

Castle Rock Downtown Development Authority  
FINANCIAL STATEMENTS AND REPORT OF  
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
December 31, 2013

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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, 2013, 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 opinion.

### ***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, 2013, 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***

#### *Supplemental 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 28 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  
September XX, 2014

*FINANCIAL STATEMENTS*

Castle Rock Downtown Development Authority

GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET POSITION

December 31, 2013

	Governmental Funds				
	General	TIF	Wedding District	Rink at the Rock	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 172,505	\$ 64,123	\$ 56,576	\$ 9,648	\$ 302,852
Accounts receivable	881	-	-	32,764	33,645
Property taxes receivable	123,309	-	-	-	123,309
Due from other funds	43,744	-	-	11,154	54,898
Capital assets	-	-	-	-	-
<b>Total assets</b>	<b>\$ 340,439</b>	<b>\$ 64,123</b>	<b>\$ 56,576</b>	<b>\$ 53,566</b>	<b>\$ 514,704</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 3,563	\$ -	\$ -	\$ 23,566	\$ 27,129
Accrued liabilities	3,030	-	-	1,160	4,190
Notes payable					
Due in one year	-	-	-	-	-
Due beyond one year	-	-	-	-	-
Due to other funds	11,154	17,244	-	26,500	54,898
<b>Total liabilities</b>	<b>17,747</b>	<b>17,244</b>	<b>-</b>	<b>51,226</b>	<b>86,217</b>
<b>DEFERRED INFLOWS OF REVENUE</b>					
Property taxes	123,309	-	-	-	123,309
Grants	-	-	37,619	-	37,619
<b>Total deferred inflows of revenue</b>	<b>123,309</b>	<b>-</b>	<b>37,619</b>	<b>-</b>	<b>160,928</b>
<b>FUND BALANCE</b>					
Restricted	12,350	-	-	-	12,350
Committed	-	-	18,957	-	18,957
Assigned	-	46,879	-	2,340	49,219
Unassigned	187,033	-	-	-	187,033
<b>Total fund balance</b>	<b>199,383</b>	<b>46,879</b>	<b>18,957</b>	<b>2,340</b>	<b>267,559</b>
<b>Total liabilities, deferred inflows of revenue and fund balance</b>	<b>\$ 340,439</b>	<b>\$ 64,123</b>	<b>\$ 56,576</b>	<b>\$ 53,566</b>	<b>\$ 514,704</b>
<b>NET POSITION (DEFICIT)</b>					
Investment in capital assets					
Restricted					
Unrestricted					
<b>Total net position</b>					

<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ -	\$ 302,852
-	33,645
-	123,309
(54,898)	-
<u>231,002</u>	<u>231,002</u>
176,104	690,808
\$ -	\$ 27,129
-	4,190
44,186	44,186
234,175	234,175
<u>(54,898)</u>	<u>-</u>
223,463	309,680
	123,309
	<u>37,619</u>
-	160,928
(12,350)	-
(18,957)	-
(49,219)	-
<u>(187,033)</u>	<u>-</u>
<u>(267,559)</u>	<u>-</u>
231,002	231,002
12,350	12,350
<u>(23,152)</u>	<u>(23,152)</u>
<u>\$ 220,200</u>	<u>\$ 220,200</u>

Castle Rock Downtown Development Authority

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

Year Ended December 31, 2013

Governmental Funds

	General	TIF	Wedding District	Rink at the Rock	Total
Expenditures/program expenses					
Operations					
Personnel	\$ 104,935	\$ -	\$ -	\$ -	\$ 104,935
Administration	14,253	312	-	8,832	23,397
Professional services	24,272	-	-	-	24,272
Programs	28,548	-	-	102,025	130,573
Marketing	7,514	-	-	1,303	8,817
Occupancy	14,614	-	66,274	-	80,888
Depreciation	-	-	-	-	-
Debt service	-	25,650	-	-	25,650
Capital outlay	-	-	-	138,515	138,515
Total expenditures/ program expenses	194,136	25,962	66,274	250,675	537,047
Revenues					
Program revenues					
Charges for services	6,207	-	-	97,326	103,533
Grants and donations	121,151	-	66,274	26,737	214,162
Total program revenues	127,358	-	66,274	124,063	317,695
Net expenditures/program expenses	(66,778)	(25,962)	-	(126,612)	(219,352)
General revenues					
Property taxes	119,610	-	-	-	119,610
Specific ownership taxes	9,242	-	-	-	9,242
Other	1,894	47	126	-	2,067
Total general revenues	130,746	47	126	-	130,919
Proceeds from borrowing	-	-	-	85,994	85,994
Change in fund balance	63,968	(25,915)	126	(40,618)	(2,439)
Change in net assets	-	-	-	-	-
Fund balance/net position					
Beginning of the year	135,415	72,794	18,831	42,958	269,998
End of the year	\$ 199,383	\$ 46,879	\$ 18,957	\$ 2,340	\$ 267,559



