

HISTORIC ARKANSAS RIVERWALK AUTHORITY OF PUEBLO
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2016



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McPherson,
Breyfogle,
Daveline &
Goodrich, PC
Certified Public Accountants

503 N. Main

Suite 740

Pueblo, CO 81003

Phone (719) 543-0516

Fax (719) 544-2849

INDEPENDENT AUDITORS' REPORT

Board of Directors
Historic Arkansas Riverwalk Authority of Pueblo
Pueblo, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activity and each major fund of the Historic Arkansas Riverwalk Authority of Pueblo (the Authority) 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.

Auditors' 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity and each major fund of the Historic Riverwalk Authority of Pueblo, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information on pages 3 through 6 and pages 26 through 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Historic Arkansas Riverwalk Authority of Pueblo's basic financial statements. The schedule of revenues and expenditures-recreational/entertainment operations fund-budget to actual is presented for purposes of additional information and is not a required part of the basic financial statements.

The schedule of revenues and expenditures-recreational/entertainment operations enterprise fund-budget to actual is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenues and expenditures-recreational/entertainment operations enterprise fund-budget to actual is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McPherson, Breyfogle, Durbin & Goodrich, PC

March 8, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2016

INTRODUCTION

The purpose of this Management's Discussion and Analysis (MD&A) is to provide a financial review and analysis as of and for the year ended December 31, 2016. This discussion and analysis is presented in conjunction with the Historic Arkansas Riverwalk of Pueblo Authority's (the Authority) audited financial statements. The analysis includes comparative information from 2015.

The Authority was created in 1997 under the laws of the state of Colorado to promote, manage, supervise, operate, develop and maintain the public project known as the Historic Arkansas Riverwalk of Pueblo. The original Intergovernmental Agreement (IGA) establishing the Authority included the City of Pueblo, Colorado, the County of Pueblo, Colorado, the Pueblo Conservancy District and the Board of Water Works of Pueblo. The Pueblo Urban Renewal Authority (PURA) agreed to be a party to the IGA in May 2008, at which time the IGA was modified to include the PURA.

FINANCIAL HIGHLIGHTS

- The Authority's net position at December 31, 2016 totaled \$282,185 while the Authority's change in net position for the year ended December 31, 2016 was \$(9,837).
- Total revenues for the year ended December 31, 2016 were \$954,356 and total expenses for the same period were \$964,193. Revenues increased \$25,261 during 2016 compared to 2015 due to an increase in Contributions, Management Services, and Common Access Maintenance Fees. At the same time, total expenses increased \$63,355 in 2016 compared to 2015. The following expenses had substantial increases: Salaries, Professional Services, Operation/Maintenance Expenses, Capital Expenses and Capital Outlay.

LAYOUT OF REPORT

In addition to this MD&A, the report consists of government-wide statements, fund financial statements, the notes to the financial statements, required supplementary information, and other additional information. Within this view, the Authority's operations are categorized and reported as either governmental activities or business-type activities. Governmental activities include basic governmental and administration services, while the business-type activities represent the recreational/entertainment operation enterprise fund. The government-wide statements are designed to be more corporate-like so as to report all the Authority's activities in these statements.

FINANCIAL STATEMENTS

Government-Wide Financial Statements

The government-wide financial statements are reported by governmental activities and business-type activities. These statements are designed to provide a broad overview of the Authority's net position and changes in net position. The governmental activities include the general fund, while the business-type activities report the recreational/entertainment operation enterprise fund.

The statement of net position presents a snapshot view of the assets and liabilities of the Authority at a point in time, while the changes in net position reports revenues and expenses over a period of time.

Fund Financial Statements

The fund financial statements provide more detail about the Authority's activities and the funds are used to maintain control over resources that are segregated for specific purposes or activities. The Authority reports a general fund, along with the recreational/entertainment operations enterprise fund.

Notes to Financial Statements

The notes to the financial statements provide additional disclosure required by generally accepted accounting principles and are designed to assist the reader in understanding the Authority's financial condition.

