

SOUTH PARK – PARK AND RECREATION DISTRICT

BASIC FINANCIAL STATEMENTS

December 31, 2016



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FINANCIAL SECTION



JOHN CUTLER & ASSOCIATES

To the Board of Directors
South Park – Park and Recreation District
Fairplay, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the South Park – Park and Recreation District as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Authority'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 government activities, business-type activities, each major fund, and the aggregate remaining fund information of the South Park – Park and Recreation 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 required supplementary information on page 21 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.

Management has not presented 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 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 basic financial statements. The individual fund schedules 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 individual fund schedules are fairly stated in all material respects in relation to the financial statements as a whole.

John Luthr & Associates, LLC

July 29, 2017

BASIC FINANCIAL STATEMENTS

SOUTH PARK - PARK AND RECREATION DISTRICT

STATEMENT OF NET POSITION

As of December 31, 2016

	GOVERNMENTAL	BUSINESS TYPE	TOTAL	
	<u>ACTIVITIES</u>	<u>ACTIVITIES</u>	<u>2016</u>	<u>2015</u>
ASSETS				
Cash and Investments	\$ 190,339	\$ 18,590	\$ 208,929	\$ 228,878
Receivables				
Property Taxes	393,186	-	393,186	389,578
Accounts	2,032	9,622	11,654	7,837
Inventory	-	221	221	221
Prepaid Expenses	-	-	-	68
Capital Assets, Not Depreciated	-	304,600	304,600	304,600
Capital Assets, Depreciated				
Net of Accumulated Depreciation	-	2,130,923	2,130,923	2,144,776
TOTAL ASSETS	<u>585,557</u>	<u>2,463,956</u>	<u>3,049,513</u>	<u>3,075,958</u>
LIABILITIES				
Accounts Payable	510	7,082	7,592	4,600
Accrued Expenses	-	2,920	2,920	3,895
Accrued Interest	3,913	-	3,913	4,433
Unearned Revenues	-	17,414	17,414	17,414
Noncurrent Liabilities				
Due within One Year	135,000	22,174	157,174	151,201
Due in More Than One Year	785,000	26,302	811,302	965,359
TOTAL LIABILITIES	<u>924,423</u>	<u>75,892</u>	<u>1,000,315</u>	<u>1,146,902</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Property Tax Revenue	393,186	-	393,186	389,578
NET POSITION				
Net Investment in Capital Assets	(920,000)	2,387,047	1,467,047	1,332,816
Restricted for Emergencies	14,000	-	14,000	14,000
Unrestricted	173,948	1,017	174,965	192,662
TOTAL NET POSITION	<u>\$ (732,052)</u>	<u>\$ 2,388,064</u>	<u>\$ 1,656,012</u>	<u>\$ 1,539,478</u>

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

SOUTH PARK - 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	\$ 25,329	\$ -	\$ -	\$ -
Parks and Recreation	969	-	-	28,635
Interest on Long-Term Debt	52,678	-	-	-
Total Governmental Activities	78,976	-	-	28,635
Business-Type Activities				
Recreation Center	400,532	105,097	25,000	-
Total Business-Type Activities	400,532	105,097	25,000	-
Total Primary Government	\$ 479,508	\$ 105,097	\$ 25,000	\$ 28,635

GENERAL REVENUES

Property Taxes
Specific Ownership Taxes
Interest
Other
Transfers

TOTAL GENERAL REVENUES

CHANGE IN NET POSITION

NET POSITION, Beginning

NET POSITION, Ending

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

NET (EXPENSE) REVENUE AND
CHANGE IN NET POSITION

GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	
		2016	2015
\$ (25,329)	\$ -	\$ (25,329)	\$ (25,132)
27,666	-	27,666	8,737
<u>(52,678)</u>	<u>-</u>	<u>(52,678)</u>	<u>(58,583)</u>
(50,341)	-	(50,341)	(74,978)
-	(270,435)	(270,435)	(270,442)
-	(270,435)	(270,435)	(270,442)
(50,341)	(270,435)	(320,776)	(345,420)
391,087	-	391,087	395,306
43,881	-	43,881	47,062
439	18	457	449
350	1,535	1,885	3,773
<u>(284,582)</u>	<u>284,582</u>	<u>-</u>	<u>-</u>
151,175	286,135	437,310	446,590
100,834	15,700	116,534	101,170
<u>(832,886)</u>	<u>2,372,364</u>	<u>1,539,478</u>	<u>1,438,308</u>
<u>\$ (732,052)</u>	<u>\$ 2,388,064</u>	<u>\$ 1,656,012</u>	<u>\$ 1,539,478</u>

