

CITY OF CASTLE PINES, COLORADO

FINANCIAL STATEMENTS

December 31, 2011

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	
Management's Discussion and Analysis	i - vi
Basic Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Balance Sheet - Governmental Fund	3
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund	4
Notes to Financial Statements	5 - 12
Required Supplementary Information	
Budgetary Comparison Schedule - General Fund	13
Notes to Required Supplementary Information	14
State Compliance	
Local Highway Finance Report	15 - 16



Honorable Mayor and Members of the City Council
City of Castle Pines
Castle Pines, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Castle Pines as of and for the year ended December 31, 2011, which collectively comprise the basic financial statements of the City of Castle Pines, as listed in the table of contents. These financial statements are the responsibility of the City of Castle Pines' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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 City of Castle Pines as of December 31, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Castle Pines' financial statements as a whole. The local highway finance report listed in the table of contents is presented for purposes of additional analysis as required by State of Colorado statutes and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain 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 local highway finance report is fairly stated in all material respects in relation to the financial statements as a whole.

Swanhorst & Company LLC

April 19, 2012



CITY OF CASTLE PINES **Management's Discussion and Analysis**

As management of the City of Castle Pines (City), we offer the readers of these financial statements this narrative overview and analysis of the financial activities of the City for the year ended December 31, 2011. We encourage readers to consider the information presented when reviewing the financial statements which begin on page 1.

FINANCIAL HIGHLIGHTS

- Total assets exceeded total liabilities by \$73,685,615 at the close of the fiscal year.
- As of the close of the current fiscal year, the City's governmental fund reported an ending fund balance of \$1,505,556.
- Total net assets increased by \$1,496,282 from 2010. This increase was primarily attributed to the contribution for improvements to Elk Ridge Park from the Castle Pines Parks Authority.
- Total cash at year end decreased by \$1,425,044 as compared to the year end of 2010. The majority of this decrease in cash related to the road rehabilitation work done on Castle Pines Parkway, Monarch Boulevard and Buffalo Trail.
- Sales and Use Tax revenue increased by \$147,121 as compared to the prior year.
- General Fund Expenditures increased by \$2,072,723 as compared with the prior year. A significant amount of this increase was related to the road rehabilitation work done on Castle Pines Parkway, Monarch Boulevard and Buffalo Trail.
- At the end of the current fiscal year, unassigned fund balance for the General Fund totaled \$1,301,495.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements identify functions of the City that are primarily supported by property, sales and use taxes (governmental activities). The governmental activities of the City include general government, public safety, public works, parks and recreation, and community development.

The government-wide financial statements can be found on pages 1 and 2 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the *governmental fund* and *governmental activities*.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund as supplementary information to demonstrate compliance with the budget.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 5-12 of this report.

Required supplementary information. A budgetary comparison schedule has been provided in this section for the General Fund to demonstrate compliance with the budget. Also included in this section are the notes to required supplementary information. The required supplementary information can be found after the *notes to financial statements* on pages 13 - 14 of this report.

Other supplementary information. Other supplementary information includes a local highway finance report required by State statute.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's assets related to governmental activities exceeded liabilities by \$73,685,615 at the close of the most recent fiscal year.

	Net Assets	
	<u>2011</u>	<u>2010</u>
Current assets	\$ 2,699,749	\$ 3,853,609
Other assets	309,544	253,398
Capital assets	<u>72,185,568</u>	<u>69,546,215</u>
Total assets	75,194,861	73,653,222
Current liabilities	1,503,737	1,193,974
Noncurrent liabilities	<u>5,509</u>	<u>269,915</u>
Total liabilities	1,509,246	1,463,889
Invested in capital assets	72,185,568	69,546,215
Restricted net assets	196,372	118,000
Unrestricted net assets	<u>1,303,675</u>	<u>2,525,118</u>
Total net assets	<u>\$ 73,685,615</u>	<u>\$ 72,189,333</u>

The largest portion of the City's net assets (98%) reflects its investment in capital assets, net of related debt. The City utilizes these capital assets to provide services to citizens. Consequently, these assets are *not* available for future spending.

