



Thompson Rivers Parks and Recreation District

Financial Statements and Supplementary
Information
For the Years Ended December 31, 2016 and 2015

Thompson Rivers Parks and Recreation District

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Independent Auditor's Report

Board of Directors
Thompson Rivers Parks and Recreation District
Milliken, Colorado

We have audited the accompanying financial statements of the Thompson Rivers Parks and Recreation District (the "District") as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Thompson Rivers Parks and Recreation District as of December 31, 2016 and 2015, and the changes in its financial position and its cash flows for the years 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 on pages 3 through 6 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 evidence sufficient to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis) on pages 22 and 23 is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Anton Collins Mitchell LLP

Greeley, Colorado
September 29, 2017

Management Discussion and Analysis

Management's Discussion and Analysis ("MD&A") is designed to provide an analysis of the Thompson Rivers Parks and Recreation District's (the "District") financial condition and operating results and to also inform the reader on District financial issues and activities.

The MD&A should be read in conjunction with the District's basic financial statement (beginning on page 7).

2016 Highlights - Business-Type Activities

As of December 31, 2016, net position was \$4,309,882 or an increase of \$894,232 or 26% when compared to 2015.

Total operating revenue was nearly unchanged from \$215,267 during 2015, compared to \$215,182 in 2016.

Total operating expenses were \$1,409,272, a decrease of \$23,228 (-1%) less than 2015.

Net capital assets were \$11,991,934 in 2016 compared to \$9,081,507 in 2015 for a net increase of \$2,910,427 or 32%.

The District's long-term debt was \$8,019,975 as of December 31, 2016, as compared to \$8,365,277 as of December 31, 2015, a net decrease of principal in the amount of \$345,302. The decrease in debt was due to scheduled payments.

Using this Annual Report

The financial statements included in this annual report are those of a quasi-municipal corporation and a political subdivision of the State of Colorado engaged only in a business-type activity. As an enterprise fund, the District's basic financial statements include:

Statements of Net Position - reports the District's current financial resources (short-term spendable resources) with capital assets and long-term obligations. (See page 7).

Statements of Revenues, Expenses and Changes in Net Position - reports the District's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions. (See page 8).

Statements of Cash Flows - reports the District's cash flows from operating activities, investing, capital and non-capital activities. (See page 9).

Condensed Statements of Net Position

	2016	2015
Current assets	1,277,277	3,649,374
Capital assets, net of accumulated depreciation	11,991,934	9,081,507
Other assets	169,000	224,000
<u>Total assets</u>	13,438,211	12,954,881
Current liabilities	449,029	444,658
Non-current liabilities	7,661,909	8,020,122
<u>Total liabilities</u>	8,110,938	8,464,780
Deferred inflows of resources	1,017,391	1,074,451
Net position		
Invested in capital assets	3,971,959	716,230
Restricted	73,561	2,196,797
Unrestricted	264,362	502,623
<u>Total net position</u>	4,309,882	3,415,650

The net position of the District increased to \$4,309,882 during 2016, a \$894,232 increase from 2015. Capital assets increased in 2016 by \$483,330 to \$13,438,211 from 2015. The increase was due in large part to the construction of the Milliken Athletics Complex.

Review of Revenues

	2016	2015
<u>District revenues</u>	215,182	215,267
<u>Non-operating revenues</u>		
Property and specific ownership taxes	1,138,466	1,108,862
Conservation Trust Funds	121,011	95,448
Earnings on investments	1,625	2,107
Other income and capital contributions	1,093,571	95,448
Total non-operating revenues	2,354,673	1,301,865
<u>Total revenues</u>	2,569,855	1,517,132

Operating revenues were largely unchanged from 2016, Non-operating revenues increased by \$1,052,808 or 80%. "Other income" had been unusually high in 2016 due to DOLA grant funds.

The District's 2016 total revenues were up 1,052,723 from 2015. The Increase was largely due to a DOLA Grant received in 2016 not received in 2015. The recent decline in oil and gas prices will likely negatively impact the Districts assessed value and future revenues from property taxes. The dramatic increase in oil and gas production, as well as record construction and rapidly rising property values will offset some of the impact from soft oil and gas prices. Increased residential assessed valuation will be restrained by adjustments required by the Gallagher Amendment. Despite recent negative factors that will result in decreased revenues in 2017 the District expects property tax revenues to increase in 2018.

