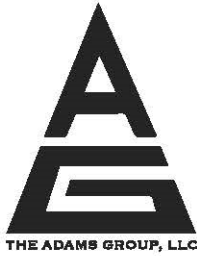


CASTLE ROCK DOWNTOWN DEVELOPMENT AUTHORITY  
Castle Rock, Colorado

FINANCIAL STATEMENTS  
DECEMBER 31, 2022

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CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

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

### **Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of Castle Rock Downtown Development Authority (the Authority) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund, of the Authority, as of December 31, 2022, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

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

### **Emphasis of Matter**

As outlined in Note 12 to the financial statements, the Authority restated beginning net position in order to properly reflect a long term sale agreement for the sale of capital assets and to adopt GASB Statement No. 87, *Leases* for the year ending December 31, 2022. The adopted of the new standard was applied retroactively to beginning balances. Our opinion on the financial statements is not modified with respect to this matter.

### **Responsibilities of Management for the Financial Statements**

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

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

### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the 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 who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

*The Adams Group, LLC*

Denver, Colorado  
May 11, 2023

## BASIC FINANCIAL STATEMENTS

CASTLE ROCK DOWNTOWN DEVELOPMENT AUTHORITY  
STATEMENT OF NET POSITION  
DECEMBER 31, 2022

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and investments	\$ 942,871
Due from others	45,000
Property taxes receivable	202,858
Prepaid items	319
Capital assets, net of depreciation	55,598
Total Assets	<u>1,246,646</u>
 <u>Liabilities</u>	
Accounts payable	25,798
Customer deposits	3,030
Accrued interest on notes	21
Lease liability:	
Due within one year	10,088
Due in more than one year	9,364
Total Liabilities	<u>48,301</u>
 <u>Deferred Inflows of Resources</u>	
Unavailable property taxes	202,858
Sale of capital assets	45,000
Total Deferred Outflows of Resources	<u>247,858</u>
 <u>Net Position</u>	
Net investment in capital assets	36,125
Restricted	
Emergencies	15,365
Unrestricted	898,997
Total Net Position	<u>\$ 950,487</u>

The accompanying notes are an integral part of the financial statements.

CASTLE ROCK DOWNTOWN DEVELOPMENT AUTHORITY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2022

<u>Functions/Programs</u>	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
General government	\$ 370,951	\$ 24,244	\$ -	\$ -	\$ (346,707)
Interest and expenses on long-term debt	348	-	-	-	(348)
Total Governmental Activities	\$ 371,299	\$ 24,244	\$ -	\$ -	(347,055)

GENERAL REVENUES:

Property taxes	274,091
Intergovernmental revenues	201,116
Investment earnings	10,196
Sale of capital assets	2,500
Other revenue	29
Total General revenues	487,932
Change in net position	140,877
Net Position, Beginning (as restated)	809,610
Net Position, Ending	\$ 950,487

The accompanying notes are an integral part of the financial statements.



CASTLE ROCK DOWNTOWN DEVELOPMENT AUTHORITY  
GOVERNMENTAL FUNDS – BALANCE SHEET  
DECEMBER 31, 2022

	<u>General Fund</u>
<u>Assets</u>	
Cash and investments	\$ 942,871
Property taxes receivable	202,858
Prepaid items	319
Total Assets	\$ 1,146,048
 <u>Liabilities, deferred inflows of resources</u> <u>and fund balance</u>	
Liabilities:	
Accounts payable	\$ 25,798
Customer deposits	3,030
Total Liabilities	28,828
 Deferred inflows of resources:	
Unavailable property taxes	202,858
Total Deferred Inflows of Resources	202,858
 Fund balance:	
Nonspendable	
Prepaid items	319
Restricted	
Emergencies	15,365
Assigned for future expenditures	132,500
Unassigned	766,178
Total Fund Balances	914,362
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 1,146,048

The accompanying notes are an integral part of the financial statements.

CASTLE ROCK DOWNTOWN DEVELOPMENT AUTHORITY  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2022

Total fund balance, governmental funds	\$	914,362
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental funds</p>		55,598
<p>Long term agreements for the sale of capital assets do not meet the definition of current financial resources and therefore are not reported in the governmental funds</p>		
Due from others		45,000
Deferred inflows of resources - sale of capital assets		(45,000)
<p>Long-term liabilities, including leases payable are not due and payable in the current period, and therefore, are not reported in governmental funds:</p>		
Lease payable		(19,452)
Accrued interest on note payable		(21)
		(19,473)
Total net position of governmental activities	\$	950,487

The accompanying notes are an integral part of the financial statements.

