

Castle Rock Downtown Development Authority  
FINANCIAL STATEMENTS AND REPORT OF  
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
December 31, 2021

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REPORT OF INDEPENDENT CERTIFIED  
PUBLIC ACCOUNTANTS

Board of Directors  
Castle Rock Downtown Development Authority  
Castle Rock, CO

***Opinion on the Financial Statements***

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 Castle Rock Downtown Development Authority, as of December 31, 2021, and the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund and the Rink at the Rock Fund for the year then ended, in conformity 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 ("US GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District 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 District's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

***Auditor's 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 auditor's 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 US 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

## ***Auditor's Responsibilities for the Audit of the Financial Statements – continued***

In performing an audit in accordance with US 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.

### ***Other Matters***

#### ***Required Supplementary Information***

The Board of Directors has elected to omit the Management's Discussion and Analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this omitted information.

*Marc, James and Associates, PC*

Highlands Ranch, Colorado  
May XX, 2022

*FINANCIAL STATEMENTS*

Castle Rock Downtown Development Authority

GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET POSITION

December 31, 2021

|  | Governmental Funds  |                     |                     | Adjustments       | Statement<br>of Net<br>Position |
|--|---------------------|---------------------|---------------------|-------------------|---------------------------------|
|  | General             | Rink at<br>the Rock | Total               |                   |                                 |
| <b>ASSETS</b>  |                     |                     |                     |                   |                                 |
| Cash and cash equivalents  | \$ 802,032          | \$ -                | \$ 802,032          | \$ -              | \$ 802,032                      |
| Property taxes receivable  | 201,116             | -                   | 201,116             | -                 | 201,116                         |
| Accounts receivable  | 50,000              | -                   | 50,000              | -                 | 50,000                          |
| Capital assets   | -                   | -                   | -                   | 13,175            | 13,175                          |
| <b>Total assets</b>  | <b>\$ 1,053,148</b> | <b>\$ -</b>         | <b>\$ 1,053,148</b> | <b>13,175</b>     | <b>1,066,323</b>                |
| <b>LIABILITIES</b>   |                     |                     |                     |                   |                                 |
| Accrued liabilities  | \$ 5,038            | \$ -                | \$ 5,038            | -                 | 5,038                           |
| <b>DEFERRED INFLOWS OF RESOURCES</b>   |                     |                     |                     |                   |                                 |
| Property taxes   | 201,116             | -                   | 201,116             | -                 | 201,116                         |
| Disposal of capital assets   | 50,000              | -                   | 50,000              | (50,000)          | -                               |
| <b>Total deferred inflows of resources</b>                                   | <b>251,116</b>      | <b>-</b>            | <b>251,116</b>      | <b>(50,000)</b>   | <b>201,116</b>                  |
| <b>FUND BALANCE</b>  |                     |                     |                     |                   |                                 |
| Restricted   | 9,400               | -                   | 9,400               | (9,400)           | -                               |
| Assigned   | 7,500               | -                   | 7,500               | (7,500)           | -                               |
| Unassigned   | 780,094             | -                   | 780,094             | (780,094)         | -                               |
| <b>Total fund balance</b>  | <b>796,994</b>      | <b>-</b>            | <b>796,994</b>      | <b>(796,994)</b>  | <b>-</b>                        |
| <b>Total liabilities, deferred inflows<br/>of resources and fund balance</b> | <b>\$ 1,053,148</b> | <b>\$ -</b>         | <b>\$ 1,053,148</b> |                   |                                 |
| <b>NET POSITION</b>  |                     |                     |                     |                   |                                 |
| Investment in capital assets   |                     |                     |                     | 13,175            | 13,175                          |
| Restricted   |                     |                     |                     | 9,400             | 9,400                           |
| Unrestricted   |                     |                     |                     | 837,594           | 837,594                         |
| <b>Total net position</b>  |                     |                     |                     | <b>\$ 860,169</b> | <b>\$ 860,169</b>               |