Review of Expenses

	<u>2016</u>	<u>2015</u>
<u>District expenses</u>		
Program costs	799,256	886,761
Administrative and operating costs	406,758	512,230
Depreciation	203,258	158,809
County treasurer fees	16,004	15,683
Interest expense	<u>264,799</u>	<u>258,490</u>
<u>Total</u>	<u><u>1,690,075</u></u>	<u><u>1,831,973</u></u>

The District's total expenses for 2016 decreased by \$141,898 or 7% from 2015. The Decrease is primarily due to decreased program costs and Administrative/operating costs.

Capital Contributions

	<u>2016</u>	<u>2015</u>
Capital contributions	<u>14,452</u>	<u>880,495</u>

Capital Assets

	<u>2016</u>	<u>2015</u>
Land	1,673,100	1,673,100
Construction in Progress	0	2,921,647
Land improvements	5,001,532	5,001,532
Buildings	5,979,889	0
Vehicles and equipment	<u>524,758</u>	<u>469,315</u>
<u>Total</u>	<u><u>13,179,279</u></u>	<u><u>10,065,594</u></u>

In 2016 the District completed construction of the Milliken Athletics Complex (\$6,400,000). In 2015 The District also received a land donation to be used as additional multipurpose turf area. The District currently has no time table for developing the donated land.

Economic and Other Factors

The continued volatility of the oil and gas market makes it difficult for the District to develop accurate revenue forecasts. The District's declining reliance on oil and gas revenue should assist in weathering short-term oil and gas related revenue losses. Property tax revenue was down \$60,000 in 2017. Property tax revenue, the main source of revenue for the District has not kept pace with population growth. When adjusted for inflation the District receives per capita revenue equal to 53% of revenue received in 2006 (2006 per capita revenue \$66.02, 2016 per capita revenue \$35.61) The District does project recent decreases in property taxes to reverse in 2018 due to additional oil and gas exploration, continued rapid residential growth and substantial increases in residential asset valuation.

In 2017 the District's budget includes expenditures for: The District plans to cut hours of operations and programming at our two outdoor seasonal pools to offset decreased revenue in 2017. No new capital expenses are projected for 2017.

Financial Contract

The District's financial statements are designed to present users (customers, citizens, creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about the report or need additional financial information, please contact the District at 320 Centennial Drive, Milliken, Colorado 80543.

Basic Financial Statements

Thompson Rivers Parks and Recreation District

Statements of Net Position

<i>December 31,</i>	2016	2015
Assets		
Current assets		
Cash and cash equivalents	\$ 199,455	\$ 370,646
Restricted cash and cash equivalents	-	2,142,680
Property taxes receivable	1,017,391	1,074,451
Debt proceeds receivable	-	-
Note receivable, current portion	55,000	55,000
Other receivables	1,131	2,297
Prepaid items	4,300	4,300
Total current assets	1,277,277	3,649,374
Capital assets		
Land	1,673,100	1,673,100
Building	5,979,889	-
Construction in progress	-	2,921,647
Land improvements	5,001,532	5,001,532
Vehicles and equipment	524,758	469,315
Total capital assets	13,179,279	10,065,594
Less: accumulated depreciation	(1,187,345)	(984,087)
Total capital assets, net	11,991,934	9,081,507
Other assets		
Note receivable, net of current portion	165,000	220,000
Security deposit	4,000	4,000
Total assets	13,438,211	12,954,881
Liabilities		
Current liabilities		
Current portion of capital lease obligations	358,066	345,155
Accounts payable	2,168	1,976
Accrued wages payable	26,826	20,861
Accrued interest payable	61,969	76,666
Total current liabilities	449,029	444,658
Noncurrent liabilities		
Capital lease obligations, net of current portion	7,661,909	8,020,122
Total liabilities	8,110,938	8,464,780
Deferred inflows of resources		
Unearned revenue - property taxes	1,017,391	1,074,451
Net position		
Net investment in capital assets	3,971,959	716,230
Restricted:		
Emergencies	73,561	54,117
Debt service	-	2,142,680
Unrestricted	264,362	502,623
Total net position	\$ 4,309,882	\$ 3,415,650

