

City of Castle Pines, Colorado

Financial Statements and Independent Auditor's Report

December 31, 2014

Table of Contents

	Page
Independent Auditor's Report	I
Management's Discussion and Analysis	III-VII
Basic Financial Statements	
Statement of Net Position	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	5-15
Required Supplemental Information	
General Fund Schedule of Revenues, Expenditures and Changes in Fund Balances —Budget and Actual	16
Other Supplementary Information	
Local Highway Finance Report	17-18



**Haynie &
Company**

Certified Public Accountants (a professional corporation)

1221 West Mineral Ave, Ste. 202 Littleton, Colorado 80120-4544 (303) 734-4800 Fax (303) 795-3356

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the and the major fund of the City of Castle Pines, Colorado, as of and for the year ended December 31, 2014 and the related notes to the financial statements, which collectively comprise the City of Castle Pines, Colorado'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.

Auditor's Responsibility

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 involves 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies 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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the City of Castle Pines, Colorado, as of December 31, 2014 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as 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 required supplementary 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Castle Pines, Colorado's basic financial statements. The other supplementary information is presented for purposes of additional analysis, and is not a required part of the basic financial statements.

The other supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 information is fairly stated in all material respects in relation to the financial statements as a whole.



Littleton, Colorado
June 11, 2015



City of Castle Pines, Colorado Management's Discussion and Analysis December 31, 2014

The City of Castle Pines (City), offers readers of these financial statements an overview and analysis of the City's financial activities for the year ended December 31, 2014.

FINANCIAL HIGHLIGHTS

- Total assets exceeded total liabilities by \$69,273,190 at the close of the FY2014.
- At the close of FY2014, the City's governmental fund reported an ending fund balance of \$5,253,084.
- Total cash at year end increased by \$512,037 compared to FY2013.
- Sales and Use Tax revenue increased \$12,643 compared to the prior year.
- General Fund Expenditures increased \$406,640 compared with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund totaled \$4,886,908.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's financial statements. The City's financial statements are comprised of three primary 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 position* presents information on all City positions and liabilities, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as an indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing changes in the City's net position during the fiscal year. Changes in net position are reported when 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 certain 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. The City currently maintains one fund, the general fund.

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 required 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 as listed in the index 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 as listed in the index 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 position 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 \$68,881,190 at the close of the most recent fiscal year.

	Net Position	
	<u>2014</u>	<u>2013</u> <u>(as restated)</u>
Current assets	\$ 6,042,998	\$ 5,530,306
Other assets		
Capital assets	<u>64,020,106</u>	<u>66,882,748</u>
Total assets	70,063,104	72,413,054
Current liabilities	129,130	124,127
Noncurrent liabilities	<u>-</u>	<u>5,242</u>
Total liabilities	129,130	129,369
Deferred Inflows of Resources		
Property Taxes	<u>660,784</u>	<u>644,376</u>
Net investment in capital assets	64,020,106	66,882,748
Restricted net position	363,591	349,144
Unrestricted net position	<u>4,889,493</u>	<u>4,407,417</u>
Total net position	<u>\$ 69,273,190</u>	<u>\$ 71,639,309</u>

The largest portion of the City's net position (92%) 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 position (0.50%) 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 restricted for Conservation Trust Fund eligible expenditures). The remaining balance of unrestricted net position totaling \$4,889,493 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 position.

Change in Net Position

	2014	2013 (as restated)
Revenue		
Program revenues		
Charges for services	\$ 318,089	\$ 294,215
Operating grants and contributions	894,676	899,169
Capital grants and contributions		
General Revenues		
Sales and use (retail) taxes	1,917,789	1,905,146
Other taxes	699,510	670,492
Franchise fees	453,678	445,957
Other	23,470	1,185,394
Total Revenues	4,307,208	5,400,373
Expenses		
General Government	650,470	588,300
Public Safety	662,914	646,550
Public Works	4,542,940	3,914,096
Parks and Recreation	490,899	487,482
Community Development	326,108	247,377
Total Expenses	6,673,327	5,883,805
Change in net position	(2,366,119)	(483,432)
Net Position – Beginning	71,639,309	72,122,741
Net position - Ending	\$ 69,273,190	\$ 71,639,309

The City experienced a decrease in revenue of \$1,093,165 compared with the prior fiscal year due to additional development fees owed the City in 2013 that were not present in 2014.