<u>Adjustments</u>	Statement of <u>Activities</u>
\$ -	\$ 104,935
-	23,397
-	24,272
(11,150)	119,423
-	8,817
-	80,888
28,990	28,990
(25,000)	650
<u>(71,250)</u>	<u>67,265</u>
 (78,410)	 458,637
 -	 103,533
<u>-</u>	<u>214,162</u>
 -	 317,695
<u>78,410</u>	<u>(140,942)</u>
 -	 119,610
-	9,242
<u>-</u>	<u>2,067</u>
 -	 130,919
<u>(85,994)</u>	<u>-</u>
2,439	-
(10,023)	(10,023)
 <u>(39,775)</u>	 <u>230,223</u>
<u><u>\$ (47,359)</u></u>	<u><u>\$ 220,200</u></u>

Castle Rock Downtown Ddevelopment Authority

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

Year ended December 31, 2013

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Property taxes	\$ 121,151	\$ 119,610	\$ (1,541)
Specific ownership taxes	4,500	9,242	4,742
Grant and donations	121,151	121,151	-
Charges for services	13,490	6,207	(7,283)
Other	312	1,894	1,582
Total revenues	<u>260,604</u>	<u>258,104</u>	<u>(2,500)</u>
Expenditures			
Personnel	114,570	104,935	(9,635)
Administration	20,179	14,253	(5,926)
Professional services	24,850	24,272	(578)
Programs	92,400	28,548	(63,852)
Marketing	7,500	7,514	14
Occupancy	-	14,614	14,614
Total expenditures	<u>259,499</u>	<u>194,136</u>	<u>(65,363)</u>
Change in fund balance	<u>\$ 1,105</u>	63,968	<u>\$ 62,863</u>
Fund balance			
Beginning of the year		<u>135,415</u>	
End of the year		<u>\$ 199,383</u>	

Castle Rock Downtown Development Authority

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

Year ended December 31, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Grant and donations	\$ -	\$ 66,300	\$ 66,274	(26)
Other	<u>-</u>	<u>-</u>	<u>126</u>	<u>126</u>
Total revenues	-	66,300	66,400	100
Expenditures				
Operations				
Occupancy	<u>-</u>	<u>66,300</u>	<u>66,274</u>	<u>(26)</u>
Total expenditures	<u>-</u>	<u>66,300</u>	<u>66,274</u>	<u>(26)</u>
Change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>126</u>	<u>\$ 126</u>
Fund balance				
Beginning of the year			<u>18,831</u>	
End of the year			<u>\$ 18,957</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Admissions and sponsorships	\$ -	\$ 97,000	\$ 97,326	\$ 326
Grants and donations	-	26,000	26,737	737
Total revenues	-	123,000	124,063	1,063
Expenditures				
Operations				
Administration	-	9,000	8,832	(168)
Programs	-	102,000	102,025	25
Marketing	-	1,500	1,303	(197)
Capital outlay	-	139,000	138,515	(485)
Total expenditures	-	251,500	250,675	(825)
Proceeds from borrowing	-	86,000	85,994	(6)
Change in fund balance	<u>\$ -</u>	<u>\$ (42,500)</u>	(40,618)	<u>\$ 1,882</u>
Fund balance				
Beginning of the year			<u>42,958</u>	
End of the year			<u>\$ 2,340</u>	

Castle Rock Downtown Development Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

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 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 2013, the Authority considers all of the Authority’s funds to be major.

Castle Rock Downtown Development Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

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*

The Authority maintains 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 *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 2013, 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.

*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.

4. *Cash and Cash Equivalents*

The Authority considers cash and cash equivalents to include cash on hand, demand deposits and money market accounts.

Castle Rock Downtown Development Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

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 revenue. The Authority estimates that the fair value of these financial instruments as of December 31, 2013, 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 revenue.

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, 2013

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 \$500. Management of the Authority may opt to capitalize certain items under the \$500 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. Depreciation of the retail space leasehold improvements is provided for over the initial term of the respective lease.

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.

12. *Recently Issued and Adopted Accounting Pronouncements*

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 provides guidance for the reclassification as deferred outflows of resources or deferred inflows of resources certain items that were previously reported as assets or liabilities, and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of GASB 65 are effective for financial statements for periods beginning after December 15, 2012. The District adopted GASB 65 in 2013 and the impact upon the District was that the property taxes levied for and to be collected in 2014 are reflected under the caption Deferred Inflows of Resources for December 31, 2013.