Castle Rock Downtown Development Authority

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE/  
STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS

Year ended December 31, 2021

|   | Governmental Funds |                     |            |             | Statement<br>of<br>Activities |
|---|--------------------|---------------------|------------|-------------|-------------------------------|
|   | General            | Rink at<br>the Rock | Total      | Adjustments |                               |
| Expenditures/program expenses           |                    |                     |            |             |                               |
| Operations                              |                    |                     |            |             |                               |
| Personnel                               | \$ 190,986         | \$ -                | \$ 190,986 | \$ -        | \$ 190,986                    |
| Administration                          | 54,577             | -                   | 54,577     | -           | 54,577                        |
| Professional services                   | 10,344             | -                   | 10,344     | -           | 10,344                        |
| Programs                                | 47,419             | 56,533              | 103,952    | -           | 103,952                       |
| Marketing                               | 1,120              | -                   | 1,120      | -           | 1,120                         |
| Occupancy                               | 10,462             | -                   | 10,462     | -           | 10,462                        |
| Depreciation                            | -                  | -                   | -          | 15,189      | 15,189                        |
| Total expenditures/<br>program expenses | 314,908            | 56,533              | 371,441    | 15,189      | 386,630                       |
| Revenues                                |                    |                     |            |             |                               |
| Program revenues                        |                    |                     |            |             |                               |
| Charges for services                    | 12,417             | 70,444              | 82,861     | -           | 82,861                        |
| Sponsorships                            | -                  | 11,333              | 11,333     | -           | 11,333                        |
| Grants                                  | 175,858            | -                   | 175,858    | -           | 175,858                       |
| Total program revenues                  | 188,275            | 81,777              | 270,052    | -           | 270,052                       |
| Net expenditures/program expenses       | (126,633)          | 25,244              | (101,389)  | (15,189)    | (116,578)                     |
| General revenues                        |                    |                     |            |             |                               |
| Property and other taxes                | 234,980            | -                   | 234,980    | -           | 234,980                       |
| Other                                   | 638                | 23                  | 661        | -           | 661                           |
| Total general revenues                  | 235,618            | 23                  | 235,641    | -           | 235,641                       |
| Revenues over expenditures/expense      | 108,985            | 25,267              | 134,252    | (15,189)    | 119,063                       |
| Other sources(uses)                     |                    |                     |            |             |                               |
| Disposal of capital assets              | -                  | 50,000              | 50,000     | (14,255)    | 35,745                        |
| Transfer in (out)                       | 146,441            | (146,441)           | -          | -           | -                             |
| Total other sources (uses)              | 146,441            | (96,441)            | 50,000     | (14,255)    | 35,745                        |
| Change in fund balance/net position     | 255,426            | (71,174)            | 184,252    | (29,444)    | 154,808                       |
| Fund balance/net position               |                    |                     |            |             |                               |
| Beginning of the year                   | 541,568            | 71,174              | 612,742    | 92,619      | 705,361                       |
| End of the year                         | \$ 796,994         | \$ -                | \$ 796,994 | \$ 63,175   | \$ 860,169                    |