The City's General Government expenditures increased by \$62,170 during the current fiscal year, due primarily to hiring a new City Manager and an increase in communications expense. The City saw an increase of \$628,844 in Public Works expenditures over the previous year as a result of additional road maintenance projects. Parks and Recreation decreased from prior year as the prior year expense included the purchase of a parcel of land to be deeded to Douglas County Libraries for a new library building.

FINANCIAL ANALYSIS OF THE CITY'S FUND

The following discussion 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 the General Fund. Significant changes between 2013 and 2014 are the same as described in Change in Net Position above.

At the end of 2014, the City's General Fund reported an ending fund balance of \$5,253,084, an increase of \$491,281 in comparison with the prior year.

\$4,886,908 (93.3%) constitutes unrestricted, unassigned fund balance, which is available for spending at the City's discretion.

Non-spendable and restricted fund balance makes up the remaining fund balance. A total of \$363,591 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). A total of \$2,585 is non-spendable as funds have been applied to prepaid expenses.

GENERAL FUND BUDGETARY HIGHLIGHTS

In 2014, the General Fund's original budgeted expenditures of \$4,101,865 increased by \$200,000 to a final amended budget of \$4,301,865. The increase is primarily due to the added road rehabilitation work.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

There were no capital asset additions for the current fiscal year.

Additional information on the City's capital assets can be found in Note 3 on pages as listed in the index of this report.

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 Position
December 31, 2014

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 5,003,847
Accounts receivable	376,876
Property taxes receivable	659,690
Prepaid expenses	2,585
Capital assets, not being depreciated	1,206,943
Capital assets, net of accumulated depreciation	<u>62,813,163</u>
Total assets	<u>70,063,104</u>
Liabilities	
Accounts payable	<u>129,130</u>
Total liabilities	<u>129,130</u>
Deferred Inflows of Resources	
Property tax revenue	654,484
License fees	<u>6,300</u>
Total deferred inflows of resources	<u>660,784</u>
Net Position	
Net investment in capital assets	64,020,106
Restricted for:	
Emergencies	129,480
Parks and open space	234,111
Unrestricted:	<u>4,889,493</u>
Total net position	<u>69,273,190</u>
Total liabilities, deferred inflow of resources, and net position	<u>\$ 70,063,104</u>

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

City of Castle Pines, Colorado
Statement of Activities
For the Year Ended December 31, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Primary government:				
Governmental activities:				
General government	\$ 650,470	\$ 24,703	\$ -	\$ (625,767)
Public safety	662,914	54,385	-	(608,529)
Public works	4,542,940	221,711	839,790	(3,481,439)
Parks and recreation	490,899	17,290	54,886	(418,723)
Community development	<u>326,108</u>	<u>-</u>	<u>-</u>	<u>(326,108)</u>
Total Governmental Activities	<u>6,673,331</u>	<u>318,089</u>	<u>894,676</u>	<u>(5,460,566)</u>
				\$ 641,787
				57,723
				968,376
				949,413
				453,678
				12,263
				<u>11,207</u>
				3,094,447
				<u>(2,366,119)</u>
				<u>71,639,309</u>
				<u>\$ 69,273,190</u>

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

City of Castle Pines, Colorado
Balance Sheet
Governmental Fund
December 31, 2014

	General
Assets	
Cash	\$ 5,003,847
Accounts receivable	376,876
Property tax receivable	659,690
Prepaid expenditures	2,585
Total assets	\$ 6,042,998
Liabilities, Deferred Inflows of Resources and Fund Balances	
Liabilities	
Accounts payable	129,130
Total Liabilities	129,130
Deferred Inflows of Resources	
Property taxes	654,484
License fees	6,300
Total deferred inflows of resources	660,784
Fund Balances	
Nonspendable:	
Prepaid expenses	2,585
Restricted:	
Emergency reserve	129,480
Parks and open space	234,111
Unassigned:	
General fund	4,886,908
Total Fund Balances	5,253,084
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 6,042,998

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance - governmental fund	\$ 5,253,084
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.	64,020,106
Net position of governmental activities	\$ 69,273,190

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

City of Castle Pines, Colorado
Statement of Revenues, Expenditures
and Changes in Fund Balance
For the Year Ended December 31, 2014