Financial Analysis

The following tables and analysis discuss the net position and changes in net position for the Authority as of and for the year ended December 31, 2016 with comparative information for the previous year.

Net Position – Net position may serve over time as a useful indicator of the Authority's financial position. The following table reflects the condensed statement of net position as of December 31, 2016 and 2015:

TABLE A
CONDENSED STATEMENT OF NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current assets	\$ 213,068	\$ 202,714	\$ 46,785	\$ 55,751	\$ 259,853	\$ 258,465
Noncurrent assets	8,989	9,161	22,527	30,555	31,516	39,716
Total Assets	<u>222,057</u>	<u>211,875</u>	<u>69,312</u>	<u>86,306</u>	<u>291,369</u>	<u>298,181</u>
Current liabilities	6,206	5,659	2,978	500	9,184	6,159
Total Liabilities	<u>6,206</u>	<u>5,659</u>	<u>2,978</u>	<u>500</u>	<u>9,184</u>	<u>6,159</u>
Net investment in capital assets	8,989	9,161	22,527	30,555	31,516	39,716
Unrestricted	<u>206,862</u>	<u>197,055</u>	<u>43,807</u>	<u>55,251</u>	<u>250,669</u>	<u>252,306</u>
Total Net Position	<u>\$ 215,851</u>	<u>\$ 206,216</u>	<u>\$ 66,334</u>	<u>\$ 85,806</u>	<u>\$ 282,185</u>	<u>\$ 292,022</u>

The Authority's net position was \$282,185 at December 31, 2016 and, as demonstrated in Table B, the Authority's expenses exceeded its revenue by \$9,837 for the year ended December 31, 2016.

Changes in Net Position – Table B below compares revenues and expenses of the Authority for the current year and the previous period.

TABLE B
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues –						
Charges for services	\$ 234,578	\$ 220,083	\$ 201,612	\$ 199,148	\$ 436,190	\$ 419,231
Operating grants and contributions	507,390	504,750	-	-	507,390	504,750
Capital grants and contributions	-	-	-	-	-	-
Investment earnings	76	132	8	16	84	148
Other	10,277	3,669	415	1,297	10,692	954,356
Total Revenues	<u>752,321</u>	<u>728,634</u>	<u>202,035</u>	<u>200,461</u>	<u>954,356</u>	<u>929,095</u>
Expenses –						
General government	742,686	701,578	-	-	742,686	701,578
Business-type activities	-	-	221,507	199,260	221,507	199,260
Total Expenditures	<u>742,686</u>	<u>701,578</u>	<u>221,507</u>	<u>199,260</u>	<u>964,193</u>	<u>900,838</u>
Change in net position before transfers	9,635	27,056	(19,472)	1,201	(9,837)	28,257
Transfers	-	-	-	-	-	-
Increase (decrease) in net position	<u>9,635</u>	<u>27,056</u>	<u>(19,472)</u>	<u>1,201</u>	<u>(9,837)</u>	<u>28,257</u>
Net position, January 1	<u>206,216</u>	<u>179,160</u>	<u>85,806</u>	<u>84,605</u>	<u>292,022</u>	<u>263,765</u>
Net position, December 31	<u>\$ 215,851</u>	<u>\$ 206,216</u>	<u>\$ 66,334</u>	<u>\$ 85,806</u>	<u>\$ 282,185</u>	<u>\$ 292,022</u>

Governmental activities – The increase in revenue in 2016 compared to 2015 were the direct result of an increase in IGA Partner Contribution, Foundation Management Contract, and CAM Fees, The increase in expenses in 2016 were attributed to an increase in Salaries, Legal Services, Security, Capital Expenses and Capital Outlay.

Business-type activities – The difference between the change in net position during 2016 compared to 2015 was due to a decline in Special Event revenue and increase in Salaries and related expenses.

Capital Assets

Table C reflects the Authority's investment in capital assets (net of accumulated depreciation) for its governmental and business-type activities. As of December 31, 2016, capital assets totaled \$31,516 compared to \$39,716 at December 31, 2015, with the overall reduction due to depreciation.