Castle Rock Downtown Development Authority

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND

Year ended December 31, 2021

|   | <u>Original<br/>Budget</u> | <u>Actual</u>     | <u>Variance</u>   |
|---|----------------------------|-------------------|-------------------|
| Revenues                                |                            |                   |                   |
| Property and other taxes                | \$ 198,000                 | \$ 234,980        | \$ 36,980         |
| Grants                                  | 190,000                    | 175,858           | (14,142)          |
| Charges for services                    | 8,000                      | 12,417            | 4,417             |
| Other                                   | -                          | 638               | 638               |
|   | <u>396,000</u>             | <u>423,893</u>    | <u>27,893</u>     |
| Total revenues                          |                            |                   |                   |
| Expenditures                            |                            |                   |                   |
| Operations                              |                            |                   |                   |
| Personnel                               | 230,000                    | 190,986           | (39,014)          |
| Administration                          | 35,000                     | 54,577            | 19,577            |
| Professional services                   | 22,000                     | 10,344            | (11,656)          |
| Programs                                | 67,000                     | 47,419            | (19,581)          |
| Marketing                               | 5,000                      | 1,120             | (3,880)           |
| Occupancy                               | 9,200                      | 10,462            | 1,262             |
| Contingency                             | 10,000                     | -                 | (10,000)          |
| Capital outlay                          | 10,000                     | -                 | (10,000)          |
|   | <u>388,200</u>             | <u>314,908</u>    | <u>(73,292)</u>   |
| Total expenditures                      |                            |                   |                   |
| Revenues over expenditures              | 7,800                      | 108,985           | 101,185           |
| Other sources                           |                            |                   |                   |
| Transfer from the Rink at the Rock Fund | -                          | 146,441           | 146,441           |
| Change in fund balance                  | <u>7,800</u>               | 255,426           | <u>\$ 101,185</u> |
| Fund balance                            |                            |                   |                   |
| Beginning of the year                   |                            | <u>541,568</u>    |                   |
| End of the year                         |                            | <u>\$ 796,994</u> |                   |



Castle Rock Downtown Development Authority

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL - RINK AT THE ROCK FUND

Year ended December 31, 2021

|                                       | <u>Original<br/>Budget</u> | <u>Actual</u>   | <u>Variance</u>  |
|---------------------------------------|----------------------------|-----------------|------------------|
| Revenues                              |                            |                 |                  |
| Admissions and rentals                | \$ 123,000                 | \$ 70,444       | \$ (52,556)      |
| Sponsorships                          | 30,000                     | 11,333          | (18,667)         |
| Other                                 | 15,000                     | 23              | (14,977)         |
|                                       | <u>168,000</u>             | <u>81,800</u>   | <u>(86,200)</u>  |
| Total revenues                        | 168,000                    | 81,800          | (86,200)         |
| Expenditures                          |                            |                 |                  |
| Operations                            |                            |                 |                  |
| Administration                        | 500                        | -               | (500)            |
| Programs                              | 175,000                    | 56,533          | (118,467)        |
| Marketing                             | 5,000                      | -               | (5,000)          |
| Capital outlay/small equipment        | 5,000                      | -               | (5,000)          |
|                                       | <u>185,500</u>             | <u>56,533</u>   | <u>(128,967)</u> |
| Total expenditures                    | 185,500                    | 56,533          | (128,967)        |
| Revenues over (under) of expenditures | (17,500)                   | 25,267          | 42,767           |
| Other sources and uses                |                            |                 |                  |
| Disposal of capital assets            | -                          | 50,000          | 50,000           |
| Transfer to the General Fund          | -                          | (146,441)       | (146,441)        |
|                                       | <u>-</u>                   | <u>(96,441)</u> | <u>(96,441)</u>  |
| Total other sources and uses          | -                          | (96,441)        | (96,441)         |
| Change in fund balance                | <u>\$ (17,500)</u>         | <u>(71,174)</u> | <u>\$ 42,767</u> |
| Fund balance                          |                            |                 |                  |
| Beginning of the year                 |                            | <u>71,174</u>   |                  |
| End of the year                       |                            | <u>\$ -</u>     |                  |

Castle Rock Downtown Development Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Castle Rock Downtown Development Authority (the “Authority”) conform to the accounting principles generally accepted in the United States of America (“US GAAP”) as applicable to governmental entities. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of the basic financial statements of the Authority.

1. *Reporting Entity*

The Authority was formed in 2008, under State of Colorado statutes as a quasi-municipal corporation, by the voters of downtown Castle Rock, Colorado (“Castle Rock”). The Authority is governed by a seven-member Board of Directors pursuant to the provisions of the Colorado Special District Act and consists of property owners, business owners and other representatives of downtown Castle Rock. The Authority was created to solely, or in partnership with other governmental and private sector entities, finance, construct and operate various public improvements including streetscape projects, sidewalks, street lighting, street furniture, public parks and places in downtown Castle Rock.

