

Castle Rock Downtown Development Authority
FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
December 31, 2014

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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, 2014, 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, 2014, and the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund, Wedding District 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

Supplementary Information

Our audit was conducted with the purpose of forming an opinion on the financial statements of the Castle Rock Downtown Development Authority taken as a whole. The supplementary information on page 25 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental information is the responsibility of management of the Authority and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to our auditing procedures applied in the audit of the financial statements and certain other additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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
July 27, 2015

FINANCIAL STATEMENTS

Castle Rock Downtown Development Authority

GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET POSITION

December 31, 2014

Governmental Funds					
	General	TIF	Wedding District	Rink at the Rock	Total
ASSETS					
Cash and cash equivalents	\$ 148,763	\$ 11	\$ 8,035	\$ 59,394	\$ 216,203
Accounts receivable	750	122	-	4,880	5,752
Property taxes receivable	124,288	-	-	-	124,288
Due from other funds	30,927	-	-	-	30,927
Other assets	-	-	-	1,625	1,625
Capital assets	-	-	-	-	-
Total assets	\$ 304,728	\$ 133	\$ 8,035	\$ 65,899	\$ 378,795
LIABILITIES					
Accounts payable	\$ 18,774	\$ -	\$ 8,035	\$ 36,220	\$ 63,029
Accrued liabilities	3,090	-	-	301	3,391
Notes payable	-	-	-	-	-
Due in one year	-	-	-	-	-
Due beyond one year	-	-	-	-	-
Due to other funds	-	133	-	30,794	30,927
Total liabilities	21,864	133	8,035	67,315	97,347
DEFERRED INFLOWS OF RESOURCES					
Property taxes	124,288	-	-	-	124,288
Sponsorships	-	-	-	18,282	18,282
Total deferred inflows of resources	124,288	-	-	18,282	142,570
FUND BALANCE (DEFICIT)					
Restricted	12,350	-	-	-	12,350
Unassigned	146,226	-	-	(19,698)	126,528
Total fund balance	158,576	-	-	(19,698)	138,878
Total liabilities, deferred inflows of resources and fund balance	\$ 304,728	\$ 133	\$ 8,035	\$ 65,899	\$ 378,795
NET POSITION					
Investment in capital assets					
Restricted					
Unrestricted					
Total net position					

<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ -	\$ 216,203
-	5,752
-	124,288
(30,927)	-
-	1,625
<u>285,630</u>	<u>285,630</u>
254,703	633,498
\$ -	\$ 63,029
-	3,391
26,019	26,019
208,155	208,155
<u>(30,927)</u>	<u>-</u>
203,247	300,594
-	124,288
<u>-</u>	<u>18,282</u>
-	142,570
(12,350)	-
<u>(126,528)</u>	<u>-</u>
<u>(138,878)</u>	<u>-</u>
51,456	51,456
12,350	12,350
<u>126,527</u>	<u>126,527</u>
<u>\$ 190,333</u>	<u>\$ 190,333</u>

Castle Rock Downtown Development Authority

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

Year ended December 31, 2014

Governmental Funds

	General	TIF	Wedding District	Rink at the Rock	Total
Expenditures/program expenses					
Operations					
Personnel	\$ 141,796	\$ -	\$ -	\$ -	\$ 141,796
Administration	15,534	-	8,208	5,412	29,154
Professional services	16,904	-	-	-	16,904
Programs	4,850	-	-	105,125	109,975
Marketing	4,468	-	-	2,158	6,626
Occupancy	18,785	-	49,063	-	67,848
Depreciation	-	-	-	-	-
Debt service	-	18,604	-	34,178	52,782
Capital outlay	30,600	-	-	104,399	134,999
Total expenditures/ program expenses	232,937	18,604	57,271	251,272	560,084
Revenues					
Program revenues					
Charges for services	11,545	-	-	127,420	138,965
Grants and donations	123,309	-	37,620	200	161,129
Total program revenues	134,854	-	37,620	127,620	300,094
Net expenditures/program expenses	(98,083)	(18,604)	(19,651)	(123,652)	(259,990)
General revenues					
Property taxes	126,750	-	-	-	126,750
Specific ownership taxes	4,471	-	-	-	4,471
Other	12	61	15	-	88
Total general revenues	131,233	61	15	-	131,309
Transfers	(73,957)	(28,336)	679	101,614	-
Change in fund balance	(40,807)	(46,879)	(18,957)	(22,038)	(128,681)
Change in net position	-	-	-	-	-
Fund balance/net position					
Beginning of the year	199,383	46,879	18,957	2,340	267,559
End of the year	\$ 158,576	\$ -	\$ -	\$ (19,698)	\$ 138,878

