

PARACHUTE/BATTLEMENT MESA PARK & RECREATION DISTRICT

BASIC FINANCIAL STATEMENTS

December 31, 2016



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FINANCIAL SECTION



JOHN CUTLER & ASSOCIATES

Board of Directors
Parachute/Battlement Mesa
Park & Recreation District
Parachute, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Parachute/Battlement Mesa Park & Recreation District, as of and for the year ended December 31, 2016, which collectively comprise the basic financial statements of the District, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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, the business-type activities and each major fund of the District, as of December 31, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof 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 on pages 23 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 Parachute/Battlement Mesa Park & Recreation District's basic financial statements. Individual fund schedule listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund schedules are fairly stated in all material respects in relation to the financial statements as a whole.

John Cutler & Associates, LLC

August 17, 2017



PARACHUTE BATTLEMENT MESA PARK & RECREATION DISTRICT MANAGEMENT DISCUSSION AND ANALYSIS: 2016 Audit

This section of the Parachute Battlement Mesa Park & Recreation District (“PBMPRD” or the “District”) annual financial report presents our analysis of the District’s financial performance during the fiscal year ended December 31, 2016. Please read it in conjunction with the financial statements.

1. Financial Highlights

On January 1, 2016, the District assumed ownership, management and financial control of the Battlement Mesa Golf Club and the Grand Valley Recreation Center. Prior to these transfers the District provided activities and sports programs to the District.

In 2016 the District added 4 new Funds to the District in order to comply with Governmental Accounting Standards Board for Fund reporting. These new Funds consist of: (1) Community Park Fund, (2) Programs and Activities Fund, (3) Grand Valley Rec Fund and (4) Battlement Mesa Golf Club Fund. These funds are reported as “Proprietary Fund” or “Recreation Fund” in this Audit. These were broken out of what was previously one fund; the Governmental Fund.

As these new Funds had not existing previously, any comparison of revenue, expenses and net position from 2015 to 2016 would not provide valid information to the reader. Especially in light of the Grand Valley Recreation Center and Battlement Mesa Golf Course becoming part of the District as of January 1, 2016. For this reason, only the Statement of Net Position contains a comparison of 2015 to 2016.

The District had prepared the PBMPRD Community Park ground for installation of the playground and Western Town in 2013-2015; and the work of building the playground and Western Town began in 2016. The Community Park is leased property; however, the District did incur capital expenditures for constructing the playground phase of the park in 2016. The District received grant funding from Garfield County Federal Mineral Lease District in previous years for developing the Community Park land and GO-CO funds for the playground construction in 2016.

The District's net position increased by \$430,363 in the Governmental Funds and \$7,277,329 in the Proprietary Funds. Capital Assets consisting of the Grand Valley Recreation Center and Battlement Mesa Golf Course contributed \$5,556,199 of this Net Position.

Land owned prior to 2016 had minor capital improvements made and land asset values were primarily for the property itself and not improvements.

The District is in very good financial health and there is no long-term debt. PBMPRD has enough in unrestricted funds to maintain operations for over one year. However, the District has aging infrastructure with the transfer of ownership of the golf course and recreation center; that in some instances has exceeded its life expectancy and will need capital replacement and improvement projects.

Deferred Property taxes decreased \$1,662,000 due to a decrease in property assessed values. The oil and gas industry makes up approximately 82% of District property tax revenue, so any change in their operations has a dramatic effect on the District.

2. Overview of the Financial Statements

The annual report consists of three parts:

- Management's Discussion and Analysis
- Financial Statements
- Supplementary Information

3. Required Financial Statements

The financial statement of net position provides information about the District using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities.

Statement of Net Position

The statement of net position provides information about the nature and amounts of investments in resources (assets) and obligations to District creditors (liabilities). It also provides the basis for computing the rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

Statement of Revenues, Expenses and Changes in Net Position

This statement measures the results of the District's operations over the past year and may be used to determine profitability, credit worthiness, and whether the District has successfully recovered all its costs through its user fees, taxes and other changes.

Statement of Cash Flows

The final required financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about the District's cash receipts and payments during the reporting period. This statement reports cash receipts, cash payments, and the net changes in cash resulting from operations, non-capital financing, capital related financing, and investing activities. It also provides answers to such questions as where did the cash come from, how was cash used, and what was the change in cash balance during the reporting period.

4. Financial Analysis of The District

One of the most important questions asked about the District's finances is "Is the District as a whole better off or worse off as a result of this year's activities?" The statement of net position and statement of revenues, expenses, and changes in net position report information about the District's activities in a way that can help answer that question. These two statements report the net position of the District and the related change in these assets. The District's net position (the difference between assets and liabilities) is one way to measure financial health or financial position. Over time, increases in the District's net position, is one indicator that the District's financial health is improving. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, or changed governmental legislation.