As required by US GAAP, these financial statements present the activities of the Authority. Additionally, under US GAAP, the Authority is considered to be a component unit of the Town of Castle Rock, Colorado (the “Town”). The Authority itself has no component units as defined by US GAAP.

2. *Financial Reporting Framework*

The accompanying financial statements are presented in accordance with *GASB Statement No. 34 – Special Purpose Governments* (“GASB No.34”).

The Governmental Funds Balance Sheet/Statement of Net Position and the Governmental Funds Statement of Revenues, Expenditures, and Change in Fund Balance/Statement of Activities, report information on all of the governmental activities of the Authority. The Statement of Net Position reports all financial and capital resources of the Authority. The difference between the assets, liabilities and deferred inflows of the Authority is reported as net position.

The Statement of Activities demonstrates the degree to which expenditures of the governmental funds are supported by general revenues. As applicable, the effect of any inter-fund activity has been eliminated from these statements. The Statement of Activities also demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. *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 donations that may be restricted for meeting the operational or capital requirements of a given function or segment.

Taxes and other items not included among program revenues are reported instead as general revenues.

The major individual governmental funds are reported as separate columns in the governmental funds portion of the financial statements. As permitted under GASB No. 34, for 2021, the Authority considers all of the Authority’s funds to be major.

Castle Rock Downtown Development Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

2. *Financial Reporting Framework - continued*

The Authority reports the following governmental funds:

During 2021, the Authority maintained two individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balance.

*General Fund* - The General Fund is the general operating fund of the Authority. It is used to account for all financial resources not accounted for and reported in another fund.

The *Special Revenue Funds* account for the proceeds of specific revenue sources that are restricted or committed for specific purposes other than debt service or capital projects.

*Rink at the Rock Fund* –The Rink at the Rock Fund was established to develop, operate and maintain a seasonal outdoor ice skating rink in the downtown area. The revenues associated with the operation of the seasonal ice skating rink include admissions, skate rental and facility sponsorships.

At the end of the 2020/2021 seasonal ice rink operations, the Authority discontinued its operation of the seasonal ice rink, discussed further in NOTE B, and the Rink at the Rock Fund was closed into the General Fund and was discontinued.

3. *Measurement Focus*

The government-wide financial statements (Statement of Net Position and Statement of Activities) are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenditures are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligible requirements, if any, imposed by the provider have been met. Property taxes are recognized as revenues in the year for which the property taxes are collected.

The governmental fund financial statements are reported using the *current financial measurement focus*, whereby only current assets and liabilities generally are included in the balance sheet, and the statement of revenues, expenditures and changes in fund balance present increases and decreases in those current assets and liabilities. These funds use the *modified accrual basis* of accounting whereby revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if the revenues are collectible within the current period or soon thereafter to pay liabilities of the current period. For that purpose, the Authority considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recognized when a liability is incurred, as under accrual accounting. However, debt service expenditures are recognized only when payment is due (matured).

Castle Rock Downtown Development Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

4. *Cash and Cash Equivalents*

The Authority considers cash and cash equivalents to include cash on hand and demand deposits.

5. *Fair Value of Financial Instruments*

The Authority's financial instruments include cash and cash equivalents, accounts receivable, accounts payable and deferred inflows of resources. The Authority estimates that the fair value of these financial instruments as of December 31, 2021, do not differ materially from the aggregate carrying values used in the accompanying financial statements. The carrying amount of these financial instruments approximates the fair value due to the short maturity of these financial instruments.

6. *Use of Estimates*

The preparation of financial statements in conformity with US GAAP involves the use of management's estimates that affect the reported amounts of assets, liabilities and deferred inflows as of the date of the financial statements, and the reported amounts of revenue and expenditures during the reporting period. These estimates are based upon management's best judgment, after considering past events and assumptions about future events. Actual results could differ from those estimates. The Authority has estimated the useful lives of its depreciable capital assets as reflected in the Statement of Net Position.