TABLE C
CAPITAL ASSETS (Net of Depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Buildings and improvements	\$ 4,944	\$ 6,357	\$ -	\$ -	\$ 4,944	\$ 6,357
Furniture and equipment	<u>4,045</u>	<u>2,804</u>	<u>22,527</u>	<u>30,555</u>	<u>26,572</u>	<u>33,359</u>
Total	<u>\$ 8,989</u>	<u>\$ 9,161</u>	<u>\$ 22,527</u>	<u>\$ 30,555</u>	<u>\$ 31,516</u>	<u>\$ 39,716</u>

Budgetary Highlights

The 2016 budget revenue in both funds is less than the actual by \$10,992. Expenditures are \$13,113 less than budget. The Board approved the final amended budget in December 2016.

FINANCIAL CONTACT

This financial report is designed to provide a general overview of the Authority's finances for all those who have an interest. Any questions should be addressed to the staff at the Authority's office located at 125 Riverwalk Place, Pueblo, CO, 81003.

BASIC FINANCIAL STATEMENTS

HISTORIC ARKANSAS RIVERWALK OF PUEBLO AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2016

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 212,457	\$ 46,016	\$ 258,473
Inventory	-	769	769
Prepaid expenses	611	-	611
Capital assets -			
Buildings and improvements, net	4,944	-	4,944
Furniture and equipment, net	4,045	22,527	26,572
Total capital assets	<u>8,989</u>	<u>22,527</u>	<u>31,516</u>
TOTAL ASSETS	<u>\$ 222,057</u>	<u>\$ 69,312</u>	<u>\$ 291,369</u>
LIABILITIES			
Accounts payable	\$ 927	\$ 382	\$ 1,309
Customer deposits	1,840	2,596	4,436
Long-term liabilities -			
Due within one year			
Compensated absences	<u>3,439</u>	<u>-</u>	<u>3,439</u>
TOTAL LIABILITIES	<u>6,206</u>	<u>2,978</u>	<u>9,184</u>
NET POSITION			
Net investment in capital assets	8,989	22,527	31,516
Unrestricted	<u>206,862</u>	<u>43,807</u>	<u>250,669</u>
TOTAL NET POSITION	<u>\$ 215,851</u>	<u>\$ 66,334</u>	<u>\$ 282,185</u>

The accompanying notes are an integral part of this statement.

HISTORIC ARKANSAS RIVERWALK OF PUEBLO AUTHORITY
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
General government	\$ 742,686	234,578	\$ 507,390	\$ -	\$ (718)	\$ -	\$ (718)
Total governmental activities	<u>742,686</u>	<u>234,578</u>	<u>507,390</u>	<u>-</u>	<u>(718)</u>	<u>-</u>	<u>(718)</u>
Business-type activities							
Recreational/entertainment operations	\$ 221,507	201,612	\$ -	\$ -	-	(19,895)	(19,895)
Total business-type activities	<u>221,507</u>	<u>201,612</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,895)</u>	<u>(19,895)</u>
TOTAL	<u>\$ 964,193</u>	<u>\$ 436,190</u>	<u>\$ 507,390</u>	<u>\$ -</u>	<u>\$ (718)</u>	<u>\$ (19,895)</u>	<u>(20,613)</u>
General revenues							
Unrestricted investment earnings					76	8	84
Miscellaneous					10,277	415	10,692
Total general revenues					<u>10,353</u>	<u>423</u>	<u>10,776</u>
Change in net position					9,635	(19,472)	(9,837)
Net position, January 1					<u>206,216</u>	<u>85,806</u>	<u>292,022</u>
Net position, December 31					<u>\$ 215,851</u>	<u>\$ 66,334</u>	<u>\$ 282,185</u>

The accompanying notes are an integral part of this statement.