SOUTH PARK - PARK AND RECREATION DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016

	GENERAL FUND	CONSTRUCTION FUND	NON-MAJOR CONSERVATION TRUST FUND	TOTAL GOVERNMENTAL FUNDS	
				2016	2015
ASSETS					
Cash and Cash Equivalents	\$ 152,889	\$ 37,349	\$ 101	\$ 190,339	\$ 221,903
Accounts Receivable	2,032	-	-	2,032	-
Property Taxes Receivable	203,302	189,884	-	393,186	389,578
TOTAL ASSETS	\$ 358,223	\$ 227,233	\$ 101	\$ 585,557	\$ 611,481
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 510	\$ -	\$ -	\$ 510	\$ 356
TOTAL LIABILITIES	510	-	-	510	356
DEFERRED INFLOWS OF RESOURCES					
Deferred Property Tax Revenue	203,302	189,884	-	393,186	389,578
FUND BALANCES					
Restricted for Emergencies	14,000	-	-	14,000	14,000
Restricted for Debt Service	-	37,349	-	37,349	35,694
Restricted for Parks and Recreation	-	-	101	101	1,466
Unassigned	140,411	-	-	140,411	170,387
TOTAL FUND BALANCES	154,411	37,349	101	191,861	221,547
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 358,223	\$ 227,233	\$ 101		

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

Long-term liabilities and related assets are not due and payable in the current period and, therefore, are not reported in the funds. These include bonds payable (\$920,000) and accrued interest (\$3,913).

	(923,913)	(1,054,433)
Net position of governmental activities	\$ (732,052)	\$ (832,886)

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

SOUTH PARK - PARK AND RECREATION DISTRICT

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

	GENERAL FUND	CONSTRUCTION FUND	NON-MAJOR	TOTAL GOVERNMENTAL	
			CONSERVATION TRUST FUND	FUNDS	
				2016	2015
REVENUES					
Taxes	\$ 244,244	\$ 190,724	\$ -	\$ 434,968	\$ 442,368
Intergovernmental	-	-	28,635	28,635	24,538
Interest	416	-	23	439	429
Other	350	-	-	350	-
TOTAL REVENUES	245,010	190,724	28,658	464,392	467,335
EXPENDITURES					
General Government	19,458	5,871	-	25,329	25,132
Parks and Recreation	-	-	969	969	15,801
Debt Service					
Principal	-	130,000	-	130,000	125,000
Interest and Fiscal Charges	-	53,198	-	53,198	59,073
TOTAL EXPENDITURES	19,458	189,069	969	209,496	225,006
EXCESS OF REVENUES OVER EXPENDITURES	225,552	1,655	27,689	254,896	242,329
OTHER FINANCING USES					
Transfers Out	(255,528)	-	(29,054)	(284,582)	(224,377)
TOTAL OTHER FINANCING USES	(255,528)	-	(29,054)	(284,582)	(224,377)
NET CHANGE IN FUND BALANCES	(29,976)	1,655	(1,365)	(29,686)	17,952
FUND BALANCES, Beginning	184,387	35,694	1,466	221,547	203,595
FUND BALANCES, Ending	\$ 154,411	\$ 37,349	\$ 101	\$ 191,861	\$ 221,547

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

SOUTH PARK - 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 change in fund balances - total governmental funds	\$ (29,686)
Repayment of bond long-term debt and related costs are reported as an expenditure in the governmental funds and decrease fund balance. For the District as a whole, however, these costs and payments reduce the liabilities or are capitalized in the statement of net position and do not result in an expense in the statement of activities. This amount is bond payments of \$130,000 and change in accrued interest \$520.	<u>130,520</u>
Change in net position of governmental activities	<u><u>\$ 100,834</u></u>