7. *Property Taxes Receivable*

Property taxes are levied on December 15 of each year, and attach as an enforceable lien on subject property as of January 1 of the following year. The property taxes are payable in full on April 30 or if paid in two installments, due on February 28 and June 15. Property taxes are considered to be delinquent as of August 1. Douglas County bills and collects the property taxes on behalf of the Authority and remits the collections, less the Treasurer's fees, to the Authority on a monthly basis.

As the property taxes result in an enforceable lien on the subject property, in the event the property taxes are not paid, the subject property will be sold at public auction to collect the delinquent property taxes. Accordingly, no provision is deemed necessary for uncollected property taxes. As of December 31, the Authority has recorded the levied property taxes and the related deferred inflow of resources.

8. *Restricted Net Position*

The restriction of the Authority's net position represents amounts that may not be appropriated or are legally segregated for a specific purpose.

Castle Rock Downtown Development Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

9. *Capital Assets*

The Authority's capital assets are recorded at cost if purchased or constructed. As of December 31, 2021, the Authority's capital assets consist of downtown improvements.

The Authority has a capitalization policy of \$5,000. Management of the Authority may opt to capitalize certain items under the \$5,000 threshold. Depreciation is provided in amounts sufficient to relate the cost of depreciable capital assets to operations over the estimated useful lives of the assets. Depreciation is provided under the straight-line method, with estimated service lives of 5 to 10 years for the downtown improvements.

The cost of normal maintenance and repairs that do not add to the value of or materially extend the life of the related capital asset, are charged to expenditures as incurred.

NOTE B – DISCONTINUED OPERATION OF THE SEASONAL ICE RINK

Subsequent to the conclusion of the 2020/2021 seasonal ice skating rink operations, the Authority entered into a Purchase and Sale Agreement ("Sale Agreement"), under which the Authority agreed to sell the pavilion structure used to house the seasonal ice rink. The purchase price of the pavilion structure was \$75,000, payable to the Authority as follows:

- \$25,000 due upon execution of the Sale Agreement,
- Annual payments of \$5,000 to be paid on or before March 15 for ten years, except that the Authority shall apply a credit to the annual payment in the amount \$2,500 each year the buyer operates the seasonal ice rink in accordance with the terms in the Sale Agreement.

Under the First Amendment to the Sale Agreement the Authority agreed to sell the optional operational equipment for \$25,000. Included in the First Amendment to the Sale Agreement, should the seasonal ice rink not be operated, the Authority retained the right of first refusal and first option to re-purchase specific operational equipment as listed in the First Amendment to the Sale Agreement. The re-purchase price shall be reduced by 3% each year subsequent to 2021 as depreciation.

As of December 31, 2021, the balance due to the Authority resulting from the Sale Agreement was \$50,000. With the discontinued operation of the seasonal ice rink by the Authority, the balance due of \$50,000 and the residual fund balance of the Rink at the Rock Fund, \$146,441, was transferred to the General Fund and the Rink at the Rock Fund was discontinued.

Castle Rock Downtown Development Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE C – BUDGETARY ACCOUNTING

An annual budget, an appropriation resolution and a mill levy resolution are adopted by the Authority's Board of Directors in accordance with Colorado Revised Statutes. Budgets are adopted on a non-GAAP basis for all the governmental funds. The Authority's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The Authority appropriates by total expenditures. The Authority's Board of Directors can modify the budget by line item within the total appropriations without notification. The total 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 appropriation is at the total fund expenditures level and lapses at year end.

Colorado Revised Statutes require a balanced budget. For 2021, the budget for the General Fund, the budgeted revenues exceeded budgeted expenditures by \$7,800. Also for 2021, the budget for the Rink at the Rock Fund, the budgeted expenditures exceeded budgeted revenue by \$17,500. The excess expenditures were anticipated to be funded by the use of prior year surpluses.

