

Castle Rock Downtown Development Authority  
FINANCIAL STATEMENTS AND REPORT OF  
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
December 31, 2020

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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, 2020, which collectively comprise the Authority's 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, 2020, 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 elected to omit 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 information, although not part of the basic financial statements, is required by the Governmental 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 financial statements is not affected by this omitted information.

*Marc, James and Associates, PC*

Highlands Ranch, Colorado  
May 6, 2021

*FINANCIAL STATEMENTS*

Castle Rock Downtown Development Authority

GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET POSITION

December 31, 2020

	Governmental Funds			Adjustments	Statement of Net Position
	General	Rink at the Rock	Total		
<b>ASSETS</b>					
Cash and cash equivalents	\$ 515,948	\$ 126,916	\$ 642,864	\$ -	\$ 642,864
Property taxes receivable	175,858	-	175,858	-	175,858
Due from other funds	46,376	-	46,376	(46,376)	-
Prepaid expenses	-	15,884	15,884	-	15,884
Capital assets	-	-	-	92,618	92,618
<b>Total assets</b>	<b>\$ 738,182</b>	<b>\$ 142,800</b>	<b>\$ 880,982</b>	<b>46,242</b>	<b>927,224</b>
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ 1,675	\$ 1,675	\$ -	\$ 1,675
Accrued liabilities	20,756	12,242	32,998	-	32,998
Due to other funds	-	46,376	46,376	(46,376)	-
<b>Total liabilities</b>	<b>20,756</b>	<b>60,293</b>	<b>81,049</b>	<b>(46,376)</b>	<b>34,673</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Property taxes	175,858	-	175,858	-	175,858
Sponsorships	-	11,333	11,333	-	11,333
<b>Total deferred inflows of resources</b>	<b>175,858</b>	<b>11,333</b>	<b>187,191</b>	<b>-</b>	<b>187,191</b>
<b>FUND BALANCE</b>					
Nonspendable	-	15,884	15,884	(15,884)	-
Restricted	9,000	-	9,000	(9,000)	-
Committed	-	55,290	55,290	(55,290)	-
Unassigned	532,568	-	532,568	(532,568)	-
<b>Total fund balance</b>	<b>541,568</b>	<b>71,174</b>	<b>612,742</b>	<b>(612,742)</b>	<b>-</b>
<b>Total liabilities, deferred inflows of resources and fund balance</b>	<b>\$ 738,182</b>	<b>\$ 142,800</b>	<b>\$ 880,982</b>		
<b>NET POSITION</b>					
Investment in capital assets				92,618	92,618
Restricted				9,000	9,000
Unrestricted				603,742	603,742
<b>Total net position</b>				<b>\$ 705,360</b>	<b>\$ 705,360</b>

The accompanying notes are an integral part of the financial statements

Castle Rock Downtown Development Authority

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

Year ended December 31, 2020

	Governmental Funds			Adjustments	Statement of Activities
	General	Rink at the Rock	Total		
Expenditures/program expenses					
Operations					
Personnel	\$ 190,317	\$ -	\$ 190,317	\$ -	\$ 190,317
Administration	31,376	5,736	37,112	-	37,112
Professional services	13,481	-	13,481	-	13,481
Programs	44,344	116,573	160,917	(12,152)	148,765
Marketing	11,931	4,253	16,184	-	16,184
Occupancy	9,363	-	9,363	-	9,363
Depreciation	-	-	-	35,230	35,230
Capital outlay/small equipment	-	2,301	2,301	-	2,301
Total expenditures/ program expenses	300,812	128,863	429,675	23,078	452,753
Revenues					
Program revenues					
Charges for services	9,582	113,754	123,336	-	123,336
Sponsorships	-	18,970	18,970	-	18,970
Grants	178,226	-	178,226	-	178,226
Total program revenues	187,808	132,724	320,532	-	320,532
Net expenditures/program expenses	(113,004)	3,861	(109,143)	(23,078)	(132,221)
General revenues					
Property and other taxes	209,575	-	209,575	-	209,575
Other	513	15,000	15,513	-	15,513
Total general revenues	210,088	15,000	225,088	-	225,088
Change in fund balance	97,084	18,861	115,945	(115,945)	
Change in net position	-	-	-	92,867	92,867
Fund balance/net position					
Beginning of the year	444,484	52,313	496,797	115,696	612,493
End of the year	\$ 541,568	\$ 71,174	\$ 612,742	\$ 92,618	\$ 705,360

