

EATON AREA PARK AND RECREATION DISTRICT
Eaton, Colorado

FINANCIAL STATEMENTS
DECEMBER 31, 2016



RECEIVED

By the Office of the State Auditor at 1:13 pm, Aug 01, 2017

Table of Contents

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	I
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements	
Statement of Net Position – Governmental Activities	1
Statement of Activities – Governmental Activities	2
Fund Financial Statements	
Balance Sheet – Governmental Funds	3
Statement of Revenues, Expenditures and Changes In Fund Balances (Deficits) – Governmental Funds	4
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits) of Governmental Funds to the Statement of Activities	5
Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit) – Budget and Actual - General Fund	6
Notes to Financial Statements	7
SUPPLEMENTAL INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Debt Service Fund	19
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Capital Projects Fund	20
OTHER INFORMATION	
Summary of Assessed Valuation, Mill Levy and Property Taxes Collected	21
Schedule of Debt Service Requirements to Maturity	22



SCHILLING & COMPANY, INC.

Certified Public Accountants

P.O. Box 631579
HIGHLANDS RANCH, CO 80163

PHONE: 720.348.1086
FAX: 720.348.2920

Independent Auditor's Report

Board of Directors
Eaton Area Park and Recreation District
Eaton, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Eaton Area Park and Recreation District (District) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 each major fund of Eaton Area Park and Recreation District, as of December 31, 2016, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplemental 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

The other information listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

SCHILLING & COMPANY, INC.

Highlands Ranch, Colorado
July 19, 2017

BASIC FINANCIAL STATEMENTS

**EATON AREA PARK AND RECREATION DISTRICT
STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
December 31, 2016**

ASSETS

Cash and investments - unrestricted	\$ 1,124,569
Cash and investments - restricted	10,840,341
Cash with County Treasurer	13,635
Interest receivable	27,435
Property tax receivable	2,891,529
Capital assets, not being depreciated	<u>16,487,628</u>
Total assets	<u>31,385,137</u>

LIABILITIES

Accounts payable	1,813,845
Retainage payable	795,772
Accrued interest payable	105,038
Bonds payable:	
Due within one year	664,010
Due in more than one year	<u>23,895,405</u>
Total liabilities	<u>27,274,070</u>

DEFERRED INFLOWS OF RESOURCES

Property tax revenue	<u>2,891,529</u>
Total deferred inflows of resources	<u>2,891,529</u>

NET POSITION

Restricted for emergencies	37,000
Restricted for debt service	810,895
Unrestricted	<u>371,643</u>
Total net position	<u>\$ 1,219,538</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**EATON AREA PARK AND RECREATION DISTRICT
STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
Year Ended December 31, 2016**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General government	\$ 107,072	\$ -	\$ -	\$ 120,236	\$ 13,164
Interest and fiscal charges	1,222,707	-	-	-	(1,222,707)
	<u>\$ 1,329,779</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120,236</u>	<u>(1,209,543)</u>
General revenues:					
					2,923,109
					168,508
					185,389
					720
				Total general revenues	<u>3,277,726</u>
				Special item - contributed land	<u>101,130</u>
				Change in net position	2,169,313
				Net position - Beginning	<u>(949,775)</u>
				Net position - Ending	<u>\$ 1,219,538</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**EATON AREA PARK AND RECREATION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments - unrestricted	\$ 1,124,569	\$ -	\$ -	\$ 1,124,569
Cash and investments - restricted	-	915,978	9,924,363	10,840,341
Cash with County Treasurer	13,635	-	-	13,635
Interest receivable	-	-	27,435	27,435
Property tax receivable	1,026,214	1,865,315	-	2,891,529
TOTAL ASSETS	<u>\$ 2,164,418</u>	<u>\$ 2,781,293</u>	<u>\$ 9,951,798</u>	<u>\$ 14,897,509</u>
LIABILITIES				
Accounts payable	\$ 3,601	\$ 45	\$ 1,810,199	\$ 1,813,845
Retainage payable	-	-	795,772	795,772
Total liabilities	<u>3,601</u>	<u>45</u>	<u>2,605,971</u>	<u>2,609,617</u>
DEFERRED INFLOWS OF RESOURCES				
Property tax revenue	1,026,214	1,865,315	-	2,891,529
Total deferred inflows of resources	<u>1,026,214</u>	<u>1,865,315</u>	<u>-</u>	<u>2,891,529</u>
FUND BALANCES				
Restricted for emergencies	37,000	-	-	37,000
Restricted for debt service	-	915,933	-	915,933
Restricted for capital projects	-	-	7,345,827	7,345,827
Unassigned	1,097,603	-	-	1,097,603
Total fund balances	<u>1,134,603</u>	<u>915,933</u>	<u>7,345,827</u>	<u>9,396,363</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)	<u>\$ 2,164,418</u>	<u>\$ 2,781,293</u>	<u>\$ 9,951,798</u>	