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

Thompson Rivers Parks and Recreation District

Statements of Revenues, Expenses and Changes in Net Position

<i>For the years ended December 31,</i>	2016	2015
Operating revenues		
Charges for services	\$ 215,182	\$ 215,267
Operating expenses		
Program costs	799,256	886,761
Administrative and operating costs	406,758	386,930
Depreciation	203,258	158,809
Total operating expenses	1,409,272	1,432,500
Operating loss	(1,194,090)	(1,217,233)
Nonoperating revenues (expenses)		
Property taxes	1,080,103	1,037,422
Conservation trust funds	121,011	95,448
Other nonoperating revenues	1,096,770	477,659
Specific ownership taxes	58,363	71,440
Interest	1,625	2,107
County treasurer fees	(16,004)	(15,683)
Loss on disposal of capital assets	-	(83,300)
Debt issuance costs	-	(42,000)
Interest expense	(264,799)	(258,490)
Total nonoperating revenues (expenses)	2,077,069	1,284,603
Income (loss) before contributions	882,979	67,370
Capital contributions	11,253	880,495
Change in net position	894,232	947,865
Net position at beginning of year	3,415,650	2,467,785
Net position at end of year	\$ 4,309,882	\$ 3,415,650

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

Thompson Rivers Parks and Recreation District

Statements of Cash Flows

<i>For the years ended December 31,</i>	2016	2015
Cash flows from operating activities		
Cash received from customers	\$ 271,348	\$ 219,900
Cash paid to suppliers	(1,205,822)	(655,776)
Cash paid to employees	5,965	(618,514)
Net cash flows from operating activities	(928,509)	(1,054,390)
Cash flow from noncapital financing activities		
Property and specific ownership taxes	1,138,466	1,108,862
Conservation trust funds	121,011	95,448
Other nonoperating revenues	1,096,770	477,659
Treasurer fees	(16,004)	(15,683)
Net cash flows from noncapital financing activities	2,340,243	1,666,286
Cash flows from capital and related financing activities		
Proceeds from the issuance of long-term debt	-	5,011,447
Principal payments on capital lease obligations	(345,302)	(302,056)
Acquisition of capital assets	(3,113,685)	(3,038,376)
Proceeds from the sale of capital assets	-	55,000
Change in restricted cash	2,142,680	(1,842,680)
Capital contributions	11,253	5,495
Debt issuance costs	-	(42,000)
Interest paid	(279,496)	(258,490)
Net cash flows from capital and related financing activities	(1,584,550)	(411,660)
Cash flows from investing activities		
Interest	1,625	2,107
Net cash flows from investing activities	1,625	2,107
Net change in cash and cash equivalents	(171,191)	202,343
Cash and cash equivalents at beginning of year	370,646	168,303
Cash and cash equivalents at end of year	\$ 199,455	\$ 370,646
Reconciliation of operating loss to net cash flows from operating activities:		
Operating loss	\$ (1,194,090)	\$ (1,217,233)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation	203,258	158,809
Changes in operating assets and liabilities:		
Other receivables	56,166	4,633
Accounts payable	192	(738)
Accrued wages payable	5,965	139
Net cash flows from operating activities	\$ (928,509)	\$ (1,054,390)

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

Thompson Rivers Parks and Recreation District

Statements of Cash Flows

<i>For the years ended December 31,</i>	2016	2015
Noncash financing activities:		
Contribution of land	\$ -	\$ 875,000
Capital lease proceeds held in an escrow account	\$ -	\$ -
Capital lease extinguishment with new capital lease	\$ -	\$ -
Note receivable issued in connection with the sale of land	\$ -	\$ 275,000
Capital assets obtained through capital lease	\$ -	\$ -

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

Thompson Rivers Parks and Recreation District

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Form of Organization

Thompson Rivers Parks and Recreation District (the "District") is organized under the provisions of Section 32-1-305 (6) of the Colorado Revised Statutes ("C.R.S."). It is a quasi-municipal corporation and a political subdivision of the State of Colorado with all powers thereof, which includes the power to levy taxes against property within the District.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District applies all applicable GASB pronouncements. The District's significant accounting policies are described below.