	General
Revenue:	
Taxes	\$ 2,617,299
Franchise fees	453,678
Licenses and permits	24,703
Charges for services	239,001
Fines and forfeitures	54,385
Intergovernmental	906,939
Sale of asset	20,000
Total Revenues	4,316,005
Expenditures:	
General government	653,157
Public safety	662,914
Public works	2,001,946
Parks and recreation	180,599
Community development	326,108
Total Expenditures	3,824,724
Net change in fund balance	491,281
Fund balances:	
Beginning of the year	4,761,803
End of the year	\$ 5,253,084
 Amounts reported for governmental activities in the statement of net position are different because:	
Net change in Fund Balance of Governmental Fund	491,281
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 position and are allocated over their estimated useful lives as annual depreciation expense in the statement of activities.	
Depreciation expense	(2,853,848)
Disposition of capital assets (net book value)	(8,794)
Some revenue/expenses reported in the statement of activities do not require the receipt/use of the current financial resources and, therefore, are not reported as revenues/expenses in governmental funds.	
Change in accrued compensated absences	5,242
Change in Net Position of Governmental Activities	\$ (2,366,119)

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

City of Castle Pines, Colorado

Notes to Financial Statements

December 31, 2014

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 position 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.

City of Castle Pines, Colorado
Notes to Financial Statements (continued)
December 31, 2014

1. Summary of Significant Accounting Policies (continued)

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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 Position/Fund Balance

Cash and Investments

Investments are reported at fair value.

City of Castle Pines, Colorado
Notes to Financial Statements (continued)
December 31, 2014

1. Summary of Significant Accounting Policies (continued)

Receivables

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

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

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

Deferred Inflows of Resources

Deferred inflows of resources include property taxes earned but levied for a subsequent year and license fees received but not yet earned.

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.

City of Castle Pines, Colorado
Notes to Financial Statements (continued)
December 31, 2014

1. Summary of Significant Accounting Policies (continued)

Net Position/Fund Balance

In the government-wide and fund financial statements, net position 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, when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the City considers restricted fund balances to have been spent first.

Fund Equity

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

- *Nonspendable fund balance*- The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact
- *Restricted fund balance* - The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.
- *Committed fund balance*- The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the City Council. The constraint may be removed or changed only through formal action of the City Council.
- *Assigned fund balance* - The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the City Council to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

City of Castle Pines, Colorado
Notes to Financial Statements (continued)
December 31, 2014

1. Summary of Significant Accounting Policies (continued)

- *Unassigned fund balance*- The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's policy to use the most restrictive classification 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; injuries to employees; and natural disasters. The City maintains commercial insurance for these risks of loss.

2. Cash and Investments

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is specified by the PDPA. PDPA allows the institution 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 as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The State Regulatory Commissions for banks and savings and loan associations are required by Statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City has a policy of limiting custodial credit risks by assuring that deposits are only made in eligible public depositories. As of December 31, 2014, none of the City's deposits are deemed to be exposed to custodial credit risk.

City of Castle Pines, Colorado
Notes to Financial Statements (continued)
December 31, 2014

2. Cash and Investments (continued)

The City's deposits as of December 31, 2014 are shown below.

Cash balances and investments:

	Bank Balance	Carrying Balance
Insured (FDIC)	\$ 1,012,243	\$ 1,002,226
Collateralized by securities held by the pledging financial institution's trust department or agent in the Town's name	4,004,621	4,004,621
Total cash and investments	\$ 5,016,864	\$ 5,003,847

The difference between the bank balance and carrying balance is \$10,017, which were outstanding items that had not cleared the banks as of December 31, 2014.

Investments - Colorado statutes specify in which instruments the local government may invest, which include:

1. Repurchase agreements in obligations of the United States;
2. Obligations of the United States or obligations unconditionally guaranteed by the United States;
3. General obligation or revenue bonds of any state, District of Columbia, US territory or any of their subdivisions, with certain limitations;
4. Bankers acceptance issued by a state or national bank, with certain limitations;
5. Commercial paper, with certain limitations;
6. Any obligation, certificate of participation or lease/purchase of the investing public entity;
7. Money market funds, with certain limitations, which invest in the types of securities listed above;
8. Guaranteed investment contracts, with other certain limitations;
9. Participation with other local governments in pooled investment funds (trusts). These trusts are supervised by participating governments, and must comply with the same restrictions on cash deposits and investments. These trusts are "Colotrust" and "CSAFE".