Amounts reported for governmental activities in the Statement of Net Position are different because:

Some long-term assets used in governmental activities are not financial resources and, therefore, are not reported in the Balance Sheet - Governmental Funds.
Capital assets

16,487,628

Some liabilities, including bonds payable, bond premiums and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the Balance Sheet - Governmental Funds.

Bonds payable
Bond premium, net of accumulated amortization
Accrued interest payable - bonds

(23,765,000)
(794,415)
(105,038)
(24,664,453)

Net position of governmental activities

\$ 1,219,538

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**EATON AREA PARK AND RECREATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES (DEFICITS) - GOVERNMENTAL FUNDS
Year Ended December 31, 2016**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES				
Property tax revenue	\$ 1,053,460	\$ 1,869,649	\$ -	\$ 2,923,109
Specific ownership taxes	168,508	-	-	168,508
Net investment income	256	5,056	180,077	185,389
Reimbursements	-	-	98,863	98,863
Brick fundraiser	-	-	11,373	11,373
Grant proceeds	-	-	10,000	10,000
Other	-	-	720	720
Total revenues	<u>1,222,224</u>	<u>1,874,705</u>	<u>301,033</u>	<u>3,397,962</u>
EXPENDITURES				
Current				
Accounting	1,080	-	-	1,080
Advertising	1,670	-	-	1,670
Audit	-	3,200	-	3,200
Election	331	-	-	331
Grant writing	14,580	-	-	14,580
Land expense	10,576	-	-	10,576
Legal	5,457	-	-	5,457
Office expense	3,285	-	-	3,285
Travel	571	-	-	571
County Treasurer's fees	15,839	28,109	-	43,948
Repay Town of Eaton	22,374	-	-	22,374
Debt service				
Bond interest	-	1,283,650	-	1,283,650
Bond principal	-	580,000	-	580,000
Capital outlay	-	-	15,628,759	15,628,759
Total expenditures	<u>75,763</u>	<u>1,894,959</u>	<u>15,628,759</u>	<u>17,599,481</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>1,146,461</u>	<u>(20,254)</u>	<u>(15,327,726)</u>	<u>(14,201,519)</u>
OTHER FINANCING SOURCES (USES)				
Transfer to Capital Projects Fund	-	(22)	-	(22)
Transfer from Debt Service Fund	-	-	22	22
Total other financing sources (uses)	<u>-</u>	<u>(22)</u>	<u>22</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	1,146,461	(20,276)	(15,327,704)	(14,201,519)
FUND BALANCES (DEFICITS) - BEGINNING OF YEAR	(11,858)	936,209	22,673,531	23,597,882
FUND BALANCES - END OF YEAR	<u>\$ 1,134,603</u>	<u>\$ 915,933</u>	<u>\$ 7,345,827</u>	<u>\$ 9,396,363</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**EATON AREA PARK AND RECREATION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICITS) OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2016**

A reconciliation reflecting the differences between the governmental funds net change in fund balances and change in net position reported for governmental activities in the Statement of Activities as follows:

Net change in fund balances - Total governmental funds	<u>\$ (14,201,519)</u>
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>	
Capital outlay	15,628,759
Contribution of land	<u>101,130</u>
	<u>15,729,889</u>
<p>Long-term debt (e.g. bonds, developer advances) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. These amounts represent these differences in the treatment of long-term debt and related items.</p>	
Payment of principal	<u>580,000</u>
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
Change in accrued interest payable - bonds	1,933
Amortization of bond premium	<u>59,010</u>
	<u>60,943</u>
Change in net position - Governmental activities	<u><u>\$ 2,169,313</u></u>

These financial statements should be read only in connection with the accompanying notes to financial statements.