The accompanying notes are an integral part of the financial statements

Castle Rock Downtown Development Authority

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

Year ended December 31, 2020

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Property and other taxes	\$ 178,000	\$ 209,575	\$ 31,575
Grants	170,000	178,226	8,226
Charges for services	8,000	9,582	1,582
Other	-	513	513
	<u>356,000</u>	<u>397,896</u>	<u>41,896</u>
Total revenues	356,000	397,896	41,896
Expenditures			
Operations			
Personnel	230,000	190,317	(39,683)
Administration	25,000	31,376	6,376
Professional services	20,000	13,481	(6,519)
Programs	42,000	44,344	2,344
Marketing	6,500	11,931	5,431
Occupancy	9,000	9,363	363
Contingency	10,000	-	(10,000)
Capital outlay	10,000	-	(10,000)
	<u>352,500</u>	<u>300,812</u>	<u>(51,688)</u>
Total expenditures	352,500	300,812	(51,688)
Change in fund balance	<u>\$ 3,500</u>	97,084	<u>\$ 93,584</u>
Fund balance			
Beginning of the year		<u>444,484</u>	
End of the year		<u>\$ 541,568</u>	



Castle Rock Downtown Development Authority

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

Year ended December 31, 2020

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues</b>			
Admissions and rentals	\$ 125,000	\$ 113,754	\$ (11,246)
Sponsorships	30,000	18,970	(11,030)
Capital contribution - Tax Incremental Financing	<u>15,000</u>	<u>15,000</u>	<u>-</u>
Total revenues	170,000	147,724	(22,276)
<b>Expenditures</b>			
Operations			
Administration	500	5,736	5,236
Programs	175,000	116,573	(58,427)
Marketing	5,000	4,253	(747)
Capital outlay/small equipment	<u>5,000</u>	<u>2,301</u>	<u>(2,699)</u>
Total expenditures	<u>185,500</u>	<u>128,863</u>	<u>(56,637)</u>
Change in fund balance	<u>\$ (15,500)</u>	18,861	<u>\$ 34,361</u>
<b>Fund balance</b>			
Beginning of the year		<u>52,313</u>	
End of the year		<u>\$ 71,174</u>	

Castle Rock Downtown Development Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. *Reporting Entity*

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

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

2. *Financial Reporting Framework*

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

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 inter-fund activity has been eliminated from these statements. The Statement of Activities also demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and donations that may be restricted for meeting the operational or capital requirements of a given function or segment.

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

The major individual governmental funds are reported as separate columns in the governmental funds portion of the financial statements. As permitted under GASB No. 34, for 2020, the Authority considers all of the Authority’s funds to be major.

Castle Rock Downtown Development Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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

2. *Financial Reporting Framework - continued*

The Authority reports the following governmental funds:

For 2020, the Authority maintained two individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balance.

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

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

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

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.

Castle Rock Downtown Development Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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, 2020, 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, 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.

Castle Rock Downtown Development Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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

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 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 require a balanced budget. For 2020, the budget for the General Fund, the budgeted revenues exceeded budgeted expenditures by \$3,500. Also for 2020, the budget for the Rink at the Rock Fund, the budgeted expenditures exceeded budgeted revenue by \$15,500. 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, 2020, 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, 2020

NOTE D – CAPITAL ASSETS

The changes in the Authority’s capital assets for the year ended December 31, 2020 are as follows:

	Balance December 31, 2019	Additions	Disposals	Balance December 31, 2020
Capital assets				
Downtown improvements	\$ 112,379	\$ 12,152	\$ -	\$ 124,531
Ice rink site improvements	103,065	-	-	103,065
Ice rink equipment	146,563	-	-	146,563
Total	362,007	12,152	-	374,159
Accumulated depreciation				
Downtown improvements	(92,140)	(10,268)	-	(102,408)
Ice rink site improvements	(69,026)	(10,306)	-	(79,332)
Ice rink equipment	(85,145)	(14,656)	-	(99,801)
Total	(246,311)	(35,230)	-	(281,541)
Net capital assets	\$ 115,696	\$ (23,078)	\$ -	\$ 92,618

The depreciation expense for 2020 is considered to be all associated with the operation of the Authority and the Authority's programs and was allocated \$10,268 to the General Fund activities and \$24,962 to the Rink at the Rock Fund activities.