Financial Reporting Entity

In conformity with GASB financial reporting standards, the District is the reporting entity for financial reporting purposes. The District is the primary government financially accountable for all activities of the District. The District meets the criteria of a primary government: its Board of Directors is the publicly elected governing body; it is a legally separate entity; and it is fiscally independent. The District is not included in any other governmental reporting entity.

As defined by GAAP established by the GASB, the financial reporting entity consists of the primary government, as well as component units, which are legally separate organizations for which elected officials of the primary government are financially accountable. Financial accountability is defined as:

- 1) Appointment of a voting majority of the component unit's governing board, and either, a) the ability to impose its will by the primary government, or b) there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government; or
- 2) Fiscal dependency on the primary government and there is a potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointment by a higher level of government, or (3) a jointly appointed board.

Based on the above criteria, there are no other organizations that would be considered component units of the District. The District meets the criteria of an "other stand alone government."

Basic Financial Statements

The District is a special-purpose government engaged only in business-type activities. As such, enterprise fund financial statements are presented.

Basis of Accounting

Proprietary funds, which include enterprise funds, are accounted for on a flow of economic resources measurement focus using the accrual basis of accounting. Therefore, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of this fund are included on the statement of net position. Revenues and expenses are recorded in the accounting period in which they are earned or incurred, and they become measurable. Total net position is segregated into

Thompson Rivers Parks and Recreation District

Notes to Financial Statements

net investment in capital assets, restricted for emergencies, restricted for debt service, and unrestricted net position. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration.

Budgets and Budgetary Accounting

An annual budget and appropriation resolution is adopted by the Board of Directors (the "Board") in accordance with state statutes. The budget is prepared on a basis consistent with GAAP, except that capital asset additions and principal payments are budgeted as expenditures and debt proceeds are budgeted as revenues.

1. On or about October 15, the District staff submits to the Board 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.
2. Public hearings are conducted at regular Board meetings to obtain taxpayer comments.
3. Prior to December 15, the budget is legally adopted by the Board.
4. Unused appropriations lapse at the end of each year.

Following is a summary of the original budget, total revisions and revised budget for the District for the year ended December 31, 2016:

	Original Budget	Total Revisions	Revised Budget
Thompson Rivers Parks and Recreation District	\$ 1,870,186		\$ 1,870,186

Cash and Cash Equivalents

The District considers all highly liquid investments with original maturities of three months or less, which are available for operating expenditures, to be cash equivalents.

Revenue Recognition

Operating revenues are those revenues that are generated directly from the primary activity of the District. These revenues are for recreational programs and classes which are earned as the service is provided. The District is responsible for billing and collection of these charges on a monthly basis. All revenues not meeting these definitions are reported as nonoperating revenues. Receivables are reported at their gross value and, when appropriate, are reduced by the estimated portion that is expected to be uncollectible. No amounts were determined to be uncollectible at December 31, 2016 or 2015, respectively.

Property taxes attach an enforceable lien on property as of January 1. Taxes are levied in December, payable in the following year in full by April 30, or in two equal installments due on the last day of February and June 15. The county treasurer bills and collects property taxes for all taxing entities within the county. Property tax receipts collected by the county treasurer each month are remitted to the District by the tenth day of the subsequent month.

Thompson Rivers Parks and Recreation District

Notes to Financial Statements

Operating Revenues and Expenses

The District distinguishes between operating revenues and expenses and non-operating items in the statements of revenues, expenses and changes in net position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's purpose of providing recreational services to its customers. Operating revenues consist of charges to customers for services provided. Operating expenses include the cost of service, administrative expenses, and depreciation of assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

Capital Assets

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 valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are expensed.

Depreciation of capital assets is charged as an expense against operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Description	Years
Land	n/a
Land improvements	20 - 50 years
Equipment	5 - 20 years
Vehicles	4 - 7 years

Debt Issuance Costs

Debt issuance costs are recognized as an expense during the period of issuance. For the years ended December 31, 2016 and 2015, the amount expensed was \$0 and \$42,000, respectively.

Accrued Compensated Absences Payable

Obligations associated with the District's vacation policy are recorded as a liability and expense when earned to the extent that such benefits vest to the employee. The amount of the accrued and unpaid balance due under this policy is considered a long-term liability. The District had approximately \$18,000 for accrued compensated absences at December 31, 2016 and the amount in 2015 was immaterial.