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 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 2013, the Authority's General Fund budgeted revenues exceeded budgeted expenditures by \$1,055. The excess of budgeted revenues over budgeted expenditures would result in a surplus for 2013 which may be used in future years. In addition, for 2013 the budgeted expenditures in the Rink at the Rock Fund exceeded the budgeted revenue and borrowings by \$42,500. For 2013, the excess expenditures were funded by prior year surpluses.

Subsequent to December 31, 2013, the Authority amended the 2013 budgets for the Wedding District, Rick at the Rock and TIF Funds.



Castle Rock Downtown Development Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

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, 2013, all of the Authority’s deposits were either insured by the FDIC or held in eligible depositories.

NOTE D – CAPITAL ASSETS

The changes in the Authority’s capital assets for the year ended December 31, 2013 are as follows:

	Balance December 31, 2012	Additions	Disposals	Balance December 31, 2013
Capital assets				
Furniture and equipment	\$ 26,324	\$ -	\$ -	\$ 26,324
Wilcox Street improvements	62,578	11,150	-	73,728
Ice rink site improvements	63,815	39,250	-	103,065
Ice rink equipment	34,153	32,000	-	66,153
Retail space leasehold improvements	16,000	-	-	16,000
Total	202,870	82,400	-	285,270
Accumulated depreciation				
Furniture and equipment	(13,699)	(4,648)	-	(18,347)
Wilcox Street improvements	(3,650)	8,671	-	(12,321)
Ice rink site improvements	(532)	6,656	-	(7,188)
Ice rink equipment	(285)	3,682	-	(3,967)
Retail space leasehold improvements	(7,111)	(5,333)	-	(12,444)
Total	(25,277)	(28,990)	-	(54,260)
Net capital assets	\$ 177,593	\$ 53,410	\$ -	\$ 231,003

The depreciation expense for 2013 is considered to be all associated with the operation of the Authority and its programs.

Castle Rock Downtown Development Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

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,

*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, 2013, the Authority’s governmental funds fund balances consisted of the following:

	<u>General Fund</u>	<u>TIF Fund</u>	<u>Wedding Authority Fund</u>	<u>Rink at the Rock Fund</u>	<u>Total</u>
Fund balances:					
Restricted					
TABOR reserve	\$ 12,350	\$ -	\$ -	\$ -	\$ 12,350
Committed					
Retail space leases	-	-	18,957	-	18,957
Assigned					
Debt service	-	46,879	-	-	46,879
Rink at the Rock	-	-	-	2,340	2,340
Unassigned	<u>187,033</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>187,033</u>
Total fund balances	<u>\$ 199,383</u>	<u>\$ 46,879</u>	<u>\$ 18,957</u>	<u>\$ 2,340</u>	<u>\$ 267,559</u>

Castle Rock Downtown Development Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

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

*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.

NOTE F - COMMITMENTS

*Retail Space Commercial Leases*

*611 North Wilcox Street*

In September 2011, the Authority entered into a lease for retail space associated with the operations of the Wedding District Fund. The lease commencement date was September 1, 2011 for a period of 36 months, terminating August 31, 2014. Under the terms of the lease, the lease requires monthly base lease payments as follows:

September 1, 2011 to August 31, 2012	\$	3,343
September 1, 2012 to August 31, 2013		3,403
September 1, 2013 to August 31, 2014		3,462

In addition to the base lease payment, the Authority shall pay in monthly installments, an “Additional Rent”, amount equal to the pro-rata share of the Lessor’s operating expenses as defined in the lease agreement. It is estimated that the cost of the Additional Rent will equal \$2,035 per month.

The lease was not renewed by the Authority subsequent to August 31, 2014

Castle Rock Downtown Development Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE F – COMMITMENTS - *continued*

*Retail Space Commercial Leases- continued*

*399 Perry Street, Suite 100*

In February 2012, the Authority entered into a lease for retail space associated with the operations of the Wedding District Fund. The lease commencement date was February 1, 2012 for a period of 36 months, terminating January 31, 2015. Under the terms of the lease, the lease requires monthly base lease payments as follows:

February 1, 2012 to January 31, 2013	\$	2,033
February 1, 2013 to January 31, 2014		2,106
February 1, 2014 to January 31, 2015		2,178

In addition to the base lease payment, the Authority shall pay in monthly installments, an “Additional Rent”, amount equal to the pro-rata share of the Lessor’s operating expenses as defined in the lease agreement. It is estimated that the cost of the Additional Rent will equal \$1,187 per month.

In addition, the Authority received a promissory note from the sublessee in the amount of \$14,244 as security for the payment of the additional rent for the first year of the sublease. The promissory note expired on January 31, 2013.