5. Net Position

As part of our analysis, we provide a summary of the District's statement of net position:

Condensed Statement of Net Position

	2016	2015	2016 - 2015 Change	
			\$	%
Current & Other Assets	\$5,176,080	\$4,225,139	950,941	22.5%
Capital Assets	5,355,460	1,837,772	3,517,688	191.4%
Total Assets	\$10,531,540	\$6,062,911	\$4,468,629	73.7%
Total Liabilities	\$214,620	\$88,786	125,834	141.7%
Deferred Inflow of Resources	1,969,173	3,631,416	-1,662,443	-45.8%
Net Position:				
Invested in capital assets net of related debt	5,194,040	1,748,986	\$3,445,054	197.0%
Restricted	141,000	25,300	115,700	457.3%
Unrestricted	3,012,707	568,423	2,444,284	430.0%
Total Net Position	\$8,347,747	\$2,342,709	6,005,038	256.3%
Total Liabilities, Deferred & Equity	\$10,531,540	\$6,062,911	\$4,468,629	73.7%

PARACHUTE BATTLEMENT MESA PARK & RECREATION DISTRICT
Management's Discussion and Analysis

A large portion of the property taxes received in 2015 were allocated to Unrestricted and the District showed an increase in its Unrestricted position of 425%.

Capital Assets increased \$3.6M primarily due to the transfer of the Battlement Mesa Golf Club and Grand Valley Recreation Center to the District on January 1, 2016. The District also made capital improvements to the Community Park in 2016; thus, increasing Capital Assets as well.

PBMPRD assumed responsibility for golf course liabilities and leases; primarily for golf carts and golf maintenance equipment. The liabilities of \$214,620 are composed of leases for the Golf Club carts and maintenance equipment. Many of these leases will be paid off in 2017.

The Grand Valley Recreation Center transferred to the District without any substantial short or long-term debt or liabilities.

The District's Net Position improved dramatically from 2015 to 2016 with an increase \$6,233,156. This was due to the transfer of capital assets to the District and the increase of funds invested in ColoTrust accounts held for capital improvements.

While the statement of net position shows the net position; the statement of revenue, expenses and changes in net position answers as to the nature and sources of these changes.

As previously stated under 'Financial Highlights' a comparison from 2015 to 2016 does not provide detail for comparison purposes. With the transfer of the Battlement Mesa Golf Club and Grand Valley Recreation Center on January 1, 2016 there is no data available for valid comparisons from year to year; as 2016 was the first year of operations with these entities.

The primary source of income prior to 2016 was program and activities income of approximately \$31,000 in Operating income and Non-operating income (property taxes) of \$948,000; with expenses of \$520,901.

For this reason, the Condensed Statement of Revenue Expenses and Changes in Net Position will only include financial information by Fund for 2016.

The 2017 Audit will provide more comprehensive comparisons.

Condensed Statement of Revenue, Expenses and Changes in Net Position

	<u>Gov't Funds</u>	<u>Proprietary Funds</u>	<u>All Funds</u>
Revenue			
Operating Revenue		\$730,581	\$730,581
Non-Operating Revenue	\$3,962,300		\$3,962,300
Total Revenues	\$3,962,300	\$730,581	\$4,692,881
Expenses			
Gov't Fund Expense	\$1,431,937		\$1,431,937
Operating Expense		\$586,504	\$586,504
Transfers Out	\$2,100,000		\$2,100,000
Total Expenses	\$3,531,937	\$586,504	\$4,118,441
Income (Loss before Contribution & Transfers)	\$430,363	\$144,077	\$574,440
Contributions for Capital Transfers		\$5,033,252	\$5,033,252
Transfers In		\$2,100,000	\$2,100,000
Total Contributions & Transfers		\$7,133,252	\$7,133,252
Net Income	\$430,363	\$7,277,329	\$7,707,692
Beginning Balances (Adjusted)	658,885	0	\$658,885
Ending Balances	\$1,089,248	\$7,277,329	\$8,366,577

For Auditing purposes, the Governmental Fund consists of the General Fund, which receives its revenue primarily from property tax revenue and does not charge for services or fees. The General Fund is used to pay wages, insurance, employee medical benefits, management, accounting, payroll taxes and sales tax collected. It is also used to transfer fund to the Proprietary Funds and for investments.

The Proprietary Funds consist of those funds or activities that charge fees for service or usage; and receive only a part of their income from property tax revenue. The Funds included under the Proprietary (or Enterprise) Fund consist of the Grand Valley Recreation Center, Community Park, Program and Activities and the Battlement Mesa Golf Club. The Community Park construction has been funded in large part by Federal Mineral Lease District and GOCO grants.

6. Budgetary Highlights

As required by state law, the District adopts a budget and appropriates funds by December 15 for the following fiscal year. If an amendment is necessary, the Board will approve a supplemental appropriation at a public hearing and file it with the State of Colorado.

7. Capital Assets and Debt Administration

Capital Assets

Prior to January 1, 2016 the majority of Fixed Assets consisted of land owned by PBMPRD and land improvements to the leased property for the Community Park.

Due to the transfer of Battlement Mesa Golf Club and Grand Valley Recreation Center to the District a comparison of Capital Assets from 2015 to 2016 will not provide a valid analysis of changes. The 2017 Audit will provide the analysis for changes from year to year.