Thompson Rivers Parks and Recreation District

Notes to Financial Statements

Net position

Net position is classified in the following categories:

Net Investment in Capital Assets - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce this category.

Restricted Net Position - This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - This category represents the net position of the District, which is not restricted for any project or other purpose. A deficit will require future funding.

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

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and such differences could be material.

Reclassifications

Certain amounts in the prior periods presented have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on previously reported net income.

2. Cash and Investments

Custodial Credit Risk - Deposits

Colorado state statutes govern the entity's deposits of cash. For deposits in excess of federally insured limits, Colorado Revised Statutes require the depository institution to maintain collateral on deposit with an official custodian (as authorized by the State Banking Board). The Colorado Public Deposit Protection Act ("PDPA") requires state regulators to certify eligible depositories for public deposit. PDPA requires the eligible depositories with public deposits in excess of the amounts insured by the Federal Deposit Insurance Corporation ("FDIC") to create a single institutional collateral pool of obligations of the State of Colorado or local Colorado governments and obligations secured by first lien mortgages on real property located in the State. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the assets in the pool must be at least 102% of the uninsured deposits. At December 31, 2016 and 2015, the District had deposits with a financial institution with a carrying amount of \$197,207 and \$2,513,324, respectively. The bank balances with the financial institution were \$205,935 and \$2,399,526, respectively, of which, \$205,935 and \$364,988, respectively, was covered by federal depository insurance, with the excess in 2015 covered by PDPA.

Investments

Thompson Rivers Parks and Recreation District

Notes to Financial Statements

C.R.S. specifies investment instruments meeting defined rating and risk criteria in which special districts may invest, which include:

- Certificates of deposit with an original maturity in excess of three months
- Certain obligations of the United States and U.S. Government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Banker's acceptance of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

District policy is to hold investments until maturity.

Interest Rate Risk

The District does not have a formal written investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates; however, the District adheres to state statutes. C.R.S. limits investment maturities to five years or less from the date of purchase. This limit on investments is a means of limiting exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk - Investments

Custodial credit risk of investments is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2016 and 2015, none of the District's investments were exposed to custodial credit risk.

Cash and cash equivalents, including restricted cash and cash equivalents, held by the District at December 31, 2016 and 2015 were as follows:

	2016	2015
Cash held by county treasurer	\$ 2,248	\$ 2
Cash on deposit with financial institutions	197,207	2,513,324
Total cash	\$ 199,455	\$ 2,513,326

Thompson Rivers Parks and Recreation District

Notes to Financial Statements

Cash and cash equivalents are reported on the statements of net position at December 31, 2016 and 2015, as follows:

	2016	2015
Cash and cash equivalents	\$ 199,455	\$ 370,646
Restricted cash and cash equivalents	-	2,142,680
Total cash and cash equivalents	\$ 199,455	\$ 2,513,326

3. Restricted Assets

Amounts reported as restricted cash and cash equivalents have been restricted by the 2011 capital lease agreement and the 2014 capital lease agreement for specific purposes as shown below:

	2016	2015
Debt service reserve fund	\$ -	\$ 2,142,680
Total	\$ -	\$ 2,142,680

4. Capital Assets

Capital asset activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,673,100	\$ -	\$ -	\$ 1,673,100
Construction in progress	2,921,647	-	(2,921,647)	-
Total capital assets, not being depreciated	4,594,747	-	(2,921,647)	1,673,100
Capital assets, being depreciated:				
Land improvements	5,001,532	-	-	5,001,532
Buildings	-	5,979,889	-	5,979,889
Vehicles and equipment	469,315	55,443	-	524,758
Total capital assets, being depreciated	5,470,847	6,035,332	-	11,506,179
Less: accumulated depreciated				
Land improvements	(766,812)	(103,163)	-	(869,975)
Buildings	-	(29,899)	-	(29,899)
Vehicles and equipment	(217,275)	(70,196)	-	(287,471)
Total accumulated depreciation	(984,087)	(203,258)	-	(1,187,345)
Total capital assets, being depreciated, net	4,486,760	5,832,074	-	10,318,834
Capital assets, net	\$ 9,081,507	\$ 5,832,074	\$ (2,921,647)	\$ 11,991,934