**HISTORIC ARKANSAS RIVERWALK OF PUEBLO AUTHORITY
BALANCE SHEET
GOVERNMENTAL FUND
DECEMBER 31, 2016**

	General Fund
ASSETS	
Cash and cash equivalents	\$ 212,457
Prepaid expenses	611
TOTAL ASSETS	\$ 213,068
 LIABILITIES AND FUND BALANCE	
Liabilities -	
Accounts payable	927
Customer deposits	1,840
Total liabilities	2,767
 Fund balances -	
Unassigned	210,301
Total fund balances	210,301
TOTAL LIABILITIES AND FUND BALANCES	\$ 213,068

The accompanying notes are an integral part of this statement.

**HISTORIC ARKANSAS RIVERWALK OF PUEBLO AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2016**

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

Total fund balance - governmental fund	\$	210,301
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds		
The cost of capital assets is	\$	105,836
Accumulated depreciation is	<u>(96,847)</u>	8,989
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the fund. Long-term liabilities at year end consist of:		
Compensated absences	<u>(3,439)</u>	<u>(3,439)</u>
Total net position - governmental activities	\$	<u><u>215,851</u></u>

The accompanying notes are an integral part of this statement.

HISTORIC ARKANSAS RIVERWALK OF PUEBLO AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2016

	<u>General Fund</u>
REVENUES	
Intergovernmental	\$ 507,390
Charges for services	240,205
Interest	76
Miscellaneous	<u>10,277</u>
TOTAL REVENUES	<u>757,948</u>
EXPENDITURES	
Current -	
General government	<u>744,384</u>
TOTAL EXPENDITURES	<u>744,384</u>
NET CHANGE IN FUND BALANCE	13,564
FUND BALANCE, January 1	<u>196,737</u>
FUND BALANCE, December 31	<u><u>\$ 210,301</u></u>

The accompanying notes are an integral part of this statement.

**HISTORIC ARKANSAS RIVERWALK OF PUEBLO AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016**

Amounts reported for governmental activities are different because:

Total net change in fund balances - governmental fund	\$	13,564
<p>Capital outlays are reported in the governmental fund as expenditures; however, for governmental activities these costs are shown in the statement of net position and allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlay</p>		
Capital outlay		2,350
Depreciation expense		(2,521)
		(171)
<p>Certain revenue was recognized in the governmental fund that was recognized in the statement of activities in the prior year.</p>		
		(5,627)
<p>In the statement of activities, compensated absences (vacation leave) are measured by the amounts earned during the year. In the governmental fund, however, expenditures for these items are measured by the amounts actually paid. This year the amounts earned (\$6,961) were less than compensated absences paid (\$8,831)</p>		
		1,869
Change in net position - governmental activities	\$	9,635

The accompanying notes are an integral part of this statement.

HISTORIC ARKANSAS RIVERWALK OF PUEBLO AUTHORITY
STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2016

	Business-Type Activity
	Enterprise Fund Recreational/Entertainment Operations
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 46,016
Inventory	769
TOTAL CURRENT ASSETS	46,785
NONCURRENT ASSETS	
Capital assets	
Furniture & equipment	177,511
Accumulated depreciation	(154,984)
TOTAL CAPITAL ASSETS	22,527
TOTAL ASSETS	69,312
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	382
Customer deposits	2,596
TOTAL CURRENT LIABILITIES	2,978
TOTAL LIABILITIES	2,978
NET POSITION	
Net investment in capital assets	22,527
Unrestricted	43,807
TOTAL NET POSITION	\$ 66,334

The accompanying notes are an integral part of this statement.

HISTORIC ARKANSAS RIVERWALK OF PUEBLO AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2016

	Business-Type Activity
	Enterprise Fund Recreational/Entertainment Operations
OPERATING REVENUES	
Charges for services	202,027
TOTAL OPERATING REVENUES	202,027
OPERATING EXPENSES	
Salaries	59,326
Payroll taxes and benefits	7,585
Supplies	13,062
Utilities and communications	7,109
Repairs and maintenance	4,214
Advertising	26,384
Depreciation	8,028
Administrative support	67,800
Sponsorship, facility, special events	23,013
Other	4,986
TOTAL OPERATING EXPENSES	221,507
OPERATING INCOME (LOSS)	(19,480)
NONOPERATING REVENUES	
Investment revenue	8
TOTAL NONOPERATING REVENUES	8
CHANGE IN NET POSITION	(19,472)
TOTAL NET POSITION, January 1	85,806
TOTAL NET POSITION, December 31	\$ 66,334

The accompanying notes are an integral part of this statement.

