

Castle Rock Downtown Development Authority  
FINANCIAL STATEMENTS AND REPORT OF  
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
December 31, 2016

## *Table of Contents*

	<i>Page</i>
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	3
FINANCIAL STATEMENTS	
GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET POSITION	6
STATEMENT OF GOVERNMENTAL FUNDS REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE/ STATEMENT OF ACTIVITIES	7
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND	8
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – RINK AT THE ROCK FUND	9
NOTES TO FINANCIAL STATEMENTS	10



REPORT OF INDEPENDENT CERTIFIED  
PUBLIC ACCOUNTANTS

Board of Directors  
Castle Rock Downtown Development Authority

***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities and each major fund of the Castle Rock Downtown Development Authority (the "Authority"), as of and for the year ended December 31, 2016, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on conducting our audit in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants ("US GAAS").

We conducted our audit in accordance with US GAAS. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether these financial statements are free of material misstatement.

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

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

### ***Opinions 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, 2016, 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.

### ***Other Matters***

#### *Management's Discussion and Analysis*

The Board of Directors has not presented the Management's Discussion and Analysis information that governmental 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 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 missing information.

*Marc, James and Associates, PC*

Highlands Ranch, Colorado  
May 18, 2017

*FINANCIAL STATEMENTS*

Castle Rock Downtown Development Authority

GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET POSITION

December 31, 2016

	Governmental Funds				Statement of Net Position
	General	Rink at the Rock	Total	Adjustments	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 160,640	\$ 44,800	\$ 205,440	\$ -	\$ 205,440
Accounts receivable	1,350	47,880	49,230	-	49,230
Property taxes receivable	140,549	-	140,549	-	140,549
Due from other funds	45,323	-	45,323	(45,323)	-
Prepaid expenses	-	1,875	1,875	-	1,875
Capital assets	-	-	-	217,660	217,660
<b>Total assets</b>	<b>\$ 347,862</b>	<b>\$ 94,555</b>	<b>\$ 442,417</b>	<b>172,337</b>	<b>614,754</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 3,576	\$ 8,722	12,298	\$ -	\$ 12,298
Accrued liabilities	3,060	-	3,060	-	3,060
Due to other funds	-	45,323	45,323	(45,323)	-
<b>Total liabilities</b>	<b>6,636</b>	<b>54,045</b>	<b>60,681</b>	<b>(45,323)</b>	<b>15,358</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Property taxes	140,549	-	140,549	-	140,549
Sponsorships	-	18,750	18,750	-	18,750
<b>Total deferred inflows of resources</b>	<b>140,549</b>	<b>18,750</b>	<b>159,299</b>	<b>-</b>	<b>159,299</b>
<b>FUND BALANCE</b>					
Nonspendable	-	1,875	1,875	(1,875)	1,875
Restricted	12,350	-	12,350	(12,350)	12,350
Assigned	28,000	19,885	47,885	(47,885)	47,885
Unassigned	160,327	-	160,327	(160,327)	-
<b>Total fund balance</b>	<b>200,677</b>	<b>21,760</b>	<b>222,437</b>	<b>(220,562)</b>	<b>1,875</b>
<b>Total liabilities, deferred inflows of resources and fund balance</b>	<b>\$ 347,862</b>	<b>\$ 94,555</b>	<b>\$ 442,417</b>		
<b>NET POSITION</b>					
Investment in capital assets				217,660	217,660
Restricted				12,350	12,350
Unrestricted				210,087	210,087
<b>Total net position</b>				<b>\$ 440,097</b>	<b>\$ 440,097</b>

The accompanying notes are an integral part of the financial statements

Castle Rock Downtown Development Authority

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES/  
STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS

Year ended December 31, 2016

	Governmental Funds				Statement of Activities
	General	Rink at the Rock	Total	Adjustments	
Expenditures/program expenses					
Operations					
Personnel	\$ 187,180	\$ -	\$ 187,180	\$ -	\$ 187,180
Administration	13,902	2,695	16,597	-	16,597
Professional services	13,027	-	13,027	-	13,027
Programs	48,660	136,068	184,728	-	184,728
Marketing	1,644	2,411	4,055	-	4,055
Occupancy	17,290	-	17,290	-	17,290
Depreciation	-	-	-	41,245	41,245
Small equipment	-	1,350	1,350	-	1,350
Total expenditures/ program expenses	281,703	142,524	424,227	41,245	465,472
Revenues					
Program revenues					
Charges for services	13,230	133,540	146,770	-	146,770
Grants and donations	140,549	-	140,549	-	140,549
Total program revenues	153,779	133,540	287,319	-	287,319
Net expenditures/program expenses	(127,924)	(8,984)	(136,908)	(41,245)	(178,153)
General revenues					
Property and other taxes	149,698	-	149,698	-	149,698
Other	500	31,300	31,800	-	31,800
Total general revenues	150,198	31,300	181,498	-	181,498
Transfers	556	(556)	-	-	-
Change in fund balance	22,830	21,760	44,590	(44,590)	-
Change in net position	-	-	-	3,344	3,344
Fund balance/net position					
Beginning of the year	177,847	-	177,847	258,906	436,753
End of the year	\$ 200,677	\$ 21,760	\$ 222,437	\$ 217,660	\$ 440,097