8. Long-Term Debt

The District has no long-term debt. The Golf Course Fund does have leases on carts and equipment in the amount of \$214,620 that will be paid off in 2017-2018.

9. Economic Factors and New Year's Budget Rates

The District's Board of Directors and management consider many factors when setting the 2017 budget, including user fees and charges. The following table presents the changes in the District's budget from 2016 to 2017.

2017 vs. 2016 Budget

	<u>2017</u>	<u>2016</u>	<u>2017 – 2016 Change</u>	
			<u>\$</u>	<u>%</u>
Revenues				
Operating Revenues	\$713,813	\$ 727,800	-13,987	-1.9%
Non-Operating Revenues	2,173,560	3,926,548	-1,752,988	-44.6%
Total Revenues	2,887,373	4,654,348	-1,766,975	-38.0%
Expenses				
Operating Expense	1,610,760	1,736,553	-125,793	-7.2%
G & A Expenses	584,710	629,854	-45,144	-7.2%
Capital Outlays	594,628	1,036,000	-441,372	-42.6%
Non-Operating Expense	92,500	70,000	22,500	32.1%
Total Expenses	2,882,598	3,472,407	-589,809	-17.0%
Change in Net Position	\$4,775	1,181,942	\$-1,177,166	-99.6%
Beginning Net Position	\$1,767,120	585,179	\$1,181,941	202%
Ending Net Position	\$1,771,895	\$1,767,120	\$4,775	.27%

The Beginning Net Position for 2016 was estimated as the 2015 Audit had not been completed at the time of budget preparation.

PARACHUTE BATTLEMENT MESA PARK & RECREATION DISTRICT
Management's Discussion and Analysis

The 2016 Budget was prepared prior to the January 1, 2016 transfer of assets from the Battlement Mesa Golf Course and Grand Valley Recreation Center, so no contribution estimates were available for budget purposes.

The decrease in non-operating revenue was due to the assessed value of property (especially oil and gas) decreasing from 2016 to 2017. This caused a decrease in property taxes of \$1,752,988 or a loss in Non-Operating revenues of 45% from 2016 to 2017.

Operating expenses include Battlement Mesa Golf Club, Grand Valley Recreation Center and sports programs and activities day-to-day operations; including wages, employee benefits, payroll taxes, cost of goods sold, utilities, janitorial, repairs and maintenance, landscape maintenance, chemicals and supplies. Capital Outlays in 2016 were not realized and instead the funds moved into capital reserve for future expenditure.

Operating and G&A expenses budget was decreased in part due to the Programs and Activities personnel and expenditures being consolidated under the Grand Valley Recreation Center. This contributed to a savings of approximately \$170,000.

The G&A budget includes advertising and promotion, computer, phone & internet services, property and liability insurance, workers compensation management fees, accounting, audit and legal fees and contingency.

Non-Operating expenses include TABOR emergency reserve and Garfield County Treasurer's Fees.

BASIC FINANCIAL STATEMENTS

PARACHUTE/BATTLEMENT MESA PARK AND RECREATION DISTRICT

STATEMENT OF NET POSITION

As of December 31, 2016

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and Investments	\$ 902,166	\$ 2,200,512	\$ 3,102,678
Receivables			
Property Taxes	1,969,173	-	1,969,173
Accounts	97,770	784	98,554
Prepaid Expenses	5,675	-	5,675
Interfund Balances	104,237	(104,237)	-
Capital Assets, Not Depreciated	-	2,351,062	2,351,062
Capital Assets, Depreciated Net of Accumulated Depreciation	-	3,004,398	3,004,398
TOTAL ASSETS	3,079,021	7,452,519	10,531,540
LIABILITIES			
Accounts Payable	45	11,277	11,322
Accrued Expenses	20,555	2,493	23,048
Accrued Compensated Absences	18,830	-	18,830
Noncurrent Liabilities			
Due within One Year	-	122,496	122,496
Due in More Than One Year	-	38,924	38,924
TOTAL LIABILITIES	39,430	175,190	214,620
DEFERRED INFLOWS OF RESOURCES			
Deferred Property Tax Revenue	1,969,173	-	1,969,173
NET POSITION			
Net Investment in Capital Assets	-	5,194,040	5,194,040
Restricted for Emergencies	141,000	-	141,000
Unrestricted	929,418	2,083,289	3,012,707
TOTAL NET POSITION	\$ 1,070,418	\$ 7,277,329	\$ 8,347,747

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

PARACHUTE/BATTLEMENT MESA PARK AND RECREATION DISTRICT

STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>
PRIMARY GOVERNMENT				
Governmental Activities				
General Government	\$ 1,444,119	\$ -	\$ 98,879	\$ -
Total Governmental Activities	1,444,119	-	98,879	-
Business-Type Activities				
Recreation Center	586,504	724,571	-	-
Total Business-Type Activities	586,504	724,571	-	-
Total Primary Government	\$ 2,030,623	\$ 724,571	\$ 98,879	\$ -
GENERAL REVENUES				
Property Taxes				
Specific Ownership Taxes				
Interest				
Other				
Transfers				
SPECIAL ITEMS				
Transfer of Capital Assets				
Capital Contributions				
TOTAL GENERAL REVENUES				
CHANGE IN NET POSITION				
NET POSITION, Beginning as Restated				
NET POSITION, Ending				