<u>Adjustments</u>	Statement of Activities
\$ -	\$ 141,796
-	29,154
-	16,904
-	109,975
-	6,626
-	67,848
37,383	37,383
(44,187)	8,595
<u>(92,011)</u>	<u>42,988</u>
(98,815)	461,269
-	138,965
-	<u>161,129</u>
<u>-</u>	<u>300,094</u>
98,815	(161,175)
-	126,750
-	4,471
-	<u>88</u>
-	131,309
<u>-</u>	<u>-</u>
129,016	335
(30,201)	(30,201)
<u>(47,360)</u>	<u>220,199</u>
<u>\$ 51,455</u>	<u>\$ 190,333</u>

Castle Rock Downtown Development Authority

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

Year ended December 31, 2014

	Original Budget	Amended and Final Budget	Actual	Variance
Revenues				
Property taxes	\$ 108,309	\$ 123,309	\$ 126,750	\$ 3,441
Specific ownership taxes	8,000	8,000	4,471	(3,529)
Grant and donations	123,309	123,309	123,309	-
Charges for services	10,000	10,000	11,545	1,545
Other	-	-	12	12
Total revenues	249,618	264,618	266,087	1,469
Expenditures				
Operations				
Personnel	120,000	120,000	141,796	21,796
Administration	24,000	24,000	15,534	(8,466)
Professional services	35,000	35,000	16,904	(18,096)
Programs	-	-	4,850	4,850
Marketing	18,000	18,000	4,468	(13,532)
Occupancy	25,000	25,000	18,785	(6,215)
Capital	-	-	30,600	30,600
Total expenditures	222,000	222,000	232,937	10,937
Transfer out	-	(93,512)	(73,957)	19,555
Changes in fund balance	\$ 27,618	\$ (50,894)	\$ (40,807)	\$ 10,087
Fund balance				
Beginning of the year			199,383	
End of the year			<u>\$ 158,576</u>	

Castle Rock Downtown Development Authority

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

Year ended December 31, 2014

	<u>Original Budget</u>	<u>Amended and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Grant and donations	\$ -	\$ 37,700	\$ 37,620	(80)
Other	120	120	15	(105)
Total revenues	<u>120</u>	<u>37,820</u>	<u>37,635</u>	<u>(185)</u>
Expenditures				
Operations				
Adminsitration	-	5,500	8,208	2,708
Occupancy	66,300	66,300	49,063	(17,237)
Total expenditures	<u>66,300</u>	<u>71,800</u>	<u>57,271</u>	<u>(14,529)</u>
Transfer in	<u>-</u>	<u>-</u>	<u>679</u>	<u>679</u>
Changes in fund balance	<u>\$ (66,180)</u>	<u>\$ (33,980)</u>	<u>(18,957)</u>	<u>\$ 15,023</u>
Fund balance				
Beginning of the year			<u>18,957</u>	
End of the year			<u>\$ -</u>	