CASTLE ROCK DOWNTOWN DEVELOPMENT AUTHORITY  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>General Fund</u>
<u>Revenues</u>	
Property taxes	\$ 274,091
Intergovernmental revenues	201,116
Charge for services	24,244
Interest income	10,196
Other revenue	29
Total revenues	509,676
 <u>Expenditures</u>	
Operations:	
Personnel	203,122
Administration	62,175
Professional services	12,687
Programs	73,466
Marketing	3,217
Occupancy	300
Capital outlay	29,735
Debt service:	
Lease principal	9,779
Lease interest	327
Total expenditures	394,808
Excess of Revenues Over Expenditures	114,868
 <u>Other Financing Sources</u>	
Sale of capital assets	2,500
Total other financing sources	2,500
Net change in fund balances	117,368
Fund balances - beginning	796,994
Fund balances - ending	\$ 914,362

The accompanying notes are an integral part of the financial statements.

CASTLE ROCK DOWNTOWN DEVELOPMENT AUTHORITY  
RECONCILIATION OF THE OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2022

Net change in fund balance - total governmental funds: \$ 117,368

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

Capital outlays to purchase or construct capital assets are reported in governmental fund as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and are allocated over their estimated useful lives as annual depreciation expense in the statement of activities:

Capital outlay	29,735
Depreciation and amortization expense	(15,984)

Payments of lease principal reduce long-term liabilities on the statement of net position and do not effect the statement of activities:

Principal payments	9,779
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Some expenses in the statement of activities do not require the use of current financial resources and are, therefore, not reported as expenditures in the governmental fund:

Change in accrued interest lease liabilities	(21)
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Change in net position of governmental activities	\$ 140,877
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The accompanying notes are an integral part of the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CASTLE ROCK DOWNTOWN DEVELOPMENT AUTHORITY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2022

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<u>Revenues</u>				
Property taxes	\$ 205,000	\$ 205,000	\$ 274,091	\$ 69,091
Intergovernmental revenues	195,000	195,000	201,116	6,116
Charge for services	10,000	10,000	24,244	14,244
Interest income	-	-	10,196	10,196
Other revenue	2,500	2,500	29	(2,471)
Total revenues	<u>412,500</u>	<u>412,500</u>	<u>509,676</u>	<u>97,176</u>
<u>Expenditures</u>				
Operations:				
Personnel	235,000	235,000	203,122	31,878
Administration	40,000	55,000	62,175	(7,175)
Professional services	20,000	20,000	12,687	7,313
Programs	70,000	205,000	73,466	131,534
Marketing	15,000	15,000	3,217	11,783
Occupancy	-	-	300	(300)
Contingency reserve	20,000	40,000	-	40,000
Capital outlay	10,000	10,000	29,735	(19,735)
Debt service:				
Lease principal	10,000	10,000	9,779	221
Lease interest	-	-	327	(327)
Total expenditures	<u>420,000</u>	<u>590,000</u>	<u>394,808</u>	<u>195,192</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(7,500)	(177,500)	114,868	292,368
<u>Other Financing Sources</u>				
Sale of capital assets	-	-	2,500	(2,500)
Total other financing sources	<u>-</u>	<u>-</u>	<u>2,500</u>	<u>(2,500)</u>
Net change in fund balances	(7,500)	(177,500)	117,368	289,868
Fund balances - beginning	<u>735,271</u>	<u>796,994</u>	<u>796,994</u>	<u>-</u>
Fund balances - ending	<u>\$ 727,771</u>	<u>\$ 619,494</u>	<u>\$ 914,362</u>	<u>\$ 289,868</u>

The accompanying notes are an integral part of the financial statements.

CASTLE ROCK DOWNTOWN DEVELOPMENT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022

NOTE 1 - DEFINITION OF REPORTING ENTITY

Castle Rock Downtown Development Authority (Authority), a quasi-municipal corporation and political subdivision of the State of Colorado was organized in 2008 and is governed pursuant to provisions of the Colorado Special District Act.