**EATON AREA PARK AND RECREATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE (DEFICIT) - BUDGET AND ACTUAL
GENERAL FUND**

Year Ended December 31, 2016

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES				
Property tax	\$ 1,026,214	\$ 1,026,214	\$ 1,053,460	\$ 27,246
Specific ownership taxes	250,000	250,000	168,508	(81,492)
Net investment income	-	-	256	256
Total Revenues	<u>1,276,214</u>	<u>1,276,214</u>	<u>1,222,224</u>	<u>(53,990)</u>
EXPENDITURES				
Accounting	1,080	1,080	1,080	-
Advertising	1,670	1,670	1,670	-
Election	331	331	331	-
Grant writing	14,580	14,580	14,580	-
Land expense	-	10,576	10,576	-
Legal	5,457	5,457	5,457	-
Office expense	3,285	3,285	3,285	-
Travel	571	571	571	-
County Treasurer's fees	3,026	15,839	15,839	-
Repay Town of Eaton	20,000	20,000	22,374	(2,374)
Contingency	-	26,611	-	26,611
Total Expenditures	<u>50,000</u>	<u>100,000</u>	<u>75,763</u>	<u>24,237</u>
NET CHANGE IN FUND BALANCE	1,226,214	1,176,214	1,146,461	(29,753)
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	(11,858)	(11,858)	(11,858)	-
FUND BALANCE - END OF YEAR	<u>\$ 1,214,356</u>	<u>\$ 1,164,356</u>	<u>\$ 1,134,603</u>	<u>\$ (29,753)</u>

These financial statements should be read only in connection with the
accompanying notes to financial statements.

**EATON AREA PARK AND RECREATION DISTRICT
NOTES TO FINANACIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 – DEFINITION OF REPORTING ENTITY

Eaton Area Park and Recreation District (District), a quasi-municipal corporation, is governed pursuant to the provisions of the Colorado Special District Act. The District's service area is located in Weld County, Colorado. The District was established on November 28, 2014 to construct, maintain and operate park and recreation facilities.

The District has no employees and all operations and administrative functions are performed by the Board of Directors.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the District are described as follows:

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of net position reports all financial and capital resources of the District, the difference between the assets and liabilities of the District being reported as net assets.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a 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.

**EATON AREA PARK AND RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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 a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and redemption of bonds and notes are recorded as a reduction in liabilities.

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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major source of revenue susceptible to accrual is taxes. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation paid. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the District.

The Capital Projects Fund accounts for the resources to be used for the acquisition and construction of capital equipment and facilities.

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

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

The District approved the budget in anticipation of all activity being recorded in a General Fund. However, during the preparation of these financial statements, it was determined that a Debt Service and Capital Projects Fund would be more appropriate.

**EATON AREA PARK AND RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Original budgeted appropriations have been presented in the various funds as follows:

General Fund	\$ 50,000
Debt Service Fund	1,863,638
Capital Projects Fund	<u>15,000,000</u>
	<u>\$ 16,913,638</u>

The District amended its annual budget by fund for the year ended December 31, 2016.

The District's actual expenditures exceeded the budgeted appropriations in the Capital Projects Fund by \$1,628,759 which may be a violation of State Budget Law.

Pooled Cash and Investments

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each funds' average equity balance in total cash.

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 30 or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows of resources in the year they are levied and measurable. The deferred property tax revenues are recorded as revenue in the year they are available or collected.

Capital Assets

Capital assets, which include construction in progress are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. 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 the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Any

**EATON AREA PARK AND RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

construction in process that will be dedicated to another entity is not depreciated. At December 31, 2016, the District had no depreciable assets as all assets were still under construction.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. Deferred inflows of resources reported in the governmental funds for unavailable revenues are property taxes levied for the ensuing year.

Debt Issue Costs and Original Issue Discount/Premium

In the government-wide financial statements, debt premiums are deferred and amortized over the life of the debt using the effective interest method, with the unamortized amount included as a component of the debt. Debt issuance costs are treated as a period cost and expensed in the year incurred.