City of Castle Pines, Colorado
Notes to Financial Statements (continued)
December 31, 2014

2. Cash and Investments (continued)

At December 31, 2014, the District had the following investments:

<u>Investment</u>	<u>Rating</u>	<u>Investment Maturities</u> <u>(in Years)</u>		<u>Total</u>
		<u>Less than 1</u>	<u>1 to Less than 5</u>	
Money Market		<u>\$ 4,004,621</u>	<u>-</u>	<u>\$ 4,004,621</u>
		<u>\$ 4,004,621</u>	<u>\$ -</u>	<u>\$ 4,004,621</u>

3. Capital Assets

An analysis of the changes in net capital asset for the year ended December 31, 2014 follows:

	<u>December 31,</u> <u>2013</u>	<u>Additions</u>	<u>Retirements</u> <u>/Transfers</u>	<u>December 31,</u> <u>2014</u>
Capital assets, not being depreciated:				
Land	<u>\$ 1,206,943</u>	<u>-</u>	<u>-</u>	<u>\$ 1,206,943</u>
Total capital assets, not being depreciated	<u>1,206,943</u>	<u>-</u>	<u>-</u>	<u>1,206,943</u>
Capital assets, being depreciated:				
Infrastructure	<u>75,077,186</u>	<u>-</u>	<u>-</u>	<u>75,077,086</u>
Park improvements	<u>4,528,345</u>	<u>-</u>	<u>-</u>	<u>4,528,345</u>
Vehicles and equipment	<u>840,169</u>	<u>-</u>	<u>(21,988)</u>	<u>818,181</u>
Total capital assets, being depreciated	<u>80,445,600</u>	<u>-</u>	<u>(21,988)</u>	<u>80,423,612</u>
Less accumulated depreciation for:				
Infrastructure	<u>(13,975,467)</u>	<u>(2,540,994)</u>	<u>-</u>	<u>(16,516,461)</u>
Park improvements	<u>(566,043)</u>	<u>(226,417)</u>	<u>-</u>	<u>(792,460)</u>
Vehicles and equipment	<u>(228,285)</u>	<u>(86,437)</u>	<u>13,194</u>	<u>(301,528)</u>
Total accumulated depreciation	<u>(14,769,795)</u>	<u>(2,853,848)</u>	<u>13,194</u>	<u>(17,610,449)</u>
Total capital assets, being depreciated, net	<u>65,675,805</u>	<u>(2,853,848)</u>	<u>(21,988)</u>	<u>62,813,163</u>
Total capital assets, net	<u>\$ 66,882,748</u>	<u>\$ (2,853,848)</u>	<u>\$ (8,794)</u>	<u>\$ 64,020,106</u>

City of Castle Pines, Colorado
Notes to Financial Statements (continued)
December 31, 2014

3. Capital Assets (continued)

Depreciation expense for the year ended December 31, 2014 was charged to the following programs of the City:

General Government	\$ 2,554
Public Works	2,540,994
Parks and Recreation	<u>310,300</u>
Total	<u><u>2,853,848</u></u>

4. Retirement Commitments

Defined Benefit Pension Plan

Plan Description

The City contributes to the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (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).

Funding Policy

The contribution requirements of members and the City are established under Title 24, Article 51, Part 4 of the CRS, as amended. The City's contribution rate for the years ended December 31, 2014 was 13.7% of covered salaries. The contribution rate for members was 8% 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 contribution to the LGDTF for the year ended December 31, 2014 was \$48,389, equal to the required contribution.

City of Castle Pines, Colorado
Notes to Financial Statements (continued)
December 31, 2014

4. Retirement Commitments (continued)

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, 2014, the City and Plan members contributed \$16,687 and \$6,487, respectively, to the Plan.

5. 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, 2014 was \$3,603, equal to the required amount.

City of Castle Pines, Colorado
Notes to Financial Statements (continued)
December 31, 2014

6. Commitments and Contingencies

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, and an additional \$1,000,000 during the year ended December 31, 2013.

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.

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, 2014, the City believes that any 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.

In November, 2012, voters within the City authorized the City to retain and spend City revenues derived from any and all sources in excess of the spending or other limitations set forth in Article X, Section 20, beginning with revenues received in 2011. The Amendment is subject to many interpretations, but the City believes it is in substantial compliance with the Amendment.

City of Castle Pines, Colorado
Notes to Financial Statements (continued)
December 31, 2014

6. Commitments and Contingencies (continued)

The City has established an emergency reserve, representing 3% of qualifying expenditures, as required by the Amendment. At December 31, 2014, the emergency reserve of \$114,742 was reported as restricted fund balance in the General Fund.