HISTORIC ARKANSAS RIVERWALK OF PUEBLO AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2016

	<u>Business-Type Activity</u> <u>Enterprise Fund</u> <u>Recreational/Entertainment</u> <u>Operations</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 212,124
Cash paid to employees	(66,912)
Cash paid for goods and services	(77,393)
Cash paid for interfund services	(67,800)
NET CASH PROVIDED BY OPERATING ACTIVITIES	19
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	8
NET CASH PROVIDED BY INVESTING ACTIVITIES	8
NET INCREASE IN CASH AND CASH EQUIVALENTS	27
CASH AND CASH EQUIVALENTS, January 1	45,989
CASH AND CASH EQUIVALENTS, December 31	\$ 46,016
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income	(19,480)
Adjustments to reconcile operating income to net cash provided (used) by operating activities -	
Depreciation expense	8,028
Change in assets and liabilities -	
Accounts receivable	8,000
Inventory	993
Accounts payable	382
Customer deposits	2,096
NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES	\$ 19

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

HISTORIC ARKANSAS RIVERWALK AUTHORITY OF PUEBLO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Historic Arkansas Riverwalk Authority of Pueblo (the Authority) was created in 1997 under the laws of the State of Colorado to promote, manage, supervise, operate, develop and maintain the public project known as the Historic Arkansas Riverwalk of Pueblo. The intergovernmental agreement establishing the Authority involved the City of Pueblo, Colorado, the County of Pueblo, Colorado, Pueblo Conservancy District and the Board of Water Works of Pueblo. In 2008 the intergovernmental agreement was amended to include the Pueblo Urban Renewal Authority.

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting and reporting practices used by the Authority are described below.

A. REPORTING ENTITY

As required by generally accepted accounting principles, the Authority (the primary government) includes, if applicable, component units in its financial statements based upon financial accountability. Inasmuch as no component unit meets the criteria for inclusion, no component unit financial statements have been included.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The basic financial statements include both government-wide (based on the Authority as a whole) and fund financial statements. The government-wide financial statements, which include the statement of net position and the statement of activities, report information on all of the activities of the Authority. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by charges for services and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a function or activity. Program revenues include, if applicable, (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or activity; (2) grants and contributions that are restricted to meeting the operational requirements of a particular function or activity; and (3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity. Other items not properly included among program revenues are reported instead as general revenues. The net cost by function or business-type activity is normally covered by other unrestricted revenues.

HISTORIC ARKANSAS RIVERWALK AUTHORITY OF PUEBLO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Separate fund financial statements are provided for the governmental fund and the proprietary fund which are both considered major funds.

The government-wide focus is more on the sustainability of the Authority as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

C. 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 fund financial statements for the proprietary fund. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue when all eligibility requirements are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when 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 Authority considers revenue to be available if collected within 60 days of the end of the fiscal year. Expenditures generally are recorded when a liability is incurred as is the case with accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due. General capital asset acquisitions are reported as expenditures in governmental funds, while proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Intergovernmental, interest and charges for services are considered revenues susceptible to accrual while miscellaneous revenue is recorded as revenue when received in cash because it is not generally measurable until received at that time.

HISTORIC ARKANSAS RIVERWALK AUTHORITY OF PUEBLO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Business-type activities and the proprietary fund are accounted for using the flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of the fund are included on the balance sheet. The proprietary fund-type operating statement presents increases (revenues) and decreases (expenses) in total net position. The proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operation. The principal operating revenues of the Authority's recreational/entertainment operations enterprise fund is charges to customers for sales and services. Operating expenses for the enterprise fund includes the cost of sales and services, along with administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

GOVERNMENTAL FUND

The Authority reports the following major governmental fund:

- The general fund is the primary operating fund of the Authority and is always classified as a major fund. The general fund is used to account for all financial resources of the Authority except those required to be accounted for in a separate fund. Major revenue sources include intergovernmental revenues and charges for services. Primary expenditures include maintenance and upkeep of the riverwalk.