Thompson Rivers Parks and Recreation District

Notes to Financial Statements

Capital asset activity for the year ended December 31, 2015, was as follows:

	Beginning Balance (Restated)	Additions	Deletions	Ending Balance (Restated)
Capital assets, not being depreciated:				
Land	\$ 1,211,400	\$ 875,000	\$ (413,300)	\$ 1,673,100
Construction in Progress	43,582	2,878,065	-	2,921,647
Capital assets, not being depreciated:	1,254,982	3,753,065	(413,300)	4,594,747
Capital assets, being depreciated:				
Land improvements	5,001,532	-	-	5,001,532
Vehicles and equipment	309,004	160,311	-	469,315
Total capital assets, being depreciated	5,310,536	160,311	-	5,470,847
Less: accumulated depreciated				
Land improvements	(667,564)	(99,248)	-	(766,812)
Vehicles and equipment	(157,714)	(59,561)	-	(217,275)
Total accumulated depreciation	(825,278)	(158,809)	-	(984,087)
Total capital assets, being depreciated, net	4,485,258	1,502	-	4,486,760
Capital assets, net	\$ 5,740,240	\$ 3,754,567	\$ (413,300)	\$ 9,081,507

Thompson Rivers Parks and Recreation District

Notes to Financial Statements

5. Long-Term Debt

A summary of the District's long-term debt as of December 31, 2016 and 2015, is as follows:

	2016	2015
Capital Leases		
\$1,392,000 October 1, 2015, capital lease with a financial institution, due in semi-annual installments of \$49,421 through October 2021. The interest rate is initially set at 3.25%. The lease is collateralized by land.	\$ 1,339,050	\$ 1,392,000
\$163,136 May 19, 2015 capital lease with the financial institution, due in monthly installments of \$3,002 through May 2020. The interest rate is 3.97%. The lease is collateralized by vehicles and equipment.	114,930	145,732
\$7,063,018 September 5, 2014, capital lease with a financial institution, due in semi-annual installments of \$244,961 through April 1, 2021 with a balloon payment of \$5,275,450 due October 1, 2021. The interest rate is initially set at 3.38%. The lease proceeds were used to payoff the 2011 capital lease, escrow monies for the construction of the Milliken Athletic Complex and pay the issuance costs of this agreement. The lease is collateralized by the Nelson ballfield property and the Milliken Athletic Complex.	6,565,995	6,827,545
Total long-term debt	\$ 8,019,975	\$ 8,365,277

A summary of changes in debt for the year ended December 31, 2016, is as follows:

	Beginning Balance	Additions	Debt Retired	Ending Balance	Due Within One Year
Capital Leases	\$ 8,365,277	\$ -	\$ 345,302	\$ 8,019,975	\$ 358,066

A summary of changes in debt for the year ended December 31, 2015, is as follows:

	Beginning Balance	Additions	Debt Retired	Ending Balance	Due Within One Year
Capital Leases	\$ 7,112,197	\$ 1,555,136	\$ 302,056	\$ 8,365,277	\$ 345,155

Thompson Rivers Parks and Recreation District

Notes to Financial Statements

The annual requirements to amortize all debt outstanding as of December 31, 2016, are as follows:

Year Ending December 31,	Principal	Interest	Total
2017	\$ 358,066	\$ 266,724	\$ 624,790
2018	370,401	254,390	624,791
2019	383,162	241,629	624,791
2020	375,144	228,636	603,780
2021	6,533,202	216,291	6,749,641
Totals	\$ 8,019,975	\$ 1,207,670	\$ 9,227,793

The book value of assets acquired through capital lease is as follows:

Land	\$ 500,000
Land improvements	4,437,124
Vehicles and technology equipment	127,371
Less: accumulated depreciation	(949,591)
Total	\$ 4,114,904

Bank waives noncompliance with financial covenants:

The Company's credit agreement with the bank contains certain financial covenants that require, among other things, maintenance of minimum amounts in cash; submission of audited financial statements within 210 days after year end; and requires approval for new debt. Certain financial covenants have not been met, and the bank has waived such noncompliance.

6. Risk Management

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors and omissions; or natural disasters. The District is a member of the Colorado Special Districts Property and Liability Pool (the "Pool"). The Pool is an organization composed of approximately 1,100 members created by an intergovernmental agreement to provide property and general liability, automobile physical damage and liability, public officials' liability, and boiler and machinery coverage to its members. The Pool provides coverage for property claims up to the values declared and liability and public officials' coverage for claims up to \$1,000,000.