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

SOUTH PARK - PARK AND RECREATION DISTRICT

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

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 18,590	\$ 6,975
Accounts Receivable	9,622	7,837
Inventory	221	221
Prepaid Expenses	<u>-</u>	<u>68</u>
Total Current Assets	<u>28,433</u>	<u>15,101</u>
Noncurrent Assets		
Capital Assets, net of accumulated depreciation	<u>2,435,523</u>	<u>2,449,376</u>
TOTAL ASSETS	<u>2,463,956</u>	<u>2,464,477</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	7,082	4,244
Accrued Expenses	2,920	3,895
Unearned Revenue	17,414	17,414
Current Portion of Long Term Debt	<u>22,174</u>	<u>21,201</u>
Total Current Liabilities	<u>49,590</u>	<u>46,754</u>
Noncurrent Liabilities		
Lease Payable	<u>26,302</u>	<u>45,359</u>
TOTAL LIABILITIES	<u>75,892</u>	<u>92,113</u>
NET POSITION		
Investment in Capital Assets	2,387,047	2,382,816
Unrestricted	<u>1,017</u>	<u>(10,452)</u>
TOTAL NET POSITION	<u>\$ 2,388,064</u>	<u>\$ 2,372,364</u>

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

SOUTH PARK - PARK AND RECREATION DISTRICT

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

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
Charges for Services	\$ 99,145	\$ 103,977
Special Events	2,348	4,902
Facility Rental	3,604	3,311
Miscellaneous	<u>1,535</u>	<u>3,773</u>
TOTAL OPERATING REVENUES	<u>106,632</u>	<u>115,963</u>
OPERATING EXPENSES		
Operations	311,679	298,777
Depreciation	<u>88,853</u>	<u>83,855</u>
TOTAL OPERATING EXPENSES	<u>400,532</u>	<u>382,632</u>
OPERATING LOSS	<u>(293,900)</u>	<u>(266,669)</u>
NON-OPERATING REVENUES		
Interest Income	18	20
Grant Revenue	<u>25,000</u>	<u>-</u>
TOTAL NON-OPERATING REVENUES	<u>25,018</u>	<u>20</u>
NET LOSS BEFORE TRANSFERS	<u>(268,882)</u>	<u>(266,649)</u>
TRANSFER IN	<u>284,582</u>	<u>224,377</u>
NET INCOME (LOSS)	15,700	(42,272)
NET POSITION, Beginning	<u>2,372,364</u>	<u>2,414,636</u>
NET POSITION, Ending	<u>\$ 2,388,064</u>	<u>\$ 2,372,364</u>

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

SOUTH PARK - PARK AND RECREATION DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUND TYPE

Year Ended December 31, 2016

Increase (Decrease) in Cash and Cash Equivalents

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 104,847	\$ 115,436
Cash Paid to Suppliers	(145,432)	(130,877)
Cash Paid to Employees	(164,316)	(168,818)
Net Cash Used by Operating Activities	(204,901)	(184,259)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets	(75,000)	(12,877)
Grant Revenue	25,000	-
Lease Payments	(18,084)	(20,286)
Transfers from Other Funds	284,582	224,377
Net Cash Provided by Capital and Related Financing Activities	216,498	191,214
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	18	20
Net Increase in Cash and Cash Equivalents	11,615	6,975
CASH AND CASH EQUIVALENTS, Beginning	6,975	-
CASH AND CASH EQUIVALENTS, Ending	\$ 18,590	\$ 6,975
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (293,900)	\$ (266,669)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities		
Depreciation and Amortization	88,853	83,855
Changes in Assets and Liabilities		
Accounts Receivable	(1,785)	(43)
Inventory	-	2,426
Prepaid Expenses	68	(68)
Accounts Payable	2,838	972
Due to Other Funds	-	(61)
Accrued Expenses	(975)	(4,187)
Deferred Revenue	-	(484)
Total Adjustments	88,999	82,410
Net Cash Used by Operating Activities	\$ (204,901)	\$ (184,259)

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

SOUTH PARK – PARK AND RECREATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The South Park – Park and Recreation District (the “District”) is a quasi-governmental entity organized and operated pursuant to the Colorado Special Districts Act. The District was established in 1999 to provide parks and recreation facilities to residents of the District. The District is located in Park County, Colorado.

The accounting policies of 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, the South Park – Park and Recreation District 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 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*.

SOUTH PARK – PARK AND RECREATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

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, 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.

SOUTH PARK – PARK AND RECREATION DISTRICT

NOTES TO 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 *Construction Fund* accounts for proceeds set aside and expenditures made for certain projects designated by the District's Board of Directors.

The District reports the following major proprietary fund:

The *Recreation Fund* accounts for the financial activities associated with the operation of the recreation center.

Cash and Investments

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

Receivables

Receivables are reported net of an allowance for doubtful accounts.