An additional portion of the City's net assets (0.3%) represents resources that are subject to restrictions on how they can be used and are not currently available for the City's ongoing obligations (e.g., emergency TABOR reserve and funds reserved for Conservation Trust Fund eligible expenditures). The remaining balance of unrestricted net assets totaling \$1,303,675 may be used to meet the City's future expenditures.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets.

Change in Net Assets

	2011	2010
Revenue		
Program revenues		
Charges for services	\$ 289,503	\$ 245,844
Operating grants and contributions	691,060	607,059
Capital grants and contributions	5,323,196	350,000
General Revenues		
Sales and use (retail) taxes	1,692,587	1,545,466
Other taxes	753,394	745,509
Franchise fees	420,498	402,903
Other	6,510	5,924
Total Revenues	9,176,748	3,902,705
Expenses		
General government	968,765	1,037,052
Public Safety	753,394	736,828
Public Works	5,501,290	3,354,573
Parks and Recreation	201,858	350,000
Community Development	255,159	324,261
Total Expenses	7,680,466	5,802,714
Change in net assets	1,496,282	(1,900,009)
Net Assets - Beginning	72,189,333	74,089,342
Net assets - Ending	\$ 73,685,615	\$ 72,189,333

The City's net assets related to governmental activities increased by \$1,496,282 during the current fiscal year. This increase was primarily a result of the contribution of improvements to Elk Ridge Park by the Castle Pines Parks Authority.

FINANCIAL ANALYSIS OF THE CITY'S FUND

The following discussion now narrows the focus from City-wide activities to the City's governmental fund. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund

The City's only governmental fund is its general fund.

General Fund. The General Fund is currently the only fund of the City. At the end of 2011, the City's general fund reported ending fund balance of \$1,505,556, a decrease of \$1,137,562 in comparison with the prior year. The majority of this decrease, \$2,060,000 is due to the use of fund balance to rehabilitate portions of Castle Pines Parkway, Monarch Boulevard, and Buffalo Trail.

Approximately \$1,301,495 (86 percent) constitutes unrestricted, unassigned fund balance, which is available for spending at the City's discretion.

Nonspendable and restricted fund balance makes up the remaining fund balance. A total of \$196,372 is restricted to indicate funds that must be used for specific purposes including parks maintenance or improvements, and to establish emergency reserves as required by the State Constitution (amendment to Article X, Section 20).

GENERAL FUND BUDGETARY HIGHLIGHTS

In 2011, the General Fund's original budgeted expenditures of \$3,530,636 increased \$1,913,802 (54 percent) to a final amended budget of \$5,444,438. The increase is primarily due to appropriations necessary for the road rehabilitation work on portions of Castle Pines Parkway, Monarch Boulevard, and Buffalo Trail. A total of \$5,341,114 was actually spent.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City added \$5,338,521 (7 percent) in capital assets for its governmental-type activities for the current fiscal year. This investment in capital assets primarily consisted of a contribution from the Castle Pines Parks Authority of \$4,973,196 and a grant of \$350,000 for improvements at Elk Ridge Park.

Additional information on the City's capital assets can be found in Note 3 on pages 8 - 9 of this report.

Long-term Debt

At the end of 2011, the City's Long-term Debt consisted of \$5,509 for employee compensated absences. Full time employees are allowed to accumulate up to a maximum of 10 days of unused vacation time, which must be taken within the first three months of the following year.

NEXT YEAR'S BUDGET

For the 2012 budget, overall revenues were projected to decrease by \$295,693. This decrease reflects the end of grant payments of \$350,000 the City received in each year of 2010 and 2011 from Great Outdoors Colorado for Elk Ridge Park.

2012 expenditures have been budgeted down by \$1,954,705 when compared to the previous year. This decrease in expenditures is primarily due to the ending of the majority of road rehabilitation work.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Castle Pines' finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: City of Castle Pines, 7501 Village Square Drive, Suite 100, Castle Pines, CO 80108.