The Authority was established by the voters of downtown Castle Rock, Colorado. The Authority is governed by a seven member Board of Directors 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, to finance, construct, and operate various public improvements including streetscape projects, sidewalks, street lighting, street furniture, public parks and places in downtown Castle Rock.

The Authority follows the Governmental Accounting Standards Board (GASB) accounting pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The Authority is a component unit of the Town of Castle Rock, and the Authority itself has no component units.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the Authority are described as follows:

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities.

These financial statements include all of the activities of the Authority. Governmental activities are supported primarily by taxes and intergovernmental revenues.

The statement of net position reports all financial and capital resources of the Authority. The difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as net position.

CASTLE ROCK DOWNTOWN DEVELOPMENT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 fund.

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. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Depreciation is computed and recorded as an operating expense. Expenditures for property and equipment are shown as increases in assets, and payments of principal on leases are recorded as a reduction in liabilities.

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 government 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. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred, or the long-term obligation is due. All other revenue items are considered to be measurable and available only when cash is received by the Authority.

The Authority reports the following major governmental fund:

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



CASTLE ROCK DOWNTOWN DEVELOPMENT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with the Local Government Budget Law of Colorado, the Authority's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures and other financing uses level and lapses at year end. The Authority's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

Assets, Liabilities, Deferred Inflows of Resources, and Fund Balance / Net Position

Pooled Cash and Investments

The Authority's cash and cash equivalents are considered to be unrestricted cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments are reported at fair value.

Whenever possible the Authority follows pools cash equivalents to enhance investment opportunities and to facilitate management of cash resources. Investments are made taking into consideration safety, liquidity, and income potential. The Authority makes investments pursuant to relevant State of Colorado statutes.

Investments are reported in accordance with GASB statement 72, as amended.

Property Taxes

Property taxes are levied by the Authority's Board of Directors. The levy is based on assessed valuations determined by the county assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the county commissioners to put the tax lien on the individual properties as of January 1 of the following year. The county treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 30 or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The county treasurer remits the taxes collected monthly to the Authority.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows of resources in the year they are levied and measurable. The deferred inflows of resources related to property tax revenues are recorded as revenue in the year they are available or collected.

CASTLE ROCK DOWNTOWN DEVELOPMENT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Inflows of Resources, and Fund Balance / Net Position  
(Continued)

Prepaid Items

Certain payments to vendors and other third parties reflects costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Expenditures/expenses are recorded when the service underlying the prepaid item is provided (consumption method).

Capital Assets

Capital assets, which include downtown improvements, are reported in the financial statements. Capital assets are defined by the Authority as assets with an initial individual cost of \$5,000 or more and an estimate useful life in excess of one year. Depreciation expense has been computed using the straight-line method over the estimated useful lives of the assets.

Leased Asset and Lease Liability

Lease assets represent the Authority's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Lease assets are amortized in a systematic and rational manner over the shorter of the lease terms or the useful life of the underlying asset.

Lease liabilities represent the Authority's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the commencement date based on the present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term. The lease term may include options to extend or terminate the lease when it is reasonably certain that the Authority will exercise the option.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report 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(s) and so will not be recognized as an inflow of resources (revenue) until

CASTLE ROCK DOWNTOWN DEVELOPMENT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Inflows of Resources, and Fund Balance / Net Position  
(Continued)

Deferred Inflows of Resources (Continued)

that time. The revenue continues to be recognized when earned in the government-wide statements.

Fund Balances - Governmental Funds

The Authority's governmental fund balances may consist of five classifications based on the relative strength of the spending constraints:

*Nonspendable fund balance* – the amount of fund balance that is not in spendable form (such as inventory or prepaids) or is legally or contractually required to be maintained intact. At December 31, 2022, the General Fund had nonspendable fund balance of \$319.

*Restricted fund balance* – the amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions or by enabling legislation.

The restricted fund balance in the amount of \$15,365 in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Colorado Constitution.

*Committed fund balance* – amounts constrained to specific purposes by the Authority itself, using its highest level of decision-making authority (i.e. Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the Authority takes the same highest level of action to remove or change the constraint.

*Assigned fund balance* – amounts the Authority intends to use for a specific purpose. Intent can be expressed by the Authority Board of Directors or by an official or body to which the Authority Board of Directors delegates the authority. At December 31, 2022, the General Fund had assigned fund balance of \$132,500 related to a budgeted deficit for fiscal year 2023.