Based upon the stated monthly base lease rental payment and the estimated Additional Rent, the future minimum lease rental payments for both leases are as follows:

Year ended December 31,

2014	\$	84,290
2015		<u>3,365</u>
	\$	<u><u>87,655</u></u>

The future minimum lease rental payments may vary in future years depending on the actual Additional Rent.

*Subleases*

The Authority subsequently entered into subleases for the retail space for term equal to the primary lease. Under the terms of the subleases, the Sublessees shall pay to the Authority an annual lease rent of \$1 and the Additional Rent. The future minimum sublease rental payments are as follows:

For 2013, the Sublessees paid the Additional Rent directly to the respective Lessors.

Castle Rock Downtown Development Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE F – COMMITMENTS - *continued*

*Staff Services Agreement*

The Authority entered into an agreement with the Castle Rock Economic Development Council (“CREDC”) on September 1, 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 is for the period March 1, 2010 through December 31, 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. Assuming an annual appropriation and Authority Board of Director approval, the future minimum lease payments to be allocated to the Authority are as follows:

Year ended December 31,

2014	\$ <u>16,600</u>
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*Ice Rink Roof Lease*

In connection with the operation of the seasonal ice rink, the Authority entered into a lease agreement under which the Authority leased a 60’ x 112’ roof and related accessories located at the ice rink site. The lease commencement date was October 1, 2012 for a period of 24 months, terminating September 30, 2014. Under the terms of the lease, the monthly lease payment is \$3,613. At the conclusion of the lease period, the Authority has the option to purchase the structure and accessories for \$86,712.

The future minimum lease payments are as follows:

Year ended December 31,

2014	\$ <u>32,517</u>
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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, 2013

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 2013, the Authority received a matching grant in the amount of \$121,151. The agreement was extended for 2014 and the Authority received a matching grant in 2014 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. Notwithstanding the availability of TIF revenues, the advanced funds must be repaid, plus interest, to the Town no later than September 30, 2014.

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. As the rate cannot be determined until such time a payment is made, accrued interest is not reflected as of December 31, 2013.

The changes in the Mid-Block Agreement for the year ended December 31, 2012 are as follows:

<u>Balance December 31, 2012</u>	<u>Borrowings</u>	<u>Payments</u>	<u>Balance December 31, 2013</u>	<u>Due in One Year</u>
\$ 43,167	\$ -	\$ 25,000	\$ 18,167	\$ 18,167

*Rink at the Rock Loan Agreement*

In August 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 a public ice rink in the downtown area. All disbursements under the Loan Agreement were completed by September 30, 2013.

Castle Rock Downtown Development Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

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. If the loan amount is less than the \$300,000 maximum, the annual installment payments will be 10% of the amount drawn under the Loan Agreement. 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 shall be payable on December 30, 2014, with successive annual installments due each subsequent December 30.

The activity related to the Loan Agreement for the year ended December 31, 2012 is as follows:

<u>Balance December 31, 2012</u>	<u>Borrowings</u>	<u>Payments</u>	<u>Balance December 31, 2013</u>	<u>Due in One Year</u>
\$ <u>174,200</u>	\$ <u>85,994</u>	\$ <u>-</u>	\$ <u>260,194</u>	\$ <u>26,019</u>

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

Year ended December 31,

2014	\$ 26,019
2015	26,019
2016	26,019
2017	26,019
2018	26,019
2019 to 2023	<u>130,099</u>
	<u>\$ 260,194</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, 2013

NOTE I - CONCENTRATIONS

During 2013, the Authority derived 40% of its revenue from grants and donations, 24% of its revenue from real estate property taxes, personal property taxes and specific ownership taxes (auto registrations) and 16% of its revenue from borrowing 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.	\$	231,002
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		278,321
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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.	\$	82,400
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Governmental funds reflect the proceeds from borrowings as revenue. However, the borrowings are reflected as debt on the Statement of Net Position.		85,994
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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.		25,000
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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		28,990
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Castle Rock Downtown Development Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

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 September XX, 2014, which is the date the financial statements and accompanying footnotes were available for issuance.

- As discussed in NOTE F, the Authority did not renew the lease for the retail space at 611 North Wilcox Street. In addition, it is anticipated the lease for the retail space at 399 Perry Street will not be renewed upon maturity, January 31, 2015, and that the operation of the Wedding District Fund will be terminated in 2015.

*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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Other	<u>-</u>	<u>-</u>	<u>47</u>	<u>47</u>
Total revenues	-	-	47	47
Expenditures				
Debit service	<u>-</u>	<u>25,650</u>	<u>25,650</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>25,650</u>	<u>25,650</u>	<u>-</u>
Change in fund balance	<u>\$ -</u>	<u>\$(25,650)</u>	<u>(25,603)</u>	<u>\$ 47</u>
Fund balance				
Beginning of the year			<u>72,794</u>	
End of the year			<u>\$ 47,191</u>	