BASIC FINANCIAL STATEMENTS

CITY OF CASTLE PINES, COLORADO

STATEMENT OF NET ASSETS

December 31, 2011

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
Cash	\$ 1,374,802
Accounts Receivable	691,008
Property Taxes Receivable	626,250
Developer Receivable	309,544
Prepaid Expenses	7,689
Capital Assets, Not Being Depreciated	814,943
Capital Assets, Net of Accumulated Depreciation	<u>71,370,625</u>
TOTAL ASSETS	<u>75,194,861</u>
LIABILITIES	
Accounts Payable	539,485
Deferred Property Taxes	626,250
Escrow Deposits	23,630
Parks Authority Advance	314,372
Noncurrent Liabilities	
Due Within One Year	<u>5,509</u>
TOTAL LIABILITIES	<u>1,509,246</u>
NET ASSETS	
Invested in Capital Assets	72,185,568
Restricted for Emergencies	125,000
Restricted for Parks and Open Space	71,372
Unrestricted	<u>1,303,675</u>
TOTAL NET ASSETS	<u>\$ 73,685,615</u>

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

CITY OF CASTLE PINES, COLORADO

STATEMENT OF ACTIVITIES

Year Ended December 31, 2011

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
PRIMARY GOVERNMENT					
Governmental Activities					
General Government	\$ 968,765	\$ 25,551	\$ -	\$ -	\$ (943,214)
Public Safety	753,394	79,042	-	-	(674,352)
Public Works	5,501,290	184,910	644,422	-	(4,671,958)
Parks and Recreation	201,858	-	46,638	5,323,196	5,167,976
Community Development	255,159	-	-	-	(255,159)
Total Governmental Activities	\$ <u>7,680,466</u>	\$ <u>289,503</u>	\$ <u>691,060</u>	\$ <u>5,323,196</u>	<u>(1,376,707)</u>
GENERAL REVENUES					
Property Taxes					706,619
Specific Ownership Taxes					46,775
Sales Taxes					883,302
Use Taxes					809,285
Franchise Fees					420,498
Intergovernmental Revenues not Restricted to Specific Programs					<u>6,510</u>
TOTAL GENERAL REVENUES					<u>2,872,989</u>
CHANGE IN NET ASSETS					1,496,282
NET ASSETS, Beginning					<u>72,189,333</u>
NET ASSETS, Ending					\$ <u><u>73,685,615</u></u>

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

CITY OF CASTLE PINES, COLORADO

BALANCE SHEET
GOVERNMENTAL FUND
December 31, 2011

	<u>GENERAL</u>
ASSETS	
Cash	\$ 1,374,802
Accounts Receivable	691,008
Property Taxes Receivable	626,250
Developer Receivable	309,544
Prepaid Expenditures	7,689
TOTAL ASSETS	\$ 3,009,293
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	\$ 539,485
Deferred Property Taxes	626,250
Escrow Deposits	23,630
Parks Authority Advance	314,372
TOTAL LIABILITIES	1,503,737
FUND BALANCE	
Nonspendable Prepaid Expenditures	7,689
Restricted for Emergencies	125,000
Restricted for Parks and Open Space	71,372
Unrestricted, Unassigned	1,301,495
TOTAL FUND BALANCE	1,505,556
TOTAL LIABILITIES AND FUND BALANCE	\$ 3,009,293
 Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:	
Total Fund Balance of the Governmental Fund	\$ 1,505,556
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	72,185,568
Long-term liabilities, including accrued compensated absences, are not due and payable in the current year and, therefore, are not reported in governmental funds.	(5,509)
Total Net Assets of Governmental Activities	\$ 73,685,615

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

CITY OF CASTLE PINES, COLORADO

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND

Year Ended December 31, 2011

	<u>GENERAL</u>
REVENUES	
Taxes	\$ 2,445,981
Franchise Fees	420,498
Intergovernmental	1,047,570
Licenses and Permits	35,535
Charges For Services	174,926
Fines and Forfeitures	<u>79,042</u>
TOTAL REVENUES	<u>4,203,552</u>
EXPENDITURES	
General Government	975,715
Public Safety	753,394
Public Works	2,959,951
Parks and Recreation	398,561
Community Development	<u>253,493</u>
TOTAL EXPENDITURES	<u>5,341,114</u>
NET CHANGE IN FUND BALANCE	(1,137,562)
FUND BALANCE, Beginning	<u>2,643,118</u>
FUND BALANCE, Ending	<u>\$ 1,505,556</u>