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balances – Governmental Funds

Fund balance for governmental funds are reported in the categories listed below to make the nature and extent of the constraints placed on a government's fund balances more transparent. 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 amount of fund balance that is not in spendable form (such as inventory or prepaids) or is legally or contractually required to be maintained intact.

Restricted fund balance—the amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance—amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.

**EATON AREA PARK AND RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Assigned fund balance—amounts the District intends to use for a specific purpose. Intent can be expressed by the District Board of Directors or by an official or body to which the District Board of Directors delegates the authority.

Unassigned fund balance—amounts that are available for any purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District Board of Directors has provided otherwise in its commitment or assignment actions.

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2016 are classified in the accompanying financial statements as follows:

Cash and investments - unrestricted	\$ 1,124,569
Cash and investments - restricted	10,840,341
	\$ 11,964,910

Cash and investments as of December 31, 2016 consist of the following:

Deposits with financial institutions	\$ 1,121,120
Investments	10,843,790
	\$ 11,964,910

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 determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by Statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2016, the District's cash deposits had a bank balance and carrying balance of \$1,121,120.

Investments

The District has adopted a formal investment policy by which it follows state statutes regarding investments.

**EATON AREA PARK AND RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

The District follows Colorado State Statutes which specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

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

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

At December 31, 2016, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Money Market Mutual Fund	Weighted average under 60 days	\$ 99,583
COLOTRUST	Weighted average under 60 days	1,332,911
U.S. Government agency securities	Less than 2 years	9,411,296
		<u><u>\$ 10,843,790</u></u>

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. At December 31, 2016, the District's holdings of U.S. Government agency securities were rated AA+ by Standard and Poor's and AAA by Moody's.

Money Market Mutual Fund

As of December 31, 2016, the District was invested in the Cavanal Hill U.S. Treasury Fund which is a money market mutual fund that invests primarily in U.S. Treasury bills, notes and securities backed by the full faith and credit of the U.S. Government, some of which may be subject to repurchase agreements. Repurchase agreements are collateralized by U.S. Government obligations. The Cavanal Hill Cash Management Fund rated AAAM by Standard & Poor's

**EATON AREA PARK AND RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

COLOTRUST

At December 31, 2016, the District has invested in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreement collateralized by certain obligations of the U.S. government agencies. COLOTRUST is rated AAAM by Standard and Poor's.

Investment Valuation

The District has certain investments which are measured at fair value on a recurring basis are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The fair value measurements of the District's investments are as follows at December 31, 2016:

<u>Investments</u>	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
COLOTRUST	\$ 1,332,911	\$ -	\$ 1,332,911	\$ -
U.S. Agency Obligations	9,411,296	9,411,296	-	-
	<u>\$10,744,207</u>	<u>\$ 9,411,296</u>	<u>\$ 1,332,911</u>	<u>\$ -</u>

The Cavanal Hill U.S. Treasury Fund is not measured at fair value and is therefore not categorized within the fair value hierarchy. This investments are recorded at amortized cost. The District is permitted in certain circumstances to establish the fair value of an investment that does not have a readily determinable fair value by using the net asset value per share (or its equivalent) of the investment.

Concentration of Credit Risk

The District does not have a policy that addresses limitations on the amount that can be invested in any one issuer. Governmental Accounting Standards Board Statement No. 40 *Deposit and Investment Risk Disclosures* require the District to disclose investments in single issuers that exceed five percent (5%) of the District's entire investment portfolio.

**EATON AREA PARK AND RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

At December 31, 2016, the District had the following investments that are required to be disclosed:

<u>Investment Type</u>	<u>2016 Fair Value</u>	<u>Percent of Total Portfolio</u>
Money Market Mutual Fund	\$ 99,583	Not subject to disclosure
COLOTRUST	1,332,911	Not subject to disclosure
Fannie Mae Notes	1,924,808	17.75%
Federal Home Loan Mortgage Corp.	2,841,580	26.20%
Federal Farm Credit Bank	1,475,215	13.60%
Federal Home Loan Bank	3,169,693	29.23%
	<u>\$ 10,843,790</u>	

Restricted Cash and Investments

At December 31, 2016, cash and investments in the amount of \$915,978 are held in trust and are restricted for debt service in accordance with the bond agreement related to the Series 2015 Limited Tax General Obligation Bonds (Note 5) and \$9,924,363 are held in trust and restricted for capital construction costs.