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

GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	NET (EXPENSE) REVENUE AND AND CHANGE IN NET POSITION TOTAL
\$ (1,345,240)	\$ -	\$ (1,345,240)
<u>(1,345,240)</u>	<u>-</u>	<u>(1,345,240)</u>
<u>-</u>	<u>138,067</u>	<u>138,067</u>
<u>-</u>	<u>138,067</u>	<u>138,067</u>
(1,345,240)	138,067	(1,207,173)
3,625,399	-	3,625,399
179,182	-	179,182
2,510	-	2,510
56,330	6,010	62,340
(2,100,000)	2,100,000	-
(1,837,772)	1,837,772	-
<u>-</u>	<u>3,195,480</u>	<u>3,195,480</u>
<u>(74,351)</u>	<u>7,139,262</u>	<u>7,064,911</u>
(1,419,591)	7,277,329	5,857,738
<u>2,490,009</u>	<u>-</u>	<u>2,490,009</u>
<u>\$ 1,070,418</u>	<u>\$ 7,277,329</u>	<u>\$ 8,347,747</u>

PARACHUTE/BATLEMENT MESA PARK AND RECREATION DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016

	GENERAL FUND
ASSETS	
Cash and Cash Equivalents	\$ 902,166
Due From Recreation Fund	104,237
Accounts Receivable	97,770
Property Taxes Receivable	1,969,173
Prepaid Expenses	5,675
	<hr/>
TOTAL ASSETS	<u>\$ 3,079,021</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	
LIABILITIES	
Accounts Payable	\$ 45
Accrued Expenses	20,555
	<hr/>
TOTAL LIABILITIES	<u>20,600</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Property Tax Revenue	1,969,173
	<hr/>
FUND BALANCES	
Nonspendable	5,675
Restricted for Emergencies	141,000
Unassigned	942,573
	<hr/>
TOTAL FUND BALANCES	<u>1,089,248</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 3,079,021</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Fund Balance, government activities	1,089,248
Long-term liabilities are not due and payable in the current period and are not reported in the funds. This is the amount of compensated absences	<hr/> (18,830)
Net position of governmental activities	<u>\$ 1,070,418</u>

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

PARACHUTE/BATTLEMENT MESA PARK AND RECREATION DISTRICT

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2016

	<u>GENERAL FUND</u>
REVENUES	
Property Taxes	\$ 3,625,399
Specific Ownership Taxes	179,182
Grants and Donations	98,879
Interest	2,510
Other	<u>56,330</u>
 TOTAL REVENUES	 <u>3,962,300</u>
EXPENDITURES	
General Government	<u>1,431,937</u>
 TOTAL EXPENDITURES	 <u>1,431,937</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 <u>2,530,363</u>
OTHER FINANCING SOURCES (USES)	
Transfer Out	<u>(2,100,000)</u>
 NET CHANGE IN FUND BALANCE	 430,363
FUND BALANCE, Beginning, Restated	<u>658,885</u>
 FUND BALANCES, Ending	 <u>\$ 1,089,248</u>

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

PARACHUTE/BATTLEMENT MESA PARK AND RECREATION DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

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

Net Changes in Fund Balances - Total Governmental Funds	\$ 430,363
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. This is the amount of capital assets that were transferred to the Recreation Fund.	(1,837,772)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This amount is the change in compensated absences for the year.	<u>(12,182)</u>
Change in Net Position of Governmental Activities	<u>\$ (1,419,591)</u>

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

PARACHUTE/BATTLEMENT MESA PARK AND RECREATION DISTRICT

STATEMENT OF NET POSITION
 PROPRIETARY FUND TYPE
 As of December 31, 2016

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 2,200,512
Accounts Receivable	784
Total Current Assets	<u>2,201,296</u>

Noncurrent Assets

Capital Assets, net of accumulated depreciation	<u>5,355,460</u>
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TOTAL ASSETS	<u>7,556,756</u>
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LIABILITIES

Current Liabilities

Accounts Payable	11,277
Due to General Fund	104,237
Accrued Expenses	2,493
Current Portion of Long Term Debt	<u>122,496</u>

Total Current Liabilities	<u>240,503</u>
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Noncurrent Liabilities

Lease Payable	<u>38,924</u>
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TOTAL LIABILITIES	<u>279,427</u>
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NET POSITION

Net Investment in Capital Assets	5,194,040
Unrestricted	<u>2,083,289</u>

TOTAL NET POSITION	<u><u>\$ 7,277,329</u></u>
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The accompanying notes are an integral part of the financial statements.