For 2021, the actual expenditures for the General Fund and the Rink at the Rock Fund did not exceed the 2021 budgeted expenditures. The transfer to the General Fund from the Rink at the Rock, as part of the discontinued operation of the seasonal ice rink, was not included in the 2021 budget as it was not anticipated during the preparation of the 2021 budget.

NOTE D – CASH AND INVESTMENTS

The Colorado Public Deposit Protection Act ("PDPA") requires that all units of local government deposit cash in eligible public depositories. State regulators determine the eligibility. Amounts on deposit in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows institutions to create a single collateral pool for all public funds. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits. The market value of the collateral must be equal to 102% of the aggregate uninsured public deposits.

As of December 31, 2021, however, all of the Authority's deposits were either insured by the FDIC or held in eligible depositories. The Authority has not adopted a formal investment policy.

In addition, Colorado Revised Statute specifies investments that meet defined rating and risk criteria in which local governments may hold. The allowed investments include participation in state regulated investment pools.

The Authority participates in the Colorado Surplus Asset Fund Trust ("CSAFE"). CSAFE's purpose is to serve government entities in Colorado to meet investment objectives via an asset allocation approach to portfolio management. As of December 31, 2021, the District had \$375,009 on deposit with the CSAFE Core Fund. The carrying value and market value of the CSAFE Core Fund are equal. The CSAFE Core Fund is rated AAAM by Standard and Poors.

CSAFE determines the net asset value ("NAV") of the shares of each fund as of the close of business of each day. The NAV per share of each portfolio is computed by dividing the total value of the securities and other assets of the portfolios, less any liabilities, by the total outstanding shares of the portfolios. Liabilities, which include all expenses and fees of CSAFE, are accrued daily. The NAV is calculated at fair value using various inputs to determine value in accordance with GASB guidance. It is the goal of CSAFE to maintain a NAV of \$2.00 per share, however changes in interest rates may affect the fair value of the securities held by CSAFE and there can be no assurance that the NAV will not vary from \$2.00 per share.

Castle Rock Downtown Development Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE E – CAPITAL ASSETS

The changes in the Authority’s capital assets for the year ended December 31, 2021 are as follows:

|                                 | Balance<br>December 31,<br>2020 | Additions                 | Disposals                 | Balance<br>December 31,<br>2021 |
|---------------------------------|---------------------------------|---------------------------|---------------------------|---------------------------------|
| <b>Capital assets</b>           |                                 |                           |                           |                                 |
| Downtown improvements           | \$ 124,532                      | \$ -                      | \$ -                      | \$ 124,532                      |
| Ice rink site improvements      | 103,065                         | -                         | (103,065)                 | -                               |
| Ice rink equipment              | <u>146,563</u>                  | <u>-</u>                  | <u>(146,563)</u>          | <u>-</u>                        |
| <b>Total</b>                    | <b>374,160</b>                  | <b>-</b>                  | <b>(249,628)</b>          | <b>124,532</b>                  |
| <b>Accumulated depreciation</b> |                                 |                           |                           |                                 |
| Downtown improvements           | (102,408)                       | (8,949)                   | -                         | (111,357)                       |
| Ice rink site improvements      | (79,332)                        | (2,577)                   | 81,909                    | -                               |
| Ice rink equipment              | <u>(99,801)</u>                 | <u>(3,663)</u>            | <u>103,464</u>            | <u>-</u>                        |
| <b>Total</b>                    | <b><u>(281,541)</u></b>         | <b><u>(15,189)</u></b>    | <b><u>185,373</u></b>     | <b><u>(111,357)</u></b>         |
| <b>Net capital assets</b>       | <b>\$ <u>92,619</u></b>         | <b>\$ <u>(15,189)</u></b> | <b>\$ <u>(64,255)</u></b> | <b>\$ <u>13,175</u></b>         |

The depreciation expense for 2021 is considered to be all associated with the operation of the Authority and the Authority’s programs and was allocated \$8,949 to the General Fund activities and \$6,240 to the Rink at the Rock Fund activities.