*Unassigned fund balance* – amounts that are available for any purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Authority considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned

CASTLE ROCK DOWNTOWN DEVELOPMENT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Inflows of Resources, and Fund Balance / Net Position (Continued)

Fund Balances - Governmental Funds (Continued)

fund balances are available, the Authority considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Authority Board of Directors has provided otherwise in its commitment or assignment actions.

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The Authority can report up to 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 of 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 expense is incurred for purposes for which both restricted and unrestricted net position are available, the Authority will use the most restrictive net position first.

Current Year GASB Pronouncement

For the year ended December 31, 2022, the Authority adopted the provisions of GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows or outflows of resources to be recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and a right-to-use

CASTLE ROCK DOWNTOWN DEVELOPMENT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Current Year GASB Pronouncement (Continued)

lease asset. The Authority adopted this standard effective January 1, 2022 and applied the provisions of this standard to the beginning of the period of adoption.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2022, are classified in the accompanying statement of net position as follows:

Cash and investments	\$ 942,871
Total cash and investments	<u>\$ 942,871</u>

Cash and investments as of December 31, 2022, consist of the following:

Deposits with financial institutions	\$ 355,246
Investments	<u>587,625</u>
Total cash and investments	<u>\$ 942,871</u>

Cash Deposits

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 equal to 102% of the aggregate uninsured deposits.

CASTLE ROCK DOWNTOWN DEVELOPMENT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Cash Deposits (Continued)

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.

Investments

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

The Authority generally limits its concentration of investments to those noted with an asterisk (\*) above, which are believed to have minimal credit risk, minimal interest rate risk, and no foreign currency risk. Additionally, the Authority is not subject to concentration risk disclosure requirements or subject to investment custodial risk 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 and certain U.S. government agency securities and the World Bank
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Certain reverse repurchase agreements
- Certain securities lending agreements
- Certain corporate bonds
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- \*Local government investment pools

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NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Investments (continued)

As of December 31, 2022, the Authority had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Carrying Amount</u>
Colorado Surplus Asset Fund Trust	Weighted average under 180 days	\$ <u>587,625</u>

CSAFE

For the year ended December 31, 2022, the Authority invested in the Colorado Surplus Asset Fund Trust CORE Fund (CSAFE), 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 CSAFE. CSAFE operates similarly to a money market fund and each share is equal in value to \$1.00. CSAFE is rated AAAM by Standard & Poor's, AAAf by Fitch Ratings and is valued at fair value basis. CSAFE records investments at fair value, and the Authority records investments in CSAFE at net asset value. There are no unfunded commitments, the redemption frequency is daily, and there is a one-day redemption notice period.

Investment Valuation

Certain investments that are measured at fair value on a recurring basis are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

However, the Authority's investments are not measured at fair value and are therefore not categorized within the fair value hierarchy. These investments include 2a7-like external investment pools. The Authority is permitted in certain circumstances to establish the fair value of an investment that does not have a readily determinable fair value by using the net asset value (NAV) per share (or its equivalent) of the investment.

CSAFE determines the NAV of the shares of each portfolio as of the close of business on 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.

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NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Investment Valuation (Continued)

Liabilities, which include all expenses and fees of CSAFE, are accrued daily. The NAV is calculated at fair value using various inputs in determine value in accordance with GASB guidance.

It is the goal of CSAFE to maintain a NAV of \$1.00 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 \$1.00 per share. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

NOTE 4 - LONG-TERM LEASE OBLIGATIONS

In January of 2020, the Authority and the Castle Rock Economic Development Council (CREDC) entered into a sublease agreement in which the Authority will sublease from CREDC two offices. The office sublease is for the period of January 2020 through December 2024. The Authority has recognized a lease liability and an intangible right-to-use lease asset as of December 31, 2022.

	Balances December 31, 2021*	Additions	Deletions	Balances December 31, 2022	Due In One Year
Lease Payable	\$ 29,231	\$ -	\$ 9,779	\$ 19,452	\$ 10,088
Total	<u>\$ 29,231</u>	<u>\$ -</u>	<u>\$ 9,779</u>	<u>\$ 19,452</u>	<u>\$ 10,088</u>

\*Beginning balance was restated due to the implementation of GASB Statement No. 87.