PARACHUTE/BATTLEMENT MESA PARK AND RECREATION DISTRICT

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUND TYPE
Year Ended December 31, 2016

OPERATING REVENUES	
Charges for Services	\$ 622,747
Pro Shop Sales	83,946
Facility Rental	17,878
Miscellaneous	<u>6,010</u>
TOTAL OPERATING REVENUES	<u>730,581</u>
OPERATING EXPENSES	
Operations	<u>586,504</u>
TOTAL OPERATING EXPENSES	<u>586,504</u>
OPERATING INCOME	<u>144,077</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>144,077</u>
CONTRIBUTIONS AND TRANSFERS	
Capital Contribution from Other Government	1,178,002
Capital Contribution from Battlement Mesa Golf Club	2,017,478
Capital Assets Transfer	1,837,772
Transfers In	<u>2,100,000</u>
TOTAL CONTRIBUTIONS AND TRANSFERS	<u>7,133,252</u>
NET INCOME (LOSS)	7,277,329
NET POSITION, Beginning	<u>-</u>
NET POSITION, Ending	<u><u>\$ 7,277,329</u></u>

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

PARACHUTE/BATTLEMENT MESA PARK AND RECREATION DISTRICT

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE
 Year Ended December 31, 2016
 Increase (Decrease) in Cash and Cash Equivalents

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 729,797
Cash Paid to Suppliers	(276,583)
Net Cash Used by Operating Activities	<u>453,214</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Capital Assets	(237,672)
Lease Principal Payments	(115,030)
Transfers from Other Funds	2,100,000
Net Cash Provided by Capital and Related Financing Activities	<u>1,747,298</u>
Net Increase in Cash and Cash Equivalents	2,200,512
CASH AND CASH EQUIVALENTS, Beginning	<u>-</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 2,200,512</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ 144,077
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation and Amortization	177,275
Changes in Assets and Liabilities	
Accounts Receivable	(784)
Accounts Payable	11,277
Due to Other Funds	104,237
Accrued Expenses	2,493
Loss on disposal of assets	14,639
Total Adjustments	<u>309,137</u>
Net Cash Used by Operating Activities	<u>\$ 453,214</u>
NON-CASH ITEMS	
Capital Assets Contributed	<u>\$ 5,556,199</u>

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

PARACHUTE/BATTELEMENT MESA PARK & RECREATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Parachute/Battlement Mesa Parks and Recreation District serves the Parachute/Battlement Mesa area with youth and adult sports, and activities. The Parachute/Battlement Mesa Park & Recreation District was formed in 1984 and serves a 318-square mile area which includes Battlement Mesa, Parachute and the surrounding area. The District owns and operates the Grand Valley Recreation Center and Battlement Mesa Golf Course. In addition, the District provides a variety of outdoor and indoor recreational services to the public. These services include activities for all ages ranging from dog and skate parks to organized volleyball, soccer, basketball and wrestling leagues.

The accounting policies of Parachute/Battlement Mesa Park & Recreation District (the "District") conform to generally accepted accounting principles as applicable to governments. Following is a summary of the more significant policies.

Reporting Entity

In accordance with governmental accounting standards, Parachute/Battlement Mesa Park & Recreation has considered the possibility of inclusion of additional entities in its basic financial statements.

The definition of the reporting entity is based primarily on financial accountability. The District is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if District officials appoint a voting majority of the organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. The District may also be financially accountable for governmental organizations that are fiscally dependent upon it.

Based on the application of these criteria, the District does not include additional organizations in 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 of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment.

PARACHUTE/BATTLEMENT MESA PARK & RECREATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

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*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

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*, as are the proprietary fund financial statements. 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 period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Property taxes, specific ownership taxes, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

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.

PARACHUTE/BATTLEMENT MESA PARK & RECREATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

In the fund financial statements, 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 District, except those required to be accounted for in another fund.

The District reports the following major proprietary fund:

The *Recreation Fund* accounts for the financial activities associated with the operation of the recreation center, park & recreation programs, and golf course.

Cash and Investments

Cash equivalents include investments with original maturities of three months or less.

Investments are recorded at fair value.

Capital Assets

Capital assets, which include property and equipment, are reported in the applicable governmental or business-type activities columns 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 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 assets' lives are not capitalized.

PARACHUTE/BATTLEMENT MESA PARK & RECREATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The District depreciated its assets using the straight-line method over the following estimated useful lives:

Buildings and Improvements	10 - 50 years
Machinery and Equipment	3 - 30 years
Infrastructure	10 - 50 years

Compensated Absences

Employees of the District are allowed to accumulate unused paid time off up to a max of 120 hours. Upon termination of employment from the District, an employee will be compensated for all accrued paid time off at their current pay rate.

These compensated absences are recognized as current salary costs when earned in the proprietary fund types and when due in the governmental fund types. A liability has been recorded in the government-wide financial statements for the accrued compensated absences.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums, discounts, and bond issuance costs are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond 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.

PARACHUTE/BATTLEMENT MESA PARK & RECREATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and balance sheets will sometimes report a separate section for deferred outflows or resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position and fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources expense/expenditure) until then.