At December 31, 2016, the date of the most recent audited financial statements, the Pool had assets of \$52,645,796, liabilities of \$28,757,242, and members' equity \$23,888,554. The liability amount includes no long-term debt. Total revenue for 2016 amounted to \$18,932,979 and total expenses were \$14,100,230, resulting in an excess of expenses over revenues of \$4,832,749. The net increase in members' equity during 2016 was \$4,573,591, which includes a decrease in non-admitted assets of \$664,948,. The District's share of these amounts is less than 1%.

Thompson Rivers Parks and Recreation District

Notes to Financial Statements

7. Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 (the "Plan"). The Plan, available to all full time District employees, permits them to defer a portion of their salary until future years. The District may elect to make a discretionary matching contribution. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. For the years ended December 31, 2016 and 2015, the District contributed \$5,740 and \$5,644 respectively.

The Plan complies with Section 457 of the Internal Revenue Code, whereby, trust provisions are incorporated so that plan assets are held to trust for the exclusive benefit of participants and their beneficiaries. As a result, as of December 31 2016, the assets and liabilities of the deferred compensation plan are not included in the accompanying financial statements.

8. TABOR Compliance

In November 1992, Colorado voters passed an amendment (the "Amendment" or "TABOR") to the State Constitution (Article X, Section 20), which limits the revenue raising and spending abilities of state and local governments. The limits on property taxes, revenue, and "fiscal year spending" include allowable annual increases tied to inflation and local growth in construction valuation. Fiscal year spending, as defined by the Amendment, excludes spending from certain revenue and financing sources, such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserves (balances). The Amendment requires voter approval for any increase in mill levy or tax rates, new taxes, or creation of multi-year debt.

Revenue earned in excess of the "spending limit" must be refunded or approved to be retained by the District under specified voting requirements by the entire electorate. The Amendment also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by the Amendment, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending (excluding bonded debt service). The District has restricted \$73,561 and \$54,117 as of December 31, 2016 and 2015, respectively, for emergencies as defined by the Amendment.

The District believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions will require judicial interpretation.

On November 7, 1996, the citizens of the District approved a ballot question which allows the District to "collect and retain, and expend the full amount of revenues generated during fiscal year 1996 and each subsequent year from payments of property taxes, to include but not limited to, payments from users fees, engineering fees, legal fees, and any other fees; such increase in revenues and spending in each fiscal year thereafter to be in excess of any revenue or spending limit otherwise applicable, withholding any limitation or condition, and without limiting the collection or spending of any other revenues of funds by the District, under Article X, Section 20 of the Colorado Constitution or any other law."

9. Note Receivable

On March 2, 2015 the District sold a piece of land for \$330,000. The District received cash of \$55,000 and had a note receivable of \$275,000. The District also paid \$1,251 in closing fees. The District will receive annual installments of \$55,000 in June for the next five years. Once all 5 payments have been made, no other obligations exist for either party. Management has determined imputed interest to be immaterial, therefore the balance does not reflect this adjustment. Ending balance of the receivable is \$165,000 and \$220,000 for 2016 and 2015 respectively.

Thompson Rivers Parks and Recreation District

Notes to Financial Statements

10. Subsequent Events

Management of the District has evaluated subsequent events through September 29, 2017, the date that the financial statements were available to be issued. No transactions or events that would require adjustment to or disclosure in the financial statements were identified.

Other Supplementary Information

Thompson Rivers Parks and Recreation District
Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis)
For the Year Ended December 31, 2016
With Comparative Actual Amounts for the Year Ended December 31, 2015