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, 2014

	<u>Original Budget</u>	<u>Amended and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Admissions and sponsorships	\$ 121,000	\$ 121,000	\$ 127,420	\$ 6,420
Grants and donations	-	-	200	200
Total revenues	<u>121,000</u>	<u>121,000</u>	<u>127,620</u>	<u>6,620</u>
Expenditures				
Operations				
Administration	-	-	5,412	5,412
Programs	123,981	123,981	105,125	(18,856)
Marketing	-	-	2,158	2,158
Debt service	26,019	34,177	34,178	1
Capital outlay	-	87,000	104,399	17,399
Total expenditures	<u>150,000</u>	<u>245,158</u>	<u>251,272</u>	<u>6,114</u>
Transfer in	<u>-</u>	<u>121,818</u>	<u>101,614</u>	<u>(20,204)</u>
Changes in fund balance	<u>\$ (29,000)</u>	<u>\$ (2,340)</u>	<u>(22,038)</u>	<u>\$ (19,698)</u>
Fund balance (deficit)				
Beginning of the year			<u>2,340</u>	
End of the year			<u>\$ (19,698)</u>	

Castle Rock Downtown Development Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

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 November 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 Authority Act and consists of property owners, business owners and 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 Statement Presentation*

The accompanying financial statements are presented per GASB Statement No. 34 – Special Purpose Governments.

The government-wide financial statements, 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 and liabilities of the Authority is reported as net position.

The Statement of Activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, 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 benefits from goods, services or privileges provided by a given function or segment and 2) grants and donations that are restricted to 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 fund financial statements. As permitted under GASB No. 34, for 2014, the Authority considers all of the Authority’s funds to be major.

Castle Rock Downtown Development Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

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

3. *Measurement Focus and Financial Reporting Framework*

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 the related cash flows. 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* 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 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, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

The Authority reports the following governmental funds:

Governmental Funds

For 2014, the Authority maintained four individual governmental funds. Information is presented separately in the governmental fund balance sheets and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the Authority's governmental funds, all which the Authority considers to be major funds,

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 *Tax Increment Financing ("TIF") Fund* was established by the Authority to provide financing of certain public improvements. The TIF Fund was closed out effective December 31, 2014.

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. For 2014, the Authority had two special revenue funds:

Wedding District Fund – Established in 2011, in collaboration with the Town of Castle Rock and other community partners, the Authority created the Wedding District Fund to help promote and finance the expansion of new retail sales and strengthen a variety of existing downtown Castle Rock businesses through the creation of a regional draw related to the wedding industry. The operation of the Wedding District Fund was terminated and the fund closed out effective December 31, 2014.

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 and facility sponsorships.

4. *Cash and Cash Equivalents*

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

Castle Rock Downtown Development Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

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

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, 2014, 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. *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 and liabilities as of the date of the financial statements, and the reported amounts of revenue and expenses 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.

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 net assets represents amounts that may not be appropriated or are legally segregated for a specific purpose.

10. *Long-Term Obligations*

In the government-wide financial statements, long-term obligations are reported as liabilities for the applicable governmental activities.

Castle Rock Downtown Development Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

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

11. *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, retail space leasehold 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 five years to eight years for the office furniture and equipment, 10 years for the ice rink equipment and components, 5 to 10 years for the Wilcox Street 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 expense as incurred.

NOTE B – BUDGETARY ACCOUNTING

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with the State Budget Law of Colorado, the District'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 District'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 Statute requires a balanced budget. For 2014, the Authority's amended budgets for each of the Authority's funds, budgeted expenditures exceeded budgeted revenues. The excess expenditures were anticipated to be funded by the use of prior year surpluses and Interfund transfers, as applicable.

In September 2014, the Authority amended the 2014 total appropriation for each of its four funds.

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, 2014, all of the Authority's deposits were either insured by the FDIC or held in eligible depositories.