In addition to liabilities, the statement of financial position and balance sheets will sometimes report a separate section for deferred inflows or resources. This separate financial statement element, deferred inflow of resources, represents an acquisition of net position and fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Net Position

The government-wide financial statements, utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted.

Net Investment in Capital Assets includes the District's capital assets (net of accumulated depreciation) reduced by the outstanding balances of capital leases that are attributable to the acquisition of those assets.

Restricted Net Position includes assets that have third-party (statutory, bond covenant, or granting agency) limitations on their use. The District typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project.

Unrestricted Net Position typically includes unrestricted liquid assets. The Board has the authority to revisit or alter this designation.

PARACHUTE/BATTLEMENT MESA PARK & RECREATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable – This classification includes amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact. As of December 31, 2016, the District reports prepaid expenses as nonspendable.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The District has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District Council. These amounts cannot be used for any other purpose unless the District Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District does not report any committed fund balances as of December 31, 2016.
- Assigned – This classification includes amounts the government intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed.
- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The District would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned.

PARACHUTE/BATTLEMENT MESA PARK & RECREATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes

Property taxes are levied on November 1 and attach as an enforceable lien on property on January 1. 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 District on a monthly basis.

Since property tax revenues are collected in arrears during the succeeding year, a receivable and corresponding deferred revenue are recorded at December 31. As the tax is collected in the succeeding year, the deferred revenue is recognized as revenue and the receivable is reduced.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

- In October, the District staff submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to December 31, the budget is legally enacted through passage of a resolution.
- The District Administration is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
- Budgets are legally adopted for all funds of the District. Budgets for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). The Budgetary comparison presented for the enterprise funds are presented on a non-GAAP budgetary basis. Capital outlay and debt payments are budgeted as expenditures.
- Budgeted amounts in the financial statements are as originally adopted or as amended by the Board of Directors. All appropriations lapse at year end. Colorado governments may not exceed budgeted appropriations at the fund level.

PARACHUTE/BATTLEMENT MESA PARK & RECREATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Budgets and Budgetary Accounting (Continued)

State Compliance

For the year ended December 31, 2016 actual expenditures in the General Fund and Recreation Fund exceeded budgeted amounts by \$578,631 and \$1,474,305, respectively. This may be a violation of state statute.

NOTE 3: DEPOSITS AND INVESTMENTS

A summary of deposits and investments as of December 31, 2016 follows:

Petty Cash	\$ 1,375
Cash Deposits	1,149,585
Investments	<u>1,951,718</u>
Total	<u>\$ 3,102,678</u>

The above amounts are classified in the statement of net position as follows:

Governmental Activities	\$ 902,166
Business-Type Activities	<u>2,200,512</u>
Total	<u>\$ 3,102,678</u>

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. 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 regulations. At December 31, 2016, State regulatory commissioners have indicated that all financial institutions holding deposits for the District are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

PARACHUTE/BATTLEMENT MESA PARK & RECREATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

The District has no policy regarding custodial credit risk for deposits.

At December 31, 2016, the District had deposits with financial institutions with a carrying amount of \$1,149,585. The bank balances with the financial institutions were \$1,160,524. Of these balances, \$253,212 was covered by federal depository insurance and \$907,312 was covered by collateral held by authorized escrow agents in the financial institutions name (PDPA).

Investments

Interest Rate Risk

The District has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Colorado statutes specify in which instruments the units of local government may invest which includes:

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

The above investments are authorized for all funds and fund types used by Colorado municipalities.

Fair Value

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. 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 observable inputs.

The District had invested \$1,951,718 in the Colorado Government Liquid Asset Trust (ColoTrust) which has a credit rating of AAAM by Standard and Poor's. ColoTrust is an investment vehicle established for local government entities in Colorado to pool surplus funds and is regulated by the State Securities Commissioner.

PARACHUTE/BATTLEMENT MESA PARK & RECREATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

Fair Value (Continued)

It operates similarly to a money market fund and each share is equal in value to \$1.00. Investments consist of U.S. Treasury and U.S. Agency securities, and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the entities.

ColoTrust is not a 2a7-like external investment pool. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. The government-investor does not "look through" the pool to report a pro rata share of the pool's investments, receivables, and payables. This investment is valued using Level 2 inputs.

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2016 is summarized below:

	Balances <u>12/31/15</u>	<u>Additions</u>	<u>Deletions</u>	Balances <u>12/31/16</u>
Governmental Activities				
Capital Assets, not depreciated				
Land	\$ 1,679,791	\$ -	\$ 1,679,791	\$ -
Water Rights	<u>15,000</u>	<u>-</u>	<u>15,000</u>	<u>-</u>
Total Capital Assets, not being				
Depreciated	<u>\$ 1,694,791</u>	<u>-</u>	<u>1,694,791</u>	<u>-</u>
Capital Assets, depreciated				
Buildings and Improvements	84,600	-	84,600	-
Equipment	<u>304,878</u>	<u>-</u>	<u>304,878</u>	<u>-</u>
Total Capital Assets, depreciated	<u>389,478</u>	<u>-</u>	<u>389,478</u>	<u>-</u>
Less Accumulated Depreciation				
Equipment	<u>246,497</u>	<u>-</u>	<u>246,497</u>	<u>-</u>
Total Accumulated Depreciation	<u>246,497</u>	<u>-</u>	<u>246,497</u>	<u>-</u>
Total Capital Assets, depreciated, Net	<u>142,981</u>	<u>-</u>	<u>142,981</u>	<u>-</u>
Governmental Activities, Capital Assets, Net	<u>\$ 1,837,772</u>	<u>\$ -</u>	<u>\$ 1,837,772</u>	<u>\$ -</u>

On January 1, 2016, the District transferred its capital assets from the governmental activities to the newly created proprietary fund.