NOTE F – FUND BALANCE/NET POSITION

*Fund Balance*

The Authority utilizes the fund balance presentation as required under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balances are categorized as non-spendable, restricted, committed, assigned or unassigned.

*Non-spendable* – represents amounts that cannot be spent because they are either in non-spendable form or legally required to remain intact,

*Restricted* – represents amounts with external constraints placed on the use of these resources or imposed by enabling legislation,

*Committed* – represents amounts that can only be used for specific purposes imposed by a formal action of the Authority’s highest level of decision-making authority, the Authority’s Board of Directors. Committed resources cannot be used for any other purpose unless the Authority’s Board of Directors removes or changes the specific use by the same type of action used to commit those amounts, either by resolution or by ordinance,

*Assigned* – represents amounts that the Authority intends to use for specific purposes as expressed by the Authority’s Board of Directors or an Authority official delegated the authority to assign amounts,

Castle Rock Downtown Development Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE F – FUND BALANCE/NET POSITION - *continued*

*Fund Balance - continued*

*Unassigned* – represents the residual classification for the general fund or deficit balances in other funds, as applicable.

Amounts are considered to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. Unrestricted amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of these unrestricted fund balances classifications could be used.

As of December 31, 2021 the Authority's governmental fund's fund balances consisted of the following:

|                    |    |                       |
|--------------------|----|-----------------------|
| Fund balances:     |    |                       |
| Restricted         |    |                       |
| TABOR reserve      | \$ | 9,400                 |
| Assigned           |    |                       |
| 2022 budget        |    | 7,500                 |
| Unassigned         |    | <u>780,094</u>        |
| Total fund balance | \$ | <u><u>796,994</u></u> |

*Net Position*

Net Position represents the difference between assets and liabilities. The Authority reports three categories of net position, as follows:

*Net investment in capital assets* – consists of net capital assets, reduced by outstanding balances of any *related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or* improvement of those assets and increased by balances of deferred outflows or resources related to those assets.

*Restricted net position* – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

*Unrestricted net position* – consists of all other net position that does not meet the definition of the above two components and is available for general use by the Authority.

When an expenditure is incurred for purposes for which both restricted and unrestricted net positions are available, the Authority will use the most restrictive net position first.



Castle Rock Downtown Development Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE G - COMMITMENTS

*Staff Services Agreement*

The Authority maintains an agreement with the Castle Rock Economic Development Council ("CREDC") under which the CREDC provides staff services, including the function of the position of Executive Director of the Authority. The agreement may be terminated earlier by either party upon sixty days' notice. Subject to annual appropriation, the agreement renews automatically on January 1 of each calendar year. Under the terms of the agreement, the Authority reimburses the CREDC for the actual expenses incurred each month.

*Office Space*

In January 2020, the Authority and the CREDC entered into an informal office sublease under which the Authority will sublease from the CREDC not less than two offices. The office sublease is for the period January 2020 through December 2024, subject to annual appropriation and the Authority's Board of Directors approval. Under the sublease, the monthly lease payment and related expenses are to be allocated 60% to the CREDC and 40% to the Authority.

Under the terms of the sublease, the future minimum lease payments for the Authority are as follows:

| <u>Year ended</u><br><u>December 31,</u> |    |               |
|--|----|---------------|
| 2022                                     | \$ | 20,212        |
| 2023                                     |    | 20,567        |
| 2024                                     |    | <u>18,853</u> |
|  | \$ | <u>59,632</u> |

Under a separate informal agreement, the Authority's monthly lease payment is split 50/50 between the Authority and the Castle Rock Downtown Merchants Association.

NOTE H – RELATED PARTY TRANSACTIONS

*Intergovernmental Agreements – Town of Castle Rock, Colorado*

*Board of Directors*

A member of the Town Council of the Town serves as a member of the Authority's Board of Directors.