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Net Change in Fund Balance of the Governmental Fund	\$ (1,137,562)
Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net assets and are allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which contributed capital \$4,973,196 and capital outlay \$365,325 exceeded depreciation expense (\$2,699,168) in the current year.	2,639,353
Some expenses reported in the statement of activities do not require the use of the current financial resources and, therefore, are not reported as expenditures in governmental funds. This amount represents the change in accrued compensated absences.	<u>(5,509)</u>
Change in Net Assets of Governmental Activities	<u>\$ 1,496,282</u>

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

CITY OF CASTLE PINES, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Castle Pines (the “City”) was incorporated on February 12, 2008, as a statutory municipality as defined in State statutes. The City is governed by a Mayor and six-member council elected by the residents.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (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 more significant of the City’s accounting policies are described below.

Reporting Entity

The financial reporting entity consists of the City, organizations for which the City is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the City. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the City. Legally separate organizations for which the City is financially accountable are considered part of the reporting entity. Financial accountability exists if the City appoints a voting majority of the organization’s governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens, on the City.

Based on the application of this criteria, the City does not include additional organizations within its reporting entity.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all activities of the City. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported in a single column.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. Internally dedicated resources are reported as general revenues rather than as program revenues.

Separate financial statements are provided for the governmental fund.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current year. Taxes and intergovernmental revenues associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the City. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

When both restricted and unrestricted resources are available for use, it is the City's practice to use restricted resources first, then unrestricted resources as they are needed.

In the fund financial statements, the City reports the following major governmental fund:

The *General Fund* is the City's primary operating fund. It is currently used to account for all financial activities of the City.

Assets, Liabilities and Net Assets/Fund Balance

Cash and Investments - Investments are reported at fair value.

Accounts Receivable - Receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Prepaid Expenses - Certain payments to vendors reflect costs applicable to future years and are reported as prepaid expenses.

Capital Assets - Capital assets, which include equipment, land, park improvements, and all infrastructure assets owned by the City, are reported in the government-wide financial statements. Infrastructure assets include streets, curbs and sidewalks, and drainage and traffic systems. Land and infrastructure assets were donated to the City by Douglas County upon the City's incorporation. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

CITY OF CASTLE PINES, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Assets/Fund Balance (Continued)

Capital assets are depreciated using the straight-line method over the following estimated useful lives.

Infrastructure	15 - 30 years
Park Improvements	20 years
Buildings and Improvements	20 - 30 years
Equipment	3 - 10 years
Vehicles	3 - 5 years

Deferred Revenues - Deferred revenues include property taxes earned but levied for a subsequent year.

Compensated Absences - Full time employees are allowed to accumulate up to a maximum of 10 days of unused vacation time, which must be used within the first three months of the subsequent year. Upon separation of employment, employees will be compensated for any unused vacation time. These compensated absences are recognized as current salary costs when paid in the governmental fund. A long-term liability has been reported in the government-wide financial statements for these accrued compensated absences.

Net Assets/Fund Balance - In the government-wide and fund financial statements, net assets and fund balance are restricted when constraints placed on the use of resources are externally imposed. The City has not established a formal policy for its use of restricted and unrestricted fund balance. However, if both restricted and unrestricted fund balances are available, the City uses restricted fund balance first.

Property Taxes

Property taxes attach as an enforceable lien on property on January 1, are levied the following December, and are collected in the subsequent year. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The County Treasurer's Office collects property taxes and remits to the City on a monthly basis.

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; or acts of God. The City maintains commercial insurance for these risks of loss.

CITY OF CASTLE PINES, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 2: CASH AND INVESTMENTS

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The financial institution is allowed to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

Investments

At December 31, 2011, the City had no investments. However, the City is required to comply with State statutes which specify investment instruments meeting defined rating, maturity, concentration and custodial risk criteria in which local governments may invest, which include the following. State statutes generally limit investments to an original maturity of five years unless the governing board authorizes the investment for an extended period of time.