PARACHUTE/BATTLEMENT MESA PARK & RECREATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 4: CAPITAL ASSETS (Continued)

	<u>Balances</u> <u>12/31/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>12/31/16</u>
Business-Type Activities				
Capital Assets, not depreciated				
Land	\$ -	\$ 2,287,170	\$ 14,639	\$ 2,272,531
Construction in Progress	-	13,531	-	13,531
Water Rights	<u>-</u>	<u>65,000</u>	<u>-</u>	<u>65,000</u>
Total Capital Assets, not depreciated	<u>-</u>	<u>2,365,701</u>	<u>14,639</u>	<u>2,351,062</u>
Capital Assets, depreciated				
Buildings and Improvements	-	2,592,850	-	2,592,850
Equipment	<u>-</u>	<u>835,320</u>	<u>7,397</u>	<u>827,923</u>
Total Capital Assets, depreciated	<u>-</u>	<u>3,428,170</u>	<u>7,397</u>	<u>3,420,773</u>
Less: Accumulated Depreciation				
Buildings and Improvements	-	110,158	-	110,158
Equipment	<u>-</u>	<u>313,614</u>	<u>(7,397)</u>	<u>306,217</u>
Total Accumulated Depreciation	<u>-</u>	<u>423,772</u>	<u>(7,397)</u>	<u>416,375</u>
Total Capital Assets, depreciated, Net	<u>-</u>	<u>3,004,398</u>	<u>-</u>	<u>3,004,398</u>
Business-Type Activities, Capital Assets, Net	<u>\$ -</u>	<u>\$ 5,370,099</u>	<u>\$ 14,639</u>	<u>\$ 5,355,460</u>

Capital assets in the amount of \$2,084,269 less accumulated depreciation of \$246,497 were transferred to the business-type activities from the District's governmental activities on January 1, 2016.

On January 1, 2016, the District accepted capital assets in the amount of \$1,178,002 from the Battlement Mesa Metropolitan District and \$2,017,478 from the Battlement Mesa Golf Club. These assets include land, building, and equipment and were reported as capital contributions on the District's newly created Recreation Fund.

2016 depreciation expense of \$177,275 was charged to the recreation center, golf course and program activities.

PARACHUTE/BATTLEMENT MESA PARK & RECREATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

NOTE 5: LONG-TERM DEBT

Governmental Activities

Following is a summary of long-term debt transactions for the governmental activities for the year ended December 31, 2016.

	<u>Balance</u> <u>12/31/15</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>12/31/16</u>	<u>Due In</u> <u>One Year</u>
Accrued Compensated Absences	\$ <u>6,648</u>	\$ <u>12,182</u>	\$ <u>-</u>	\$ <u>18,830</u>	\$ <u>-</u>

Accrued Compensated Absences are being paid from resources generated by the General Fund.

Business-Type Activities

Following is a summary of long-term debt transactions for the business-type activities for the year ended December 31, 2016.

	<u>Balance</u> <u>12/31/15</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>12/31/16</u>	<u>Due In</u> <u>One Year</u>
Capital Lease	\$ <u>-</u>	\$ <u>276,450</u>	\$ <u>115,030</u>	\$ <u>161,420</u>	\$ <u>122,496</u>

Capital Lease

In January 2016, the District assumed several equipment capital leases as part of accepting capital assets from the Battlement Mesa Golf Club in the amount of \$276,450. The leases carry estimated interest rates in ranging from of 3.00% to 5.00%. Monthly and semi-monthly principal and interest payments ranging from \$336 to \$5,392 are due through 2020. During the year ended December 31, 2016 and in the first six months of the 2017 fiscal year, the District has made payments in excess of the required minimum payments in an effort to pay down its obligation under the terms of the assumed lease agreements.

PARACHUTE/BATTLEMENT MESA PARK & RECREATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

NOTE 5: LONG-TERM DEBT(Continued)

Following is a schedule of the estimated future minimum lease payments required under the outstanding capital lease obligation at December 31, 2016.

Year Ended December 31,

2017	\$ 125,114
2018	14,724
2019	14,724
2020	<u>11,746</u>
Total Minimum Lease Payments	166,308
Less: Interest	<u>(4,888)</u>
Present Value of Future Minimum Lease Payments	<u>\$ 161,420</u>

NOTE 6: INTERFUND BALANCES AND TRANSFERS

During the year ended December 31, 2016, the General Fund transferred \$2,100,000 to the Recreation Fund to support the funds operations and the acquisition of capital assets.