NOTE 4 – CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2016 follows:

<u>Governmental Activities</u>	<u>Balance at January 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2016</u>
Capital assets, not being depreciated:				
Construction in process:	\$ 757,739	\$ 15,729,889	\$ -	\$ 16,487,628

NOTE 5 – LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2016.

	<u>Balance at December 31, 2015</u>	<u>New Issues</u>	<u>Retirements</u>	<u>Balance at December 31, 2016</u>	<u>Due Within One Year</u>
2015 Limited Tax General Obligation Bonds	\$ 24,345,000	\$ -	\$ 580,000	\$ 23,765,000	\$ 605,000
Bond premium	853,425	-	59,010	794,415	59,010
	<u>\$ 25,198,425</u>	<u>\$ -</u>	<u>\$ 639,010</u>	<u>\$ 24,559,415</u>	<u>\$ 664,010</u>

**EATON AREA PARK AND RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Limited Tax General Obligation Bonds, Series 2015

On June 25, 2015, the District issued the Limited Tax General Obligation Bonds, Series 2015 in the amount of \$24,345,000 with interest of 4.00% to 5.50%. Proceeds of the Bonds were used for issuance costs and to be used for construction costs of a recreation center. The Bonds mature on December 1, 2038 with mandatory sinking fund payments each year beginning on December 1, 2016. Interest is payable on June 1 and December 1 of each year, commencing on June 1, 2016.

The bonds are payable from pledged revenue, which includes the District's covenant to levy the limited mill levy on all taxable property within the District to pay for debt scheduled payments and to make up any deficiencies in the Reserve Account and any other available revenues of the District. The District is required to impose a mill levy sufficient to pay principal and interest on the bonds as they come due in an amount not to exceed 50 mills less the number of mills permitted to be imposed for payment of operations and maintenance expenses of the District.

Pursuant to the Bond Resolution, the District is required to establish a Reserve Fund for the Series 2015 bonds with bond proceeds in the amount of \$936,150. At December 31, 2016 the balance was \$936,150.

The District's Limited Tax General Obligation Bonds will mature as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 605,000	\$ 1,260,450	\$ 1,865,450
2018	635,000	1,230,200	1,865,200
2019	670,000	1,198,450	1,868,450
2020	700,000	1,164,950	1,864,950
2021	735,000	1,129,950	1,864,950
2022-2026	4,270,000	5,059,750	9,329,750
2027-2031	5,530,000	3,798,875	9,328,875
2032-2036	7,175,000	2,151,475	9,326,475
2037-2038	3,445,000	286,825	3,731,825
	<u>\$23,765,000</u>	<u>\$17,280,925</u>	<u>\$41,045,925</u>

NOTE 6 – DEBT AUTHORIZATION

At December 31, 2016, the District had no authorized by unissued indebtedness.

	<u>Authorized November 4, 2014 Election</u>	<u>Authorization Used</u>	<u>Remaining at December 31, 2016</u>
Parks and recreation	<u>\$ 24,345,000</u>	<u>\$ 24,345,000</u>	<u>\$ -</u>

The District's service plan limits the total debt issued to \$25,000,000.

**EATON AREA PARK AND RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 7 – AGREEMENTS

Intergovernmental Agreement – Town of Eaton

The District and the Town of Eaton (Town) entered into an Intergovernmental Agreement on January 28, 2015. The Town agreed to contribute \$20,000 to the District to provide operating funds for 2015. The District agreed to repay the Town within 30 days of issuing bonds. The District repaid the Town on February 19, 2016. The District also reimbursed the Town for the preliminary design of the recreation center for a total payment of \$22,374.

Intergovernmental Agreement – Weld County School District No. RE-2

On April 29, 2016, the District entered into a Purchase and Sale of Real Property Agreement (Agreement) with Weld County School District No. RE-2 (School District) to purchase 33.71 acres for a purchase price of \$101,130. In lieu of paying the purchase price in cash at closing, the purchase price shall be paid by the District by advancing and paying the cost of constructing certain public improvements (Third Street Improvements) on and adjacent to the property. If the School District eventually builds on the land it owns next to the community center, it has agreed to reimburse the District for 50% of the cost of extending Third Street in Eaton to the property less the purchase price of the land. In 2016, the value of the land has been recorded as a special item in the amount of \$101,130.