- Obligations of the United States and certain U.S. agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Banker's acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011, is summarized below.

	<u>Balances</u> 12/31/10	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> 12/31/11
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 814,943	\$ -	\$ -	\$ 814,943
Total Capital Assets, Not Being Depreciated	<u>814,943</u>	<u>-</u>	<u>-</u>	<u>814,943</u>
Capital Assets, Being Depreciated				
Infrastructure	75,077,086	-	-	75,077,086
Park Improvements	-	4,528,345	-	4,528,345
Equipment	<u>8,005</u>	<u>810,176</u>	<u>-</u>	<u>818,181</u>
Total Capital Assets, Being Depreciated	<u>75,085,091</u>	<u>5,338,521</u>	<u>-</u>	<u>80,423,612</u>

CITY OF CASTLE PINES, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 3: CAPITAL ASSETS (Continued)

	Balances 12/31/10	Additions	Deletions	Balances 12/31/11
Less Accumulated Depreciation				
Infrastructure	(6,352,485)	(2,540,994)	-	(8,893,479)
Park Improvements	-	(113,209)	-	(113,209)
Equipment	(1,334)	(44,965)	-	(46,299)
Total Accumulated Depreciation	<u>(6,353,819)</u>	<u>(2,699,168)</u>	<u>-</u>	<u>(9,052,987)</u>
Total Capital Assets, Being Depreciated, Net	<u>68,731,272</u>	<u>2,639,353</u>	<u>-</u>	<u>71,370,625</u>
Governmental Activities Capital Assets, Net	<u>\$ 69,546,215</u>	<u>\$ 2,639,353</u>	<u>\$ -</u>	<u>\$ 72,185,568</u>

Depreciation expense was charged to the programs of the City as follows:

Governmental Activities	
General Government	\$ 5,222
Public Works	2,540,994
Parks and Recreation	<u>152,952</u>
Total	<u>\$ 2,699,168</u>

NOTE 4: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the year ended December 31, 2011.

	Balance 12/31/10	Additions	Payments	Balance 12/31/11	Due Within One Year
Governmental Activities					
Compensated Absences	<u>\$ -</u>	<u>\$ 5,509</u>	<u>\$ -</u>	<u>\$ 5,509</u>	<u>\$ 5,509</u>

Compensated absences will be liquidated with revenues of the General Fund.

NOTE 5: RETIREMENT COMMITMENTS

Defined Benefit Pension Plan

Plan Description - Effective January 1, 2011, the City contributes to the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension plan administered by PERA. The LGDTF provides retirement and disability, annual increases, and death benefits for members or their beneficiaries. All employees of the City are members of the LGDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS), as amended, assigns the authority to establish benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the LGDTF. That report may be obtained by contacting Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado, 80203, or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

NOTE 5: RETIREMENT COMMITMENTS (Continued)

Defined Benefit Pension Plan (Continued)

Funding Policy - The contribution requirements of Plan members and the City are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members was 8% of covered salaries. The City's contribution rate was 13.7% of covered salaries. A portion of the City's contribution (1.02% of covered salaries) was allocated to the Health Care Trust Fund (See Note 6). The City's contributions to the LGDTF for the year ended December 31, 2011, were \$32,964, equal to the required contributions.

Defined Contribution Pension Plan

Plan Description - Employees of the City that are also members of the LGDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the CRS, as amended, assigns the authority to establish the Plan provisions to the State Legislature. PERA issues a publicly available annual financial report for the Plan. That report may be obtained as described previously.

Funding Policy - The Plan is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the CRS, as amended. In addition, the City has agreed to match employee contributions up to 3% of covered salaries. For the year ended December 31, 2011, the City and Plan members contributed \$1,769 and \$4,890, respectively, to the Plan.

NOTE 6: POST-EMPLOYMENT HEALTHCARE BENEFITS

Plan Description - The City contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan administered by PERA. The HCTF provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained as described previously.

Funding Policy - The City is required to contribute at a rate of 1.02% of covered salaries for all PERA members as set by statute. No member contributions are required. The contribution requirements for the City are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contributions of the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. The City's apportionment to the HCTF for the year ended December 31, 2011, was \$2,454, equal to the required amount.