At December 31, 2016, the Recreation Fund owes \$104,237 to the General Fund for expenditures paid for by the General Fund on behalf of the Recreation Fund.

NOTE 7: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The District carries commercial insurance to cover these risks. The District has not had any claims that exceeded insurable amounts for the last three years.

PARACHUTE/BATTLEMENT MESA PARK & RECREATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

NOTE 8: COMMITMENTS AND CONTINGENCIES

Tabor Amendment

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government. On November 5, 2013, voters within the District approved the collection, retention and expenditure the full amount of the District taxes, grants and all other revenue collected from all sources including property taxes, received in 2012 and each subsequent year, without regard to any revenue or expenditure limitations including those contained in Article X, Section 20 of the Colorado constitution or any other law.

The District has established an emergency reserve, representing 3% of qualifying expenditures, as required by the Amendment. At December 31, 2016, the emergency reserve of \$141,000 was recorded in the General Fund.

NOTE 9: RESTATEMENT OF BEGINNING FUND BALANCES

The beginning fund balance of the General Fund was increased by \$147,500 to properly report FMLD revenues that should have been recognized in the previous fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

PARACHUTE/BATTLEMENT MESA PARK AND RECREATION DISTRICT

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2016

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES			
Property Taxes	\$ 3,631,616	\$ 3,625,399	\$ (6,217)
Specific Ownership Taxes	72,632	179,182	106,550
Grants and Donations	193,500	98,879	(94,621)
Interest	25,000	2,510	(22,490)
Other	20,000	56,330	36,330
TOTAL REVENUES	3,942,748	3,962,300	19,552
EXPENDITURES			
General Government			
Professional Services	189,250	180,544	8,706
Payroll	10,000	798,132	(788,132)
Utilities	-	150,292	(150,292)
Office Expense	9,000	45,836	(36,836)
Insurance	-	60,969	(60,969)
Treasurer Fees	70,000	72,665	(2,665)
Repair and Maintenance	-	69,797	(69,797)
Capital Outlay	286,000	-	286,000
Other Expenses	94,100	53,702	40,398
Contingency	130,000	-	130,000
TOTAL EXPENDITURES	788,350	1,431,937	(643,587)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,154,398	2,530,363	(624,035)
OTHER FINANCING SOURCES (USES)			
Transfer In	192,500	-	(192,500)
Transfer Out	(2,164,956)	(2,100,000)	64,956
TOTAL OTHER FINANCING SOURCES (USES)	(1,972,456)	(2,100,000)	(127,544)
NET CHANGE IN FUND BALANCE	1,181,942	430,363	(751,579)
FUND BALANCE Beginning, Restated	-	658,885	658,885
FUND BALANCE, Ending	\$ 1,181,942	\$ 1,089,248	\$ (92,694)

See the accompanying independent auditors' report.

INDIVIDUAL FUND SCHEDULES

PARACHUTE/BATTLEMENT MESA PARK AND RECREATION DISTRICT

RECREATION FUND
 BUDGETARY COMPARISON SCHEDULE
 BUDGET (NON-GAAP) BASIS
 Year Ended December 31, 2016

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES			
Charges for Services	\$ 647,000	\$ 622,747	\$ (24,253)
Facility Rental	22,800	17,878	(4,922)
Pro Shop Sales	86,300	83,946	(2,354)
Miscellaneous	11,000	6,010	(4,990)
Transfers In	1,992,456	2,100,000	107,544
Contribution Revenue	-	5,033,252	5,033,252
TOTAL REVENUES	2,759,556	7,863,833	5,104,277
EXPENDITURES			
Salaries and Benefits	985,986	89,566	896,420
Professional Fees	13,000	-	13,000
Advertising	16,500	-	16,500
Insurance	51,500	-	51,500
Office Expense	34,260	-	34,260
Utilities	114,500	12,017	102,483
Rec Center Operating Expense	112,380	42,303	70,077
Program Expense	116,500	18,028	98,472
Golf Course Operating Expense	13,940	22,537	(8,597)
Golf Maintenance Expenses	307,006	90,662	216,344
Pro Shop Operating Expense	51,540	87,051	(35,511)
Custodial	47,900	45,946	1,954
Contingency	120,000	-	120,000
Other	24,544	1,119	23,425
Capital Outlay	750,000	3,709,602	(2,959,602)
Debt Service			
Principal	-	115,030	(115,030)
Interest	-	-	-
TOTAL EXPENDITURES	2,759,556	4,233,861	(1,474,305)
NET INCOME (Budget Basis)	\$ -	\$ 3,629,972	\$ 3,629,972
GAAP BASIS ADJUSTMENTS			
Capital Outlay		3,709,602	
Depreciation		(177,275)	
Principal Paid on Long Term Debt		115,030	
NET INCOME (LOSS), GAAP BASIS		7,277,329	
NET POSITION, Beginning		-	
NET POSITION, Ending		\$ 7,277,329	

See the accompanying independent auditors' report.