Castle Rock Downtown Development Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

NOTE D – CAPITAL ASSETS

The changes in the Authority’s capital assets for the year ended December 31, 2014 are as follows:

	Balance December 31, 2013	Additions	Disposals	Balance December 31, 2014
Capital assets				
Furniture and equipment	\$ 26,324	\$ -	\$ -	\$ 26,324
Wilcox Street improvements	73,728	11,600	-	85,328
Ice rink site improvements	103,065			103,065
Ice rink equipment	66,152	80,411	-	146,563
Retail space leasehold improvements	16,000	-	(16,000)	-
Total	285,269	92,011	(16,000)	361,280
Accumulated depreciation				
Furniture and equipment	(18,347)	(4,648)	-	(22,995)
Wilcox Street improvements	(12,321)	(10,946)	-	(23,267)
Ice rink site improvements	(7,188)	(10,336)		(17,524)
Ice rink equipment	(3,967)	(7,897)	-	(11,864)
Retail space leasehold improvements	(12,444)	(3,556)	16,000	-
Total	(54,267)	(37,383)	16,000	(75,650)
Net capital assets	\$ 231,002	\$ 54,628	\$ -	\$ 285,630

The depreciation expense for 2014 is considered to be all associated with the operation of the Authority and the Authority's programs.

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,

Castle Rock Downtown Development Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

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

Fund Balance - continued

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,

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, 2014, 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:			
Restricted			
TABOR reserve	\$ 12,350	\$ -	\$ 12,350
Unassigned	<u>146,226</u>	<u>(19,698)</u>	<u>126,528</u>
Total fund balance (deficit)	<u>\$ 158,576</u>	<u>\$ (19,698)</u>	<u>\$ 138,878</u>

Net Position

Net Position represents the difference between assets and liabilities. The District 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 District.

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

Castle Rock Downtown Development Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

NOTE F - COMMITMENTS

Staff Services Agreement

The Authority entered into an agreement with the Castle Rock Economic Development Council ("CREDC") in September 2011 under which the CREDC agrees to provide staff services, including the function of the position of Executive Director of the Authority. The term of the agreement is for 12 months from the date of execution of the agreement and may be terminated earlier by either party upon sixty days notice. Subject to an appropriation, the agreement renews automatically on January 1 of each calendar year. Under the terms of the agreement, the Authority shall pay the CREDC \$6,250 per month.

Office Space Lease

In 2010, the Authority and the CREDC agreed to mutually negotiate and enter into a commercial office lease ("Mutual Lease") as joint tenants. The office space lease was for the period March 2010 through December 2014, subject to annual appropriation and Authority Board of Directors approval. Under the Mutual Lease, the monthly lease payment is to be allocated 60% to the CREDC and 40% to the Authority.

The CREDC has negotiated a 5 year extension under which the Authority will continue to participate.

Rink at the Rock Management Agreement

In November 2014, the Authority entered into a Management Services Agreement ("Services Agreement") to operate and maintain the seasonal Ice Rink. The initial term of Services Agreement was for the 2014/2015 season. 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 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 November 2014, the Authority entered into a one-year lease agreement with two one year auto renewals for a Chiller and related equipment for the seasonal ice rink. The lease agreement requires total rental payments for each season in the amount of \$17,000.

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.

Castle Rock Downtown Development Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

NOTE G – RELATED PARTY TRANSACTIONS - *continued*

Operational Funding

The Authority and the Town entered into an annual agreement under which the Town provided a matching grant to the Authority equal to the Authority's 3-mill property tax up to \$153,000. The Authority is allowed to use the Town matching grant for the realization of the Downtown Plan of Development through its programs and priorities as defined in the agreement.

Under the agreement for 2014, the Authority received a matching grant in the amount of \$123,309. The agreement was extended for 2015 and the Authority received a matching grant in 2015 in the amount \$123,309.

Mid-Block Crossing Construction Repayment Agreement

In 2010, the Authority and the Town entered a Mid-Block Crosswalk Construction/Repayment Agreement ("Mid-Block Agreement") under which the Town agreed to advance the Authority funds for the construction of a mid-block crossing on Wilcox Street in downtown Castle Rock. Under the terms of the Mid-Block Agreement, the Authority is to pay up to \$25,000, plus interest, to the Town on September 30 of each succeeding year based upon the availability of TIF revenues and subject to annual appropriation by the Authority Board of Directors.

As defined in the Mid-Block Agreement, the interest on each payment is to be calculated on the currently applicable interest rate charged by the Town for internal loan purposes. For 2014, the Authority incurred interest to the Town in the amount \$457.