DOLA Grant

In 2016, the District was awarded a grant in the amount of \$1,250,000 from the State of Colorado Department of Local Affairs to assist in funding the construction of a recreation and aquatics center in the Town of Eaton. As of December 31, 2016, no grant funding had been received nor had the District incurred construction costs related to the aquatics center.

NOTE 8 - FUND EQUITY

At December 31, 2016, the District reported the following classifications of fund equity.

Restricted Fund Balance

The restricted fund balance in the General Fund in the amount of \$37,000 is comprised of the Emergency Reserves that have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 12).

The restricted fund balance in the Debt Service Fund in the amount of \$915,933 is to be used exclusively for debt service requirements (see Note 5).

The restricted fund balance in the Capital Projects Fund in the amount of \$7,345,827 is unspent bond proceeds to be used for construction costs for the community center.

NOTE 9 - NET POSITION

The District has net position consisting of two components – restricted and unrestricted.

**EATON AREA PARK AND RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Restricted net position include amounts that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position for Emergency Reserves of \$37,000 and debt service of \$810,895 as of December 31, 2016.

The District's unrestricted net position at December 31, 2016 totaled \$371,643.

NOTE 10 - COMMITMENTS

At December 31, 2016, the District had \$6,877,504 in outstanding construction commitments for the construction of a recreation center. Completion of the project is scheduled for July 2017.

NOTE 11 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God. The District did not have insurance coverage for the calendar year 2016. The District intends to purchase property and liability insurance when the recreation center is ready for use.

NOTE 12 - TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations that apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. The District had no revenue subject to TABOR in 2015, therefore, no reserve necessary.

On November 4, 2014, the District's electors approved the following ballot issues, among others:

Ballot Issue 5B - Shall Eaton Area Park and Recreation District's taxes be increased up to \$1,050,000 annually (for tax collection year 2016) and by such additional amounts raised annually thereafter by and ad valorem property tax mill levy imposed at a rate of up to three (3) mills or such lesser rate as the Board of Directors shall determine to pay the costs of District operations and maintenance; and shall the revenue from such taxes constitute permanent voter approved revenue changes within the meaning of Article X, Section 20 of the Colorado Constitution and an exception to the limitation set forth in

**EATON AREA PARK AND RECREATION DISTRICT
NOTES TO FINANACIAL STATEMENTS
DECEMBER 31, 2016**

Section 29-1-301 of the Colorado Revised Statutes (provided that any future increase in the mill levy above three (3) mills will be subject to future voter approval?)

Ballot Issue 5D - Shall Eaton Area Park and Recreation District be permitted to collect, retain, and expend the full amount revenues generated from all sources in 2015 and in each subsequent year thereafter, without limitation or condition Article X, Section 20 of the Colorado Constitution or under related limits which may otherwise apply, to use such revenue for Park and Recreation purposes and for any other lawful purpose: provided that the District shall not create any new tax or increase any tax without future voter approval?

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

This information is an integral part of the accompanying financial statements.

SUPPLEMENTAL INFORMATION

**EATON AREA PARK AND RECREATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
Year Ended December 31, 2016**

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES				
Property tax revenue	\$ 1,887,424	\$ 1,887,424	\$ 1,869,649	\$ (17,775)
Net investment income	-	-	5,056	5,056
Total revenues	<u>1,887,424</u>	<u>1,887,424</u>	<u>1,874,705</u>	<u>(12,719)</u>
EXPENDITURES				
County Treasurer's fees	-	28,109	28,109	-
Bond interest	1,283,638	1,283,650	1,283,650	-
Bond principal	580,000	580,000	580,000	-
Audit fees	-	3,200	3,200	-
Contingency	-	5,041	-	5,041
Total Expenditures	<u>1,863,638</u>	<u>1,900,000</u>	<u>1,894,959</u>	<u>5,041</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>23,786</u>	<u>(12,576)</u>	<u>(20,254)</u>	<u>(7,678)</u>
OTHER FINANCING SOURCES (USES)				
Transfers to Capital Projects Fund	-	-	(22)	(22)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(22)</u>	<u>(22)</u>
NET CHANGE IN FUND BALANCE	23,786	(12,576)	(20,276)	(7,700)
FUND BALANCE - BEGINNING OF YEAR	<u>936,209</u>	<u>936,209</u>	<u>936,209</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 959,995</u>	<u>\$ 923,633</u>	<u>\$ 915,933</u>	<u>\$ (7,700)</u>