The accompanying notes are an integral part of the financial statements

Castle Rock Downtown Development Authority

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND

Year ended December 31, 2016

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Property and other taxes	\$ 145,760	\$ 149,698	\$ 3,938
Grant and donations	140,760	140,549	(211)
Charges for services	4,500	13,230	8,730
Other	-	500	500
	<u>291,020</u>	<u>303,977</u>	<u>12,957</u>
Total revenues			
Expenditures			
Operations			
Personnel	180,000	187,180	7,180
Administration	32,000	13,902	(18,098)
Professional services	20,000	13,027	(6,973)
Programs	29,000	48,660	19,660
Marketing	12,000	1,644	(10,356)
Occupancy	-	17,290	17,290
Contingency	10,000	-	(10,000)
Capital outlay	5,000	-	(5,000)
	<u>288,000</u>	<u>281,703</u>	<u>(6,297)</u>
Total expenditures			
Revenues over expenditures	3,020	22,274	19,254
Transfer in (out)	<u>(24,000)</u>	<u>556</u>	<u>24,556</u>
Change in fund balance	<u>\$ (20,980)</u>	22,830	<u>\$ 43,810</u>
Fund balance			
Beginning of the year		<u>177,847</u>	
End of the year		<u>\$ 200,677</u>	

The accompanying notes are an integral part of the financial statements



Castle Rock Downtown Development Authority

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - RINK AT THE ROCK FUND

Year ended December 31, 2016

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Admissions	\$ 85,000	\$ 133,540	\$ 48,540
Sponsorships	<u>25,000</u>	<u>31,300</u>	<u>6,300</u>
Total revenues	110,000	164,840	54,840
Expenditures			
Operations			
Administration	20,000	2,695	(17,305)
Programs	90,000	136,068	46,068
Marketing	4,000	2,411	(1,589)
Capital outlay/small equipment	<u>20,000</u>	<u>1,350</u>	<u>(18,650)</u>
Total expenditures	<u>134,000</u>	<u>142,524</u>	<u>8,524</u>
Revenue over (under) expenditures	(24,000)	22,316	46,316
Transfer in (out)	<u>24,000</u>	<u>(556)</u>	<u>(24,556)</u>
Change in fund balance	<u>\$ -</u>	21,760	<u>\$ 21,760</u>
Fund balance			
Beginning of the year		<u>-</u>	
End of the year		<u>\$ 21,760</u>	

Castle Rock Downtown Development Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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 elected 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 finance, construct and on occasion operate various public improvements including streetscape projects, sidewalks, street lighting, street furniture, public parks and places.

As required by US GAAP, these financial statements present the activities of the Authority, which is legally separate and financially independent of other state and local government entities. The Authority has no component units as defined by GASB Statement No. 14, *The Reporting Entity* and GASB No. 39, *Determining Whether Certain Organizations are Component Units*.

2. *Financial Reporting Framework*

The accompanying financial statements are presented in accordance with GASB Statement No. 34 – Special Purpose Governments.

The Governmental Funds Balance Sheet/Statement of Net Position and the Governmental Funds Statement of Revenues, Expenditures, and Changes 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 interfund 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 2016, the Authority considers all of the Authority’s funds to be major.

Castle Rock Downtown Development Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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

2. *Financial Reporting Framework - continued*

The Authority reports the following governmental funds:

For 2016, 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* – During 2012, the Authority created the Rink at the Rock Fund 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.

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).

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, 2016, 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.

Castle Rock Downtown Development Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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

6. *Interfund Balances*

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are reflected as “due to/from other funds”. These amounts are eliminated in the Statement of Net Position.

7. *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.

8. *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.

9. *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.

10. *Capital Assets*

The Authority’s capital assets are recorded at cost if purchased or constructed. The Authority’s capital assets consist of office furniture and equipment, downtown improvements and various ice rink equipment and components.

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

Castle Rock Downtown Development Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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

*10. Capital Assets - continued*

years to 8 years for the office furniture and equipment, 10 years for the ice rink equipment and components, 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 – 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 State 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.

State of Colorado Statutes requires a balanced budget. For 2016, the budget for the Authority's General Fund, the budgeted expenditures plus transfers exceeded budgeted revenues by \$20,980. The excess expenditures were anticipated to be funded by the use of prior year surpluses.