The changes in the Mid-Block Agreement for the year ended December 31, 2014 are as follows:

Balance December 31, 2013	Borrowings	Payments	Balance December 31, 2014	Due in One Year
\$ 18,167	\$ -	\$ 18,167	\$ -	\$ -

Rink at the Rock Loan Agreement

In 2012, the Authority and the Town entered into a Loan Agreement under which the Town agreed to loan the Authority up to \$300,000 to develop and seasonally operate and maintain the public ice rink in the downtown area. All disbursements under the Loan Agreement were completed in 2013 and totaled \$260,194.

Castle Rock Downtown Development Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

NOTE G – RELATED PARTY TRANSACTIONS - continued

Rink at the Rock Loan Agreement - continued

Under the terms of the Loan Agreement, the loan is payable in 10 equal annual principal installments. Interest shall accrue on the outstanding balance of the loan at a variable rate per annum equal to the Town’s inter-fund borrowing rate as defined in the Loan Agreement, in effect on the anniversary date of the loan agreement plus 50 basis points, but not to exceed 3.0% per annum. The first installment of principal and interest was payable on December 30, 2014, with successive annual installments due each subsequent December 30. For 2014, the Authority incurred interest to the Town in the amount \$8,158. As the effective interest rate cannot be determined until the anniversary date, no accrued interest was recorded as of December 31, 2014.

The activity related to the Loan Agreement for the year ended December 31, 2014 is as follows:

<u>Balance December 31, 2013</u>	<u>Borrowings</u>	<u>Payments</u>	<u>Balance December 31, 2014</u>	<u>Due in One Year</u>
\$ 260,193	\$ -	\$ 26,019	\$ 234,174	\$ 26,019

The anticipated future minimum payments based upon the final amount above, excluding interest, are as follows:

<u>Year ended December 31,</u>	
2015	\$ 26,019
2016	26,019
2017	26,019
2018	26,019
2019	26,019
2020 to 2023	<u>104,079</u>
	<u>\$ 234,174</u>

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.

Castle Rock Downtown Development Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

NOTE I - CONCENTRATIONS

During 2014, the Authority derived 37% of its revenue from grants and donations, 30% of its revenue from real estate property taxes, personal property taxes and specific ownership taxes (auto registrations) and 21% of its revenue from admissions from the Ice 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.

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 reflected in the Statement of Net Position are not financial resources in the governmental funds and accordingly are not reported in the governmental funds.	\$	285,630
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		234,174

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:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities these expenditures are not reflected and as described above, these expenditures are capitalized and reflected on the Statement of Net Position.	\$	92,011
The principal repayment of debt is reflected as an expenditure for the governmental funds. However, the principal repayment is reflected as a reduction of the debt on the Statement of Net Position.		44,187
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		37,383

Castle Rock Downtown Development Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

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 July 27, 2015, which is the date the financial statements and accompanying footnotes were available for issuance.

SUPPLEMENTARY INFORMATION

Castle Rock Downtown Development Authority

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - TIF FUND

Year ended December 31, 2014

	<u>Original Budget</u>	<u>Amended and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Property taxes	2,000	2,000	-	(2,000)
Specific ownership taxes	5,000	5,000	-	(5,000)
Other	<u>50</u>	<u>50</u>	<u>61</u>	<u>11</u>
Total revenues	7,050	7,050	61	(6,989)
Expenditures				
Debit service	<u>18,167</u>	<u>18,775</u>	<u>18,604</u>	<u>(171)</u>
Total expenditures	18,167	18,775	18,604	(171)
Transfer out	<u>-</u>	<u>(28,306)</u>	<u>(28,336)</u>	<u>(30)</u>
Changes in fund balance	<u>(11,117)</u>	<u>(40,031)</u>	<u>(46,879)</u>	<u>(6,848)</u>
Fund balance				
Beginning of the year			<u>46,879</u>	
End of the year			<u>\$ -</u>	