**EATON AREA PARK AND RECREATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
Year Ended December 31, 2016**

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES				
Net investment income	\$ 30,000	\$ 30,000	\$ 180,077	\$ 150,077
Reimbursements	-	-	98,863	98,863
Brick fundraiser	-	-	11,373	11,373
Grant proceeds	-	-	10,000	10,000
Other income	-	-	720	720
Total revenues	<u>30,000</u>	<u>30,000</u>	<u>301,033</u>	<u>271,033</u>
EXPENDITURES				
Capital outlay	<u>15,000,000</u>	<u>14,000,000</u>	<u>15,628,759</u>	<u>(1,628,759)</u>
Total expenditures	<u>15,000,000</u>	<u>14,000,000</u>	<u>15,628,759</u>	<u>(1,628,759)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>(14,970,000)</u>	<u>(13,970,000)</u>	<u>(15,327,726)</u>	<u>(1,357,726)</u>
OTHER FINANCING SOURCES (USES)				
Transfers from Debt Service Fund	<u>-</u>	<u>-</u>	<u>22</u>	<u>22</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>22</u>	<u>22</u>
NET CHANGE IN FUND BALANCE				
	(14,970,000)	(13,970,000)	(15,327,704)	(1,357,704)
FUND BALANCES - BEGINNING OF YEAR				
	<u>22,673,531</u>	<u>22,673,531</u>	<u>22,673,531</u>	<u>-</u>
FUND BALANCES - END OF YEAR				
	<u>\$ 7,703,531</u>	<u>\$ 8,703,531</u>	<u>\$ 7,345,827</u>	<u>\$ (1,357,704)</u>

OTHER INFORMATION

**EATON AREA PARK AND RECREATION DISTRICT
SUMMARY OF ASSESSED VALUATION , MILL LEVY
AND PROPERTY TAXES COLLECTED
Year Ended December 31, 2016**

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mills Levied</u>		<u>Property Taxes</u>		<u>Percentage Collected to Levied</u>
		<u>General</u>	<u>Debt</u>	<u>Levied</u>	<u>Collected</u>	
2016	\$ 587,907,960	1.786 (*)	3.170	\$ 2,913,672	\$ 2,923,109	100.3%
Estimated for year ending December 31, 2017	\$ 342,071,360	3.000	5.453	\$ 2,891,529		

NOTE: Property taxes collected in any one year may include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.

(*) includes temporary mill levy reduction of 1.214

**EATON AREA PARK AND RECREATION DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2016**

**\$24,345,000 Limited Tax
General Obligation Bonds, Series 2015
Dated June 25, 2015
Interest Rate at 4.00% to 5.50%
Principal Due December 1**

Year Ending December 31,	Interest Due June 1 and December 1		
	Principal	Interest	Total
2017	\$ 605,000	\$ 1,260,450	\$ 1,865,450
2018	635,000	1,230,200	1,865,200
2019	670,000	1,198,450	1,868,450
2020	700,000	1,164,950	1,864,950
2021	735,000	1,129,950	1,864,950
2022	775,000	1,093,200	1,868,200
2023	810,000	1,054,450	1,864,450
2024	850,000	1,013,950	1,863,950
2025	895,000	971,450	1,866,450
2026	940,000	926,700	1,866,700
2027	990,000	875,000	1,865,000
2028	1,045,000	820,550	1,865,550
2029	1,105,000	763,075	1,868,075
2030	1,170,000	702,300	1,872,300
2031	1,220,000	637,950	1,857,950
2032	1,290,000	573,900	1,863,900
2033	1,360,000	506,175	1,866,175
2034	1,430,000	434,775	1,864,775
2035	1,505,000	359,700	1,864,700
2036	1,590,000	276,925	1,866,925
2037	1,675,000	189,475	1,864,475
2038	1,770,000	97,350	1,867,350
	<u>\$ 23,765,000</u>	<u>\$ 17,280,925</u>	<u>\$ 41,045,925</u>