bond issuance will be determined at the time of issuance.

Urban Renewal TIF

Pursuant to the Urban Renewal Plan, the City-Authority Agreement, the Redevelopment Agreement, and the Cooperation Agreement, with the Colorado Springs Urban Renewal Authority ("CSURA"), the District will receive tax increment financing ("TIF") generated from the District's project to be used toward the repayment of the District's bonds.

Expenditures

Administrative Expenditures

Administrative expenditures have been provided based on estimates of the District's Board of Directors and consultants and include the services necessary to maintain the District's administrative viability such as legal, accounting, managerial, insurance, landscape maintenance, and other administrative expenses.

**SW DOWNTOWN BUSINESS IMPROVEMENT DISTRICT
2020 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Expenditures – (continued)

County Treasurer’s Fees

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

Debt Service

Principal and interest payments are provided based on the debt amortization schedules from the Series 2020A Bonds (discussed under Debt and Leases).

Capital Outlay

The District anticipates infrastructure improvements as noted in the Capital Projects fund.

Debt and Leases

The District has no operating or capital leases and intends on issuing bonds in 2020.

Reserves

Emergency Reserve

The District has provided for an Emergency Reserve fund equal to at least 3% of fiscal year spending for 2020, as defined under TABOR.

This information is an integral part of the accompanying budget.