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, 2020

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, 2020 the Authority's governmental fund's 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	\$ -	\$ 15,884	\$ 15,884
Restricted			
TABOR reserve	9,000	-	9,000
Committed			
Residual balance	-	55,290	55,290
Unassigned	<u>532,568</u>	<u>-</u>	<u>532,568</u>
Total fund balance	\$ <u>541,568</u>	\$ <u>71,174</u>	\$ <u>612,742</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, 2020

NOTE F - COMMITMENTS

*Staff Services Agreement*

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

*Office Space*

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

Year ended <u>December 31,</u>		
2021	\$	20,212
2022		20,212
2023		20,567
2024		<u>18,853</u>
	\$	<u>78,844</u>

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

*Rink at the Rock Chiller Lease*

In 2019, the Authority entered into a three-year lease agreement 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-November through mid-February. The 2020/2021 and 2021/2022 season requires payments \$23,900 for each season.

*Rink at the Rock Premises Lease*

In 2012, the Authority entered into a lease for the premises upon which the Authority operates the seasonal ice skating rink. Under the terms of the lease, the Authority shall occupy the premises for the seasonal ice skating rink from November 1 of each year through the subsequent February of each year. The initial term of the lease is from September 1, 2012 through August 31, 2021, at an annual rental rate of \$1 per year.



Castle Rock Downtown Development Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE F - COMMITMENTS – *continued*

*Rink at the Rock Management Agreement*

In 2019, 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 30 days prior to June 1 of each year.

For the services provided under the Services Agreement, the contractor is to receive a base fee of \$13,000 pro-rated over the skating season, approximately November 15 to February 15. For each 1,000 skaters above 10,000, the contractor will receive an additional \$1,000.

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. The contractor shall receive an additional fee from the Authority of \$5,000 ("maintenance fee") for the skating season for repairs and maintenance. The maintenance fee is to be paid monthly for the skating season. The contractor shall keep any unspent maintenance fee at the end of skating season.

All personnel employed at the Rink are to be employees of the contractor. The Authority will reimburse the contractor for payroll expense up to \$40,000 in total for the skating season. As of December 31, 2020, the Authority has paid the contractor \$17,035 for the current season.

NOTE G – RELATED PARTY TRANSACTIONS

*Intergovernmental Agreements – Town of Castle Rock, Colorado*

*Board of Directors*

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

*Operational Funding*

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

Under the agreement for 2020, the Authority received a matching grant in the amount of \$178,226. The agreement was extended for 2021 and the Authority was awarded a matching grant in the amount \$175,858 in January 2021.

Castle Rock Downtown Development Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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 2020, the Authority derived 34% of its revenue from the grant from the Town, 39% of its revenue from real estate property taxes, personal property taxes and specific ownership taxes (auto registrations) and 21% of its revenue from admissions from the seasonal ice skating rink as reflected in the governmental fund financial statements. The remaining 6% is attributed to other program sources.

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– CORONAVIRUS PANDEMIC

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

COVID-19 has adversely affected the economies and financial markets of the United States, including Colorado, resulting in a world-wide economic downturn, operational closures, and social restrictions that has impacted some of the operations of the Authority.

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

Castle Rock Downtown Development Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE L – 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.	\$	92,618
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The Statement of Governmental Funds Revenues, Expenditures and Change in Fund Balance/Statement of Net Activities includes an adjustment column which reconciles the differences between the government-wide and fund financial statements as follows:

Depreciation expense on capital assets is reported in the Statement of Activities. However, it does not use current financial resources, as such, depreciation expense is not recorded as an expenditure in the governmental funds,	\$	35,230
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Capitalization of capital assets in 2020 reflected as expenditures in the governmental funds.		12,152
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NOTE M – 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 6, 2021 which is the date the financial statements and accompanying footnotes were available for issuance.

- In March 2021, the Authority entered into agreements to sell the seasonal ice rink improvements and equipment. Included in the agreements is the right of first refusal to repurchase the seasonal ice rink improvements and equipment by the Authority should the annual operation of the Rink at the Rock not be continued.