NOTE C – 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, 2016, 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;

Castle Rock Downtown Development Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE D – CAPITAL ASSETS

The changes in the Authority’s capital assets for the year ended December 31, 2016 are as follows:

	Balance December 31, 2015	Additions	Disposals	Balance December 31, 2016
<b>Capital assets</b>				
Furniture and equipment	\$ 26,324	\$ -	\$ -	\$ 26,324
Downtown improvements	98,503	-	-	98,503
Ice rink site improvements	103,065	-	-	103,065
Ice rink equipment	146,563	-	-	146,563
<b>Total</b>	<b>374,455</b>	<b>-</b>	<b>-</b>	<b>374,455</b>
<b>Accumulated depreciation</b>				
Furniture and equipment	(24,536)	(1,541)	-	(26,077)
Downtown improvements	(36,692)	(14,743)	-	(51,435)
Ice rink site improvements	(27,801)	(10,306)	-	(38,107)
Ice rink equipment	(26,521)	(14,655)	-	(41,176)
<b>Total</b>	<b>(115,550)</b>	<b>(41,245)</b>	<b>-</b>	<b>(156,795)</b>
<b>Net capital assets</b>	<b>\$ 258,905</b>	<b>\$ (41,245)</b>	<b>\$ -</b>	<b>\$ 217,660</b>

The depreciation expense for 2016 is considered to be all associated with the operation of the Authority and the Authority’s programs and was allocated \$16,284 to the General Fund and \$24,961 to the Rink at the Rock Fund.

NOTE E – 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, 2016

NOTE E – 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, 2016, the Authority’s governmental funds fund balances consisted of the following:

	<u>General Fund</u>	<u>Rink at the Rock Fund</u>	<u>Total</u>
Fund balances:			
Nonspendable			
Prepaid expenses	\$ -	\$ 1,875	\$ 1,875
Restricted			
TABOR reserve	12,350	-	12,350
Assigned			
2017 budget deficit	28,000	-	28,000
Residual balance	-	19,885	19,885
Unassigned	<u>160,327</u>	<u>-</u>	<u>160,327</u>
Total fund balance	\$ <u>200,677</u>	\$ <u>21,760</u>	\$ <u>222,437</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, 2016

NOTE F - COMMITMENTS

*Staff Services Agreement*

The Authority entered into 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 Sublease*

In January 2015, the Authority and the CREDC entered into a commercial office sublease under which the Authority will sublease from the CREDC not less than two offices. The office sublease is for the period January 2015 through December 2019, subject to annual appropriation and the Authority's Board of Directors approval. Under the sublease, the monthly lease payment and related expenses is 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>Years</u>		
2017	\$	16,218
2018		16,524
2019		<u>17,262</u>
	\$	<u>50,004</u>

*Rink at the Rock Management Agreement*

In 2014, the Authority entered into a Management Services Agreement ("Services Agreement") to operate and maintain the seasonal ice rink. The Services Agreement shall renew automatically for an additional season unless either party to the Services Agreement provides written notice not to renew prior to August 1.

Under the terms of the Services Agreement, the contractor is responsible for all repairs, maintenance and equipment servicing related to the operation of the seasonal ice rink.

For the services provided under the Services Agreement, the contractor is to receive \$2.33 per skater admission and an incentive/performance bonus of 40% of all sponsorships sold by the contractor.

*Rink at the Rock Chiller Lease*

In 2014, the Authority entered into a one-year lease agreement with two one year automatic renewals for an Ice Rink Chiller and related equipment for the seasonal ice skating rink. The lease agreement requires total rental payments for each season, approximately mid-December through mid-February, in the amount of \$17,000 and expires at the conclusion of the 2016/2017 season.



Castle Rock Downtown Development Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE G – RELATED PARTY TRANSACTIONS

*Intergovernmental Agreements – Town of Castle Rock, Colorado (“the “Town”)*

*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 2016, the Authority received a matching grant in the amount of \$140,549. The agreement was extended for 2017 and the Authority received a matching grant in January 2017 in the amount \$140,549.

NOTE H – 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 I - CONCENTRATIONS

During 2016, the Authority derived 30% of its revenue from grants and donations, 32% of its revenue from real estate property taxes, personal property taxes and specific ownership taxes (auto registrations) and 28% of its revenue from admissions from the public ice skating rink as reflected in the governmental fund financial statements.

NOTE J – 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.

Castle Rock Downtown Development Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE K – 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.	\$	217,660
---	----	---------

The Statements of Governmental Funds Revenue, Expenditures and Changes 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		41,245
--	--	--------

NOTE L – 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 18, 2017 which is the date the financial statements and accompanying footnotes were available for issuance.