*Operational Funding*

The Authority and the Town entered into an annual agreement under which the Town provides a matching grant to the Authority equal to the Authority's 3-mill property tax. The Authority is allowed to use the Town matching grant for the realization of the Authority's Downtown Plan of Development through its programs and priorities as defined in the agreement.

Under the agreement for 2021, the Authority received a matching grant in the amount of \$175,858. The agreement was extended for 2022 and the Authority was awarded a matching grant in the amount \$201,116 in January 2022.

Castle Rock Downtown Development Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE I – 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 and debt limitations which apply to the State of Colorado and all local governments.

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 calculation of the fiscal year spending limits will require judicial interpretation.

NOTE J - CONCENTRATIONS

During 2021, the Authority derived 29% of its revenue from the grant from the Town, 39% of its revenue from real estate property taxes, personal property taxes and specific ownership taxes (auto registrations), 12% of its revenue from admissions from the seasonal ice skating rink, and 16% from the proceeds from the sale of the season ice rink capital assets, further discussed in NOTE B, as reflected in the governmental fund financial statements. The remaining 4% is attributed to other program sources.

NOTE K – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, theft, damage to, or destruction of assets; errors or omissions; injuries to volunteers; or acts of God for which the Authority carries commercial insurance. The Authority’s claims have not exceeded its coverage during the preceding three years.

NOTE L– CORONAVIRUS PANDEMIC

In December 2019, an outbreak of a novel strain of coronavirus (“COVID-19”) originated in Wuhan, China and has since spread world-wide, including the United States. In March 2020, the World Health Organization characterized COVID-19 as a pandemic.

The spread of COVID-19 and its variants has altered the behavior of individuals and businesses in a manner that has had significant impacts on global, national, and local economies. State and local governments, including the State of Colorado, have announced orders, recommendations and other measures intended to contain the spread of COVID-19.

These COVID-19 measures are changing rapidly and in 2022, many restrictions are being relaxed or have been eliminated.

The District continues to monitor and assess the effects of the COVID-19 pandemic on the District; however, the ultimate impact of the COVID-19 outbreak or a similar health epidemic is highly uncertain and subject to change.

Castle Rock Downtown Development Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE M – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Governmental Funds Balance Sheets/Statement of Net Position includes an adjustments column which reconciles the differences between the government-wide and fund financial statements as follows:

|   |    |        |
|---|----|--------|
| Capital assets, net of accumulated depreciation, reflected in the Statement of Net Position are not financial resources in the governmental funds and accordingly are not reported in the governmental funds. | \$ | 13,175 |
|---|----|--------|

|   |  |        |
|---|--|--------|
| The receivable for the \$50,000 from the disposal of the capital assets does not meet the 60-day availability criteria in the governmental funds and results in a deferred inflow which is eliminated for the Statement of Net Position |  | 50,000 |
|---|--|--------|

The Statement of Governmental Funds Revenues, Expenditures and Change in Fund Balance/Statement of Net Activities includes an adjustment column which reconciles the differences between the government-wide and fund financial statements as follows:

|   |    |        |
|---|----|--------|
| Depreciation expense on capital assets is reported in the Statement of Activities. However, it does not use current financial resources, as such, depreciation expense is not recorded as an expenditure in the governmental funds, | \$ | 15,189 |
|---|----|--------|

|   |  |        |
|---|--|--------|
| This is the difference between the proceeds, \$50,000, recognized in the governmental funds for the disposal of the capital assets and the gain on the disposal of the capital assets \$35,745, recognized in the Statement of Activities |  | 14,255 |
|---|--|--------|

NOTE N – MANAGEMENT’S EVALUATION OF SUBSEQUENT EVENTS

The preparation of the Authority’s financial statements and accompanying footnotes in conformity with US GAAP requires management of the Authority to evaluate transactions and events subsequent to the balance sheet date involving the Authority. Management has evaluated the subsequent transactions and events of the Authority through May XX, 2022 which is the date the financial statements and accompanying footnotes were available for issuance.