Prepaid Expenses

Payments made to vendors for services that will benefit future periods are recorded as prepaid expenses. An expenditure is reported in the year in which the services are consumed.

SOUTH PARK – PARK AND RECREATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include property and equipment, are reported in the business-type activities column in the government-wide and proprietary fund 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.

Property and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

Buildings and Improvements	15 – 30 years
Equipment and Vehicles	3 – 10 years

Unearned Revenues

Unearned revenues represent membership dues for the next fiscal year, which have been received in the current fiscal year.

Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

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.

In the government-wide financial statements, bond issue costs and bond discounts are capitalized and amortized on a straight-line basis over the life of the bonds. These costs are reported in the applicable program expense section in the statement of activities.

SOUTH PARK – PARK AND RECREATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

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

Investment in Capital Assets is intended to reflect the portion of net position which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.

Restricted Net Position are liquid assets, which have third party limitations on their use.

Unrestricted Net Position represent assets that do not have any third party limitation on their use. While District management may have categorized and segmented portion for various purposes, the Board of Directors has the unrestricted authority to revisit or alter these managerial decisions.

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:

- 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 and has classified the fund balance of the *Construction Fund* as restricted because its use is restricted for the repayment of long-term debt. The District also reports the fund balance in the *Conservation Trust Fund* as restricted for park and recreation projects.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors 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.

SOUTH PARK – PARK AND RECREATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classification (Continued)

The District did not have any committed resources as of December 31, 2016.

- 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.

Deferred Inflows of Resources

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.

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.

Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, complete comparative data in accordance with generally accepted accounting principles has not been presented since its inclusion would make the financial statements unduly complex and difficult to read.

SOUTH PARK – PARK AND RECREATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comparative Data (Continued)

Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

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 the fall of each year, 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 an ordinance.
- 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, Conservation Trust, and Construction Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). The Budgetary comparison presented for the Recreation Fund is presented on a non-GAAP budgetary basis. Capital outlay and depreciation are not budgeted.
- 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 by fund.

Legal Compliance

The actual expenditures in the General Fund and the Construction Fund exceeded budgeted amounts by \$700 and \$21, respectively. This may be a violation of State Statute.

SOUTH PARK – PARK AND RECREATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 3: DEPOSITS AND INVESTMENTS

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

Petty Cash	\$ 91
Cash Deposits	<u>208,838</u>
Total	<u>\$ 208,929</u>

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

Governmental Activities	\$ 190,339
Business-Type Activities	<u>18,590</u>
Total	<u>\$ 208,929</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.

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 \$208,929. The bank balances with the financial institutions were \$211,586. All of these balances were covered by federal depository insurance.

Investments

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

SOUTH PARK – PARK AND RECREATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

Credit Risk

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

- Obligations of the United States and certain U.S. government agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Local government investment pools
- Certain money market funds
- Guaranteed investment contracts

The above investments are authorized for all funds and fund types used by Colorado municipalities. The District does not have any investments requiring categorization as of December 31, 2016.

NOTE 4: CAPITAL ASSETS

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

	<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 and land improvements	\$ 304,600	\$ -	\$ -	\$ 304,600
Capital Assets, depreciated				
Buildings and Improvements	2,381,805	75,000	-	2,456,805
Equipment and Vehicles	<u>613,658</u>	<u>-</u>	<u>-</u>	<u>613,658</u>
Total Capital Assets, depreciated	<u>2,995,463</u>	<u>75,000</u>	<u>-</u>	<u>3,070,463</u>
Less Accumulated Depreciation				
Buildings and Improvements	590,106	51,616	-	641,722
Equipment and Vehicles	<u>260,581</u>	<u>37,237</u>	<u>-</u>	<u>297,818</u>
Total Accumulated Depreciation	<u>850,687</u>	<u>88,853</u>	<u>-</u>	<u>939,540</u>
Total Capital Assets, depreciated, Net	<u>2,144,776</u>	<u>(13,853)</u>	<u>-</u>	<u>2,130,923</u>
Business-type Activities, Capital Assets, Net	<u>\$ 2,449,376</u>	<u>\$ (13,853)</u>	<u>\$ -</u>	<u>\$ 2,435,523</u>

Depreciation expense was charged entirely to the Recreation Center Program.