	2016		Actual	Variance with Final Budget Positive (Negative)	2015 Actual
	Budgeted Amounts				
	Original	Final			
Revenues					
Operating revenues					
Charges for services	235,050	\$ 235,050	\$ 215,182	\$ (19,868)	\$ 215,267
Nonoperating revenues					
Property taxes	1,074,536	1,074,536	1,080,103	5,567	1,037,422
Conservation trust funds	95,000	95,000	121,011	26,011	95,448
Specific ownership taxes	72,500	72,500	58,363	(14,137)	71,440
Other nonoperating revenues	380,500	380,500	1,096,770	716,270	477,659
Grants and contributions	11,000	11,000	11,253	253	880,495
Interest	1,600	1,600	1,625	25	2,107
Total nonoperating revenues	1,635,136	1,635,136	2,369,125	733,989	2,564,571
Proceeds from capital lease		-	-	-	5,011,447
Total revenues	1,870,186	1,870,186	2,584,307	714,121	7,791,285
Expenditures					
Program costs					
Communication	8,240	8,240	10,163	(1,923)	10,016
Continuing education	4,000	4,000	3,392	608	2,565
Employee benefits	57,380	57,380	49,329	8,051	64,584
League fees	1,500	1,500	1,380	120	5,845
Other		-	648	(648)	5,071
Repairs and maintenance	57,000	57,000	53,401	3,599	62,870
Salaries	451,150	451,150	450,048	1,102	499,137
Supplies	78,620	78,620	80,650	(2,030)	91,214
Temporary help	52,450	52,450	55,013	(2,563)	48,135
Travel and meetings	3,200	3,200	1,322	1,878	2,990
Uniforms	15,500	15,500	16,944	(1,444)	14,251
Utilities	76,000	76,000	76,966	(966)	80,083
Workers' compensation insurance	10,500	10,500	10,341	159	-
Total program costs	815,540	815,540	809,597	5,943	886,761
Administrative and operating costs					
Accounting	24,000	24,000	25,421	(1,421)	23,656
Advertising	2,500	2,500	2,767	(267)	3,328
Attorney	6,000	6,000	7,522	(1,522)	4,484
Board expense	1,600	1,600	1,507	93	1,785
Board member compensation	6,000	6,000	6,000	-	6,000

(Continued)

Thompson Rivers Parks and Recreation District
Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis)
For the Year Ended December 31, 2016
With Comparative Actual Amounts for the Year Ended December 31, 2015

	2016			Variance with Final Budget Positive (Negative)	2015 Actual
	Budgeted Amounts		Actual		
	Original	Final			
Expenditures (Continued)					
Communication	9,961	9,961	9,961	-	3,640
Computer expense	5,000	5,000	4,875	125	3,199
Continuing education	3,000	3,000	1,564	1,436	2,252
Contracted services	12,000	12,000	8,542	3,458	14,864
Copying	10,000	10,000	8,669	1,331	9,327
Election expense	20,000	20,000	11,253	8,747	-
Employee benefits	12,215	12,215	12,226	(11)	12,126
Fees/licenses/permits	23,000	23,000	23,537	(537)	29,837
Interest expense	282,845	282,845	264,799	18,046	258,490
Liability insurance	14,000	14,000	20,269	(6,269)	14,893
Office/administrative	27,800	27,800	16,400	11,400	47,200
Office supplies	40,147	40,147	48,170	(8,023)	31,292
Payroll taxes	42,624	42,624	45,140	(2,516)	49,296
Postage	250	250	144	106	216
Principal paid	345,155	345,155	345,155	-	302,056
Salaries	114,799	114,799	115,479	(680)	113,516
Travel and meetings	5,000	5,000	1,787	3,213	1,037
Unemployment taxes	-	-	-	-	-
Utilities	31,000	31,000	25,184	5,816	4,888
Workers' compensation	-	-	-	-	10,094
Total administrative and operating costs	1,038,896	1,038,896	1,006,371	32,525	947,476
County treasurer fees	15,750	15,750	16,004	(254)	15,683
Loan issuance costs	-	-	-	-	42,000
Capital outlay	-	-	3,113,685	(3,113,685)	3,038,376
Total expenditures	1,870,186	1,870,186	4,945,657	(3,075,471)	4,930,296
Change in net position budgetary basis	\$ -	\$ -	(2,361,350)	\$ 3,789,592	\$ 2,860,989
Reconciling items to GAAP change in net position					
Proceeds from capital lease			-		(5,011,447)
Depreciation			(203,258)		(158,809)
Loss on disposal of capital assets			-		(83,300)
Capital outlay			3,113,685		3,038,376
Principal paid			345,155		302,056
Change in net position			\$ 894,232		\$ 947,865

See accompanying Independent Auditor's Report.