Operating Leases

The Company leases its office under an operating lease. The original lease was dated May 15, 2011 and ended on May 31, 2014, requiring monthly payments of \$4,510. The \$4,510 includes an operating expense portion that is variable each month dependent on actual operating expenses (i.e. real property taxes, supplies, utilities, landscaping, maintenance and repairs). The current lease extension, dated June 1, 2014 and expiring December 31, 2015, contains the same terms as the original lease agreement. The Company made lease payments of \$50,812 during the year ended December 31, 2014.

The Company also leases copier equipment under an operating lease that expires January 21, 2017. Rent expense under this lease totaled \$3,571 during 2014.

At December 31, 2014, the minimum lease payments under the terms of all lease agreements were as follows:

2015	\$ 8,081
2016	3,571
2017	<u>298</u>
	<u>\$11,950</u>

7. Prior-Period Restatement

During the prior year, management intended to convey land to a district and recorded this conveyance in the 2013 financial statements. Since this land was not conveyed during 2014, the beginning net position as of January 1, 2014 was restated to correct this. Additionally, certain miscellaneous items were recognized in the prior year which should have been recognized in the current year. These restatements only affected the Statement of Net Position. The restatement is summarized as follows:

Beginning net position, as originally stated	\$ 71,247,309
Adjustment for land	<u>392,000</u>
Beginning net position, as restated	<u>\$ 71,639,309</u>

City of Castle Pines, Colorado

Required Supplementary Information

City of Castle Pines, Colorado
General Fund
Schedule of Revenues, Expenditures
and Changes in Fund Balances—Budget and Actual
For the Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues				
Taxes	\$ 2,448,499	\$ 2,448,499	\$ 2,617,299	\$ 168,800
Franchise fees	431,118	431,118	453,678	22,560
Licenses and permits	21,533	21,533	24,703	3,170
Intergovernmental	841,257	841,257	906,939	65,682
Charges for services	379,706	379,706	239,001	(140,705)
Fines and forfeitures	72,000	72,000	54,385	(17,615)
Sale of asset	-	-	20,000	20,000
	<u>4,194,113</u>	<u>4,194,113</u>	<u>4,316,005</u>	<u>121,892</u>
Total Revenues				
Expenditures				
City council	104,610	104,610	77,571	27,039
City manager	154,703	154,703	147,639	7,064
General operations	163,246	163,246	157,735	5,511
Legal services	98,000	98,000	91,295	6,705
Finance	64,128	64,128	49,726	14,402
City clerk	118,117	118,117	97,844	20,273
Municipal court	32,050	32,050	31,347	703
Public safety	657,376	657,376	662,914	(5,538)
Public works	2,004,716	2,204,716	2,001,946	202,770
Parks and recreation	234,110	234,110	180,599	53,511
Community development	344,986	344,986	326,108	18,878
Contingency	125,823	125,823	-	125,823
	<u>4,101,865</u>	<u>4,301,865</u>	<u>3,824,724</u>	<u>477,141</u>
Total Expenditures				
Net Change in Fund Balance	92,248	(107,752)	491,281	599,033
Fund Balance, Beginning of Year	<u>3,790,121</u>	<u>3,790,121</u>	<u>4,761,803</u>	<u>971,682</u>
Fund Balance, End of Year	<u>\$ 3,882,369</u>	<u>\$ 3,682,369</u>	<u>\$ 5,253,084</u>	<u>\$ 1,570,715</u>

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

City of Castle Pines, Colorado

Other Supplementary Information

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 2014

This Information From The Records Of : City of Castle Pines

Prepared By: Jan Ferrell, Deputy City Treasurer
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:	1,528,166
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	35,206
2. General fund appropriations	1,322,995	b. Snow and ice removal	292,226
3. Other local imposts (from page 2)	519,487	c. Other	
4. Miscellaneous local receipts (from page 2)	0	d. Total (a. through c.)	327,432
5. Transfers from toll facilities		4. General administration & miscellaneous	146,348
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	160,838
a. Bonds - Original Issues		6. Total (1 through 5)	2,162,784
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)	1,842,482	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	320,302	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	
E. Total receipts (A.7 + B + C + D)	2,162,784	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)	
			2,162,784

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
	2,162,784	2,162,784		0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT		STATE: Colorado	
		YEAR ENDING (mm/yy): December 2014	
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	519,487	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		f. Charges for Services	
5. Specific Ownership &/or Other		g. Other Misc. Receipts	
6. Total (1. through 5.)	0	h. Other	
c. Total (a. + b.)	519,487	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	284,265	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	36,037	d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant		e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	
f. Total (a. through e.)	36,037	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	320,302	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:			