NOTE 7: COMMITMENTS AND CONTINGENCIES

Service Agreement

The City entered into a management services agreement with CH2M Hill, Inc., to assist in the implementation, management, and operation of a wide range of services, including administrative and financial services, public works, community development, tax collection, permits, code enforcement, inspection services, and purchasing and contracting. For the year ended December 31, 2011, the City paid \$418,778 under this agreement. The agreement was terminated effective June 30, 2011.

The Canyons Annexation and Development Agreement

During 2009, the City approved an annexation and development agreement with the developer of a planned development known as The Canyons. To defray the cost to the City of providing municipal services during the predevelopment phase and to the future development, the developer paid \$1,976,400 to the City during the year ended December 31, 2009.

As part of the agreement, the City agreed to grant future sales and use tax credits to retailers and building permit applicants within the development. The developer will collect public improvement fees in lieu of the sales and use taxes to finance the construction of infrastructure in the development.

Castle Pines North Metropolitan District

In February, 2010, the City Council agreed to proceed with the dissolution of the Castle Pines North Metropolitan District, which provides water, wastewater, storm drainage and parks maintenance to City residents. However, the application for dissolution was withdrawn in February, 2012.

Reimbursement and License Agreement

In October, 2009, the City entered into a reimbursement and license agreement with the Castle Pines Parks Authority (the "Parks Authority") and the developer of the Lagae Ranch subdivision (the "Developer") to complete grading activities on property adjacent to a public park. As part of the agreement, the Parks Authority advanced \$257,607 to the City, and the City completed the grading activities.

The Developer has agreed to reimburse the City for the grading costs. In addition, the Developer agreed to pay interest on any unpaid amounts at rates ranging from 4% to 18% per annum. When the City receives reimbursement from the Developer, the City shall remit such amounts to the Parks Authority. At December 31, 2011, a receivable and offsetting liability, including accrued interest, of \$309,544 was reported in the financial statements related to this agreement.

CITY OF CASTLE PINES, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 7: COMMITMENTS AND CONTINGENCIES (Continued)

Claims and Judgements

The City participates in state and local programs that are fully or partially funded by grants received from other governmental entities. Expenses financed by grants are subject to audit by the appropriate grantor government. If expenses are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. At December 31, 2011, significant amounts of grant expenses have not been audited, but the City believes that subsequent audits will not have a material effect on the overall financial position of the City.

Tabor Amendment

In November 1992, Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which limits state and local government taxing powers and imposes spending limitations.

Pursuant to the incorporation election held in November, 2007, any proceeds from sales and use taxes, property taxes, and the investment income thereon shall be retained, collected and spent by the City without regard to any spending, revenue-raising or other limitation contained in Article X, Section 20, without limiting in any year the amount of other revenue that may be collected and spent by the City. For the year ended December 31, 2011, the City has identified a potential refund of certain revenues, as stipulated by Article X, Section 20. However, the final outcome of this potential refund is not currently known.

The City has established an emergency reserve, representing 3% of qualifying expenditures, as required by the Amendment. At December 31, 2011, the emergency reserve of \$125,000 was reported as restricted fund balance in the General Fund.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CASTLE PINES, COLORADO