At the commencement of the lease, the Authority measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of the lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. The lease asset is amortized on a straight-line basis over its useful life (see Note 5). Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position. Total future minimum lease payments under the lease agreement for the Authority is as follows:



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NOTE 4 - LONG-TERM LEASE OBLIGATIONS (CONTINUED)

Year ended December 31,	Principal	Interest	Total
2023	10,088	196	10,283
2024	9,364	62	9,426
Total	<u>\$ 19,452</u>	<u>\$ 258</u>	<u>\$ 19,710</u>

NOTE 5 - CAPITAL ASSETS

The following is an analysis of changes in capital assets for the year ended December 31, 2022

	Balance at December 31, 2021*	Additions	Dispositions	Balance at December 31, 2022
Capital assets, being depreciated				
Improvements	\$ 124,532	\$ 29,735	\$ 0	\$ 154,267
Total capital assets, being depreciated	<u>124,532</u>	<u>29,735</u>	<u>-</u>	<u>154,267</u>
Lease assets, being amortized				
Buildings	47,509	-	-	47,509
Total lease assets, being amortized	<u>47,509</u>	<u>-</u>	<u>-</u>	<u>47,509</u>
Capital asset accumulated depreciation	(111,354)	(6,155)	-	(117,509)
Lease asset accumulated amortization	<u>(18,840)</u>	<u>(9,829)</u>	<u>-</u>	<u>(28,669)</u>
Total accumulated depreciation, and amortization	<u>(130,194)</u>	<u>(15,984)</u>	<u>-</u>	<u>(146,178)</u>
Total capital assets, net	<u>\$ 41,847</u>	<u>\$ 13,751</u>	<u>\$ -</u>	<u>\$ 55,598</u>

\*Beginning balance was restated due to the implementation of GASB Statement No. 87.

NOTE 6 - NET POSITION

The Authority has net position consisting of two components - restricted and unrestricted.

The net investment in capital assets consists of capital assets that will be owned by the Authority, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets. As of December 31, 2022, the net investment in capital asset balance was \$36,125.

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NOTE 6 - NET POSITION (CONTINUED)

Restricted net position includes amounts that are restricted for use either externally by creditors, grantors, contributors, or laws and regulations of other governments, or as imposed by law through constitutional provisions or enabling legislation. The Authority's restricted net position at December 31, 2022, consists of \$15,365 for emergency reserves.

As of December 31, 2022, the Authority had an unrestricted balance of \$898,997.

NOTE 7 - INTERGOVERNMENTAL AGREEMENTS

Operational funding

The Authority and the Town of Castle Rock 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 levy. Under the agreement, 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 2022, the Authority received a matching grant in the amount of \$201,116. The agreement was extended for 2023 and the Authority was awarded a matching grant in the amount of \$202,858 received in February of 2023.

NOTE 8 - RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, the Authority may be exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets, errors or omissions, injuries to employees or acts of God. The Authority's claims have not exceeded its coverage during the preceding three years.

NOTE 9 - 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, except Enterprise.

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.

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NOTE 9 - TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)

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 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 10 - SUBSEQUENT EVENTS

The preparation of the Authority's financial statements and accompanying footnotes in conformity with U.S. 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 11, 2023.

NOTE 11 - RELATED PARTIES

The Authority reimburses the Castle Rock Economic Development Council (CREDC) and the Downtown Merchants' (DMA) Association throughout the year for shared operating costs. The total paid to the CREDC for shared operating costs during the year ended December 31, 2022 was \$212,084 and the amount owed to CREDC was \$7,853. The total paid to and owed to the DMA for shared operating costs was \$7,633 for the year ended December 31, 2022.

NOTE 12 - PRIOR PERIOD ADJUSTMENT

The Authority restated beginning net position in order to properly reflect the long-term sale agreement of capital assets and to properly adopt GASB Statement No. 87, *Leases*. The schedule below outlines the impact of these items on beginning net position.

Net Position, as of December 31, 2021	\$	860,169
Restatement for the long term sale of		
Capital assets		(50,000)
Implementation of GASB Statement No. 87		(559)
Net Position, restated as of December 31, 2021	<u>\$</u>	<u>809,610</u>