SOUTH PARK – PARK AND RECREATION DISTRICT

NOTES TO 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>
Bonds Payable	<u>\$ 1,050,000</u>	<u>\$ -</u>	<u>\$ 130,000</u>	<u>\$ 920,000</u>	<u>\$ 135,000</u>

Bonds Payable

In 2002, the District issued \$2,000,000 of general obligation bonds (A bonds) and \$300,000 of Supplemental “B” Interest Registered Coupons. The proceeds from the sale of the bonds were used to finance the construction, acquisition, and equipping of a community recreation center and to pay certain costs of issuance of the bonds.

Interest rates on the A bonds range from 3.25% to 5.3%, payable June 1 and December 1. The A bonds mature through 2022 commencing December 1, 2007. The Interest Coupons matured in various increments on December 1 from 2003 to 2006.

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 135,000	\$ 46,957	\$ 181,957
2018	140,000	40,343	180,343
2019	150,000	33,342	183,342
2020	155,000	25,843	180,843
2021	165,000	17,937	182,937
2022	<u>175,000</u>	<u>9,275</u>	<u>184,275</u>
Total Debt Service Requirements	<u>\$ 920,000</u>	<u>\$ 173,697</u>	<u>\$ 1,093,697</u>

SOUTH PARK – PARK AND RECREATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 5: LONG-TERM DEBT (Continued)

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>66,560</u>	\$ <u>-</u>	\$ <u>18,084</u>	\$ <u>48,476</u>	\$ <u>22,174</u>

Capital Lease

In June 2010, the District entered into a capital lease agreement to purchase a bio-mass boiler for the recreation center. The lease carries an interest rate of 5%. Principal and interest payments in the amount of \$24,238 are due annually on June 26th through 2018.

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

Year Ended December 31,

2017	\$ 24,238
2018	<u>24,238</u>
Total Minimum Lease Payments	48,476
Less: Interest	<u>(-)</u>
Present Value of Future Minimum Lease Payments	<u>\$ 48,476</u>

SOUTH PARK – PARK AND RECREATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 6: INTERFUND BALANCES AND TRANSFERS

Transfers

Interfund transfers for the year ended December 31, 2016, were comprised of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Recreation Fund	General Fund	\$ 255,528
Recreation Fund	Conservation Fund	<u>29,054</u>
Total		<u>\$ 284,582</u>

The General Fund transferred funds to the Recreation Fund to assist in the cost of operating the recreation center. The Conservation Trust Fund transferred funds to the Recreation Fund to assist in the purchase of capital equipment.

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 participates in the Colorado Special District Self Insurance Pool for property and liability coverage. The Pool insures property and liability exposures through contributions made by member districts.

The District does not maintain an equity interest in the self-insurance pool. The District funds its pool contributions, outside insurance purchases, deductibles, and uninsured losses through the General Fund. The District carries commercial insurance for potential workers compensation claims. Claims have not exceeded insurance coverage for the last three years.

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.

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 \$14,000 was recorded in the General Fund.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH PARK - PARK AND RECREATION DISTRICT

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2016

	2016			VARIANCE Positive (Negative)	2015 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Property Taxes	\$ 199,579	\$ 199,579	\$ 200,363	\$ 784	\$ 204,041
Specific Ownership Taxes	44,000	44,000	43,881	(119)	47,062
Interest	400	400	416	16	426
Other	-	-	350	350	-
TOTAL REVENUES	<u>243,979</u>	<u>243,979</u>	<u>245,010</u>	<u>1,031</u>	<u>251,529</u>
EXPENDITURES					
General Government					
Professional Services	9,270	9,320	11,500	(2,180)	5,000
Office Expense	3,680	1,916	1,012	904	11,606
Treasurer Fees	6,200	6,200	6,011	189	-
Other Expenses	1,000	1,000	935	65	2,638
Contingency	7,689	-	-	-	-
TOTAL EXPENDITURES	<u>27,839</u>	<u>18,436</u>	<u>19,458</u>	<u>(1,022)</u>	<u>19,244</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>216,140</u>	<u>225,543</u>	<u>225,552</u>	<u>9</u>	<u>232,285</u>
OTHER FINANCING SOURCES (USES)					
Transfers Out	<u>(216,000)</u>	<u>(255,850)</u>	<u>(255,528)</u>	<u>322</u>	<u>(216,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(216,000)</u>	<u>(255,850)</u>	<u>(255,528)</u>	<u>322</u>	<u>(216,000)</u>
NET CHANGE IN FUND BALANCE	140	(30,307)	(29,976)	331	16,285
FUND BALANCE, Beginning	<u>187,136</u>	<u>187,136</u>	<u>184,387</u>	<u>(2,749)</u>	<u>168,102</u>
FUND BALANCE, Ending	<u>\$ 187,276</u>	<u>\$ 156,829</u>	<u>\$ 154,411</u>	<u>\$ (2,418)</u>	<u>\$ 184,387</u>

See the accompanying independent auditors' report.