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended December 31, 2011

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Taxes	\$ 2,196,406	\$ 2,227,848	\$ 2,445,981	\$ 218,133
Franchise Fees	382,500	395,000	420,498	25,498
Intergovernmental	699,516	1,014,200	1,047,570	33,370
Licenses and Permits	83,500	33,500	35,535	2,035
Charges For Services	152,500	156,500	174,926	18,426
Fines and Forfeitures	19,800	45,000	79,042	34,042
TOTAL REVENUES	<u>3,534,222</u>	<u>3,872,048</u>	<u>4,203,552</u>	<u>331,504</u>
EXPENDITURES				
Current				
City Council	91,550	127,000	111,090	15,910
City Manager	176,000	170,000	162,558	7,442
General Operations	174,152	195,400	180,599	14,801
Legal Services	192,000	220,000	201,831	18,169
Finance	58,720	168,500	169,999	(1,499)
City Clerk	105,894	131,300	105,869	25,431
Municipal Court	26,000	36,000	43,769	(7,769)
Public Safety	746,112	746,112	753,394	(7,282)
Public Works	1,472,548	2,925,126	2,959,951	(34,825)
Parks and Recreation	104,072	400,000	398,561	1,439
Community Development	333,588	275,000	253,493	21,507
Utilities	50,000	-	-	-
Contingency	-	50,000	-	50,000
TOTAL EXPENDITURES	<u>3,530,636</u>	<u>5,444,438</u>	<u>5,341,114</u>	<u>103,324</u>
NET CHANGE IN FUND BALANCE	3,586	(1,572,390)	(1,137,562)	434,828
FUND BALANCE, Beginning	<u>-</u>	<u>2,643,118</u>	<u>2,643,118</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 3,586</u>	<u>\$ 1,070,728</u>	<u>\$ 1,505,556</u>	<u>\$ 434,828</u>

See the accompanying Independent Auditors' Report.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2011

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

State statutes require that all funds have legally adopted budgets and appropriations. Total expenditures may not exceed the amount appropriated at the fund level. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- Management submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to December 15, the budget is legally enacted through passage of a resolution.
- Revisions that alter the total expenditures of any fund must be approved by the City Council.
- All appropriations lapse at year end.

STATE COMPLIANCE

The public report burden for this information collection is estimated to average 380 hours annually.

LOCAL HIGHWAY FINANCE REPORT		City or County: City of Castle Pines
		YEAR ENDING : December 2011
This Information From The Records Of: City of Castle Pines		Prepared By: Dan Schmick, Director of Finance Phone: 303-705-0200

I. DISPOSITION OF HIGHWAY-USER REVENUES AVAILABLE FOR LOCAL GOVERNMENT EXPENDITURE

ITEM	A. Local Motor-Fuel Taxes	B. Local Motor-Vehicle Taxes	C. Receipts from State Highway-User Taxes	D. Receipts from Federal Highway Administration
1. Total receipts available				
2. Minus amount used for collection expenses				
3. Minus amount used for nonhighway purposes				
4. Minus amount used for mass transit				
5. Remainder used for highway purposes				

II. RECEIPTS FOR ROAD AND STREET PURPOSES		III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES	
ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	0
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	2,332,109
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	65,445
2. General fund appropriations	2,315,529	b. Snow and ice removal	277,899
3. Other local imposts (from page 2)	376,144	c. Other	
4. Miscellaneous local receipts (from page 2)	0	d. Total (a. through c.)	343,344
5. Transfers from toll facilities		4. General administration & miscellaneous	107,843
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	176,655
a. Bonds - Original Issues		6. Total (1 through 5)	2,959,951
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	2,691,673	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	268,278	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	
E. Total receipts (A.7 + B + C + D)	2,959,951	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	2,959,951

IV. LOCAL HIGHWAY DEBT STATUS
(Show all entries at par)

	Opening Debt	Amount Issued	Redemptions	Closing Debt
A. Bonds (Total)				0
1. Bonds (Refunding Portion)				
B. Notes (Total)				0

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
		2,959,951	2,959,951	0	0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT		STATE: Colorado	
		YEAR ENDING (mm/yy): December 2011	
II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL			
ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments	342,754	a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes		c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses	33,390	f. Charges for Services	
5. Specific Ownership &/or Other		g. Other Misc. Receipts	
6. Total (1. through 5.)	33,390	h. Other	
c. Total (a. + b.)	376,144	i. Total (a. through h.)	0
	(Carry forward to page 1)		(Carry forward to page 1)
III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL			
ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	268,278	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations		d. Federal Transit Admin	
d. Other (Specify)		e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	
f. Total (a. through e.)	0	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	268,278	3. Total (1. + 2.g)	
			(Carry forward to page 1)
		ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)
		TOTAL (c)	
A.1. Capital outlay:			
a. Right-Of-Way Costs			0
b. Engineering Costs			0
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation			0
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)		0	0
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)		0	0
			(Carry forward to page 1)
Notes and Comments:			