INDIVIDUAL FUND SCHEDULES

SOUTH PARK - PARK AND RECREATION DISTRICT

CONSTRUCTION FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2016

	2016			VARIANCE Positive (Negative)	2015 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Property Taxes	\$ 190,299	\$ 190,299	\$ 190,724	\$ 425	\$ 191,265
TOTAL REVENUES	190,299	190,299	190,724	425	191,265
EXPENDITURES					
General Governmental	5,850	5,850	5,871	(21)	5,888
Debt Service					
Principal	183,198	183,198	130,000	53,198	125,000
Interest and Fiscal Charges	-	-	53,198	(53,198)	59,073
TOTAL EXPENDITURES	189,048	189,048	189,069	(21)	189,961
NET CHANGE IN FUND BALANCE	1,251	1,251	1,655	404	1,304
FUND BALANCE, Beginning	21,701	21,701	35,694	13,993	34,390
FUND BALANCE, Ending	\$ 22,952	\$ 22,952	\$ 37,349	\$ 14,397	\$ 35,694

See the accompanying independent auditors' report.

SOUTH PARK - PARK AND RECREATION DISTRICT

CONSERVATION TRUST FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2016

	2016			VARIANCE Positive (Negative)	2015 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
State Lottery Funds	\$ 22,000	\$ 28,645	\$ 28,635	\$ (10)	\$ 24,538
Interest	5	4	23	19	3
TOTAL REVENUES	22,005	28,649	28,658	9	24,541
EXPENDITURES					
Parks and Recreation	22,000	-	969	(969)	15,801
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	5	28,649	27,689	(960)	8,740
OTHER FINANCING USES					
Transfers Out	-	(30,023)	(29,054)	969	(8,377)
NET CHANGE IN FUND BALANCE	5	(1,374)	(1,365)	9	363
FUND BALANCE, Beginning	1,476	1,476	1,466	(10)	1,103
FUND BALANCE, Ending	\$ 1,481	\$ 102	\$ 101	\$ (1)	\$ 1,466

See the accompanying independent auditors' report.

SOUTH PARK - PARK AND RECREATION DISTRICT

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

	2016			VARIANCE Positive (Negative)	2015 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Charges for Services	\$ 108,095	\$ 108,095	\$ 99,145	\$ (8,950)	\$ 103,977
Grants	112,000	112,000	25,000	(87,000)	-
Special Events	-	-	2,348	2,348	4,902
Facility Rental	-	-	3,604	3,604	3,311
Interest	-	-	18	18	20
Miscellaneous	-	-	1,535	1,535	3,773
Transfers In	216,000	216,000	284,582	68,582	224,377
TOTAL REVENUES	436,095	436,095	416,232	(19,863)	340,360
EXPENDITURES					
Salaries and Benefits	190,906	170,652	163,341	7,311	164,631
Utilities	82,400	82,400	75,789	6,611	87,805
Supplies	7,675	7,675	10,344	(2,669)	12,774
Advertising	1,000	1,000	1,426	(426)	1,017
Accounting	7,680	7,680	7,659	21	7,680
Custodial	3,000	3,000	3,885	(885)	-
Other	27,414	27,414	26,464	950	20,918
Capital Outlay	112,000	112,000	91,617	20,383	12,877
Debt Service					
Principal	24,238	24,238	18,084	6,154	20,286
Interest	-	-	6,154	(6,154)	3,952
TOTAL EXPENDITURES	456,313	436,059	404,763	31,296	331,940
NET INCOME (Budget Basis)	\$ (20,218)	\$ 36	11,469	\$ 11,433	8,420
GAAP BASIS ADJUSTMENTS					
Capital Outlay			75,000		12,877
Depreciation			(88,853)		(83,855)
Principal Paid on Long Term Debt			18,084		20,286
NET INCOME (LOSS), GAAP BASIS			15,700		(42,272)
NET POSITION, Beginning			2,372,364		2,414,636
NET POSITION, Ending			\$ 2,388,064		\$ 2,372,364

See the accompanying independent auditors' report.