PROPRIETARY FUND

The following is a description of the major proprietary fund of the Authority:

- The recreational/entertainment fund was established to account for the provision of recreational and entertainment activities on the riverwalk.

D. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and interest and non-interest-bearing demand deposits.

E. CASH EQUIVALENTS

For purposes of the statement of cash flows, all highly liquid investments, if any, with a maturity of three months or less when purchased are considered cash equivalents.

HISTORIC ARKANSAS RIVERWALK AUTHORITY OF PUEBLO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

F. CAPITAL ASSETS

Capital assets, which include building improvements and furniture and equipment, are reported in the governmental activity and business-type activity columns in the government-wide financial statements. The capitalization level was established at \$1,000 for all capitalized items. This level was set so as to maintain a balance between accountability and managing the costs of recording and tracking these assets. Capital assets are defined as assets with an initial individual cost or estimated cost that equals or exceeds the limits identified above and have a useful life greater than one year. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Contributed capital assets are recorded at acquired value at the time received. Normal maintenance and repairs that do not add to the value of the asset or materially extend the useful life of the asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets for business-type activities is included as part of the capitalized value of assets constructed when material. No interest was capitalized during the year ended December 31, 2016.

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Building improvements	15	-
Furniture and equipment	5-7	5-7

G. COMPENSATED ABSENCES

It is the Authority's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Employees are compensated for vacation pay either through paid time off or at termination or retirement, while employees are not paid for unused sick leave at termination. Accordingly, sick pay is charged to expenditures when used and thus, no provision has been made in the financial statements for unused sick leave.

Accumulated vacation is accrued when earned in the government-wide financial statements. A liability for these amounts is reported in the governmental fund only if they have matured; for example, as a result of employee resignations and retirements.

HISTORIC ARKANSAS RIVERWALK AUTHORITY OF PUEBLO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

H. FUND EQUITY

The governmental fund reports fund balances in classifications based primarily on the extent to which the Authority is bound to honor constraints on the specific purposes for which amounts in the fund can be spent. Fund balance for the Authority's governmental fund consists of the following:

- Nonspendable – includes amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash such as inventories, prepaid items, long-term notes receivable and fund advances, if any.
- Restricted – includes amounts that are restricted for specific purposes stipulated by external resource providers constitutionally or through enabling legislation.
- Committed – includes amounts that can only be used for the specific purposes determined by the passage of a resolution of the HARP Authority board of directors. Commitments may be modified or changed only by the HARP Authority board of directors approving a new resolution.
- Assigned – includes amounts intended to be used by the Authority for specific purposes that are neither restricted nor committed. Intent is expressed by the executive director to which the assigned amounts are to be used for specific purposes. Assigned amounts include appropriations of existing fund balance to eliminate a budgetary deficit in the subsequent year's budget.
- Unassigned – includes amounts that do not meet any of the above criteria. The Authority reports positive unassigned fund balances only in the general fund.

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications, fund balance is reduced in the order of restricted, committed, assigned and unassigned.

In the government-wide financial statements and proprietary fund financial statements, equity is classified as net position and displayed in the following categories:

- Net investment in capital assets – consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- Restricted net position – consists of net position with constraints placed on the use either by (a) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) through constitutional provisions or enabling legislation.

HISTORIC ARKANSAS RIVERWALK AUTHORITY OF PUEBLO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

- Unrestricted net position – all other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

When both restricted and unrestricted resources are available for net position use, it is the Authority’s policy to use restricted resources first and then use unrestricted resources as they are needed.

I. INTERFUND TRANSACTIONS

Interfund transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as interfund transfers.

J. ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The Authority adheres to the following procedures in establishing its budgets:

On or before October 15 of each year, the executive director submits to the board of directors a proposed budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them. All funds, including the proprietary fund, use the current financial resources measurement focus and the modified accrual basis of accounting in preparing the budgets.

Expenditure estimates in the annual budget are enacted into law through the passage of appropriation resolutions. Budgetary control exists at the total fund level and the budget amounts reported reflect all amendments enacted by the Authority and these amendments were approved in accordance with state law.

HISTORIC ARKANSAS RIVERWALK AUTHORITY OF PUEBLO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents are summarized as follows:

Cash on hand	\$ 200
Demand deposits	<u>258,273</u>
	<u>\$ 258,473</u>

At December 31, 2016, the carrying amount of the Authority's deposits was \$258,273 and the bank balance was \$277,780. Of the bank balance, \$250,000 was covered by federal depository insurance and \$27,780 was collateralized in a single financial institution collateral pools maintained by the individual financial institution that hold these deposits. Colorado law requires that depository institutions must apply for and be designated as an eligible public depository before the institution can accept public fund monies. The depository institution must pledge eligible collateral as security for all public deposits held by that institution that are not insured by depository insurance. The market value of the collateral that each institution pledges as security must equal at least 102% of the total uninsured deposits held by that institution. Generally, the eligible collateral in the collateral pools is held by the depository institution or its agent in the name of the depository institution.

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority's policy for custodial risk parallels Colorado statutes as described above. As of December 31, 2016, deposits with the bank balance of \$27,780 are uninsured but are not exposed to the custodial credit risk because they are collateralized with securities held by the pledging financial institution's agent in the Authority's name.

HISTORIC ARKANSAS RIVERWALK AUTHORITY OF PUEBLO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 4 – CAPITAL ASSETS

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

	Balance January 1, <u>2016</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2016</u>
Governmental activities –				
Depreciable assets –				
Buildings and improvements	21,190	-	-	21,190
Furniture and equipment	<u>82,296</u>	<u>2,350</u>	<u>-</u>	<u>84,646</u>
Total capital assets being depreciated	<u>103,486</u>	<u>2,350</u>	<u>-</u>	<u>105,836</u>
Less: accumulated depreciation for –				
Buildings and improvements	(14,833)	(1,413)	-	(16,246)
Furniture and equipment	<u>(79,492)</u>	<u>(1,109)</u>	<u>-</u>	<u>(80,601)</u>
Total accumulated depreciation	<u>(94,325)</u>	<u>(2,522)</u>	<u>-</u>	<u>(96,847)</u>
Capital assets being depreciated, net	<u>9,161</u>	<u>(172)</u>	<u>-</u>	<u>8,989</u>
Total governmental activities capital assets, net	<u>\$ 9,161</u>	<u>\$ (172)</u>	<u>\$ -</u>	<u>\$ 8,989</u>

Depreciation expense of \$2,522 was charged to the general government function.

	Balance January 1, <u>2016</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2016</u>
Business-type activities –				
Depreciable assets –				
Furniture and equipment	\$ 180,746	\$ -	\$ (3,235)	\$ 177,511
Less: accumulated depreciation for –				
Furniture and equipment	<u>(150,191)</u>	<u>(8,028)</u>	<u>3,235</u>	<u>(154,984)</u>
Total business-type activities capital assets, net	<u>\$ 30,555</u>	<u>\$ (8,028)</u>	<u>\$ -</u>	<u>\$ 22,527</u>

HISTORIC ARKANSAS RIVERWALK AUTHORITY OF PUEBLO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 5 - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities in the government-wide financial statements for the year ended December 31, 2016:

	Balance January 1, <u>2016</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2016</u>	Due Within <u>One Year</u>
Compensated absences	\$ <u>5,309</u>	\$ <u>6,961</u>	\$ <u>(8,831)</u>	\$ <u>3,439</u>	\$ <u>3,439</u>
Total governmental activities	\$ <u>5,309</u>	\$ <u>6,961</u>	\$ <u>(8,831)</u>	\$ <u>3,439</u>	\$ <u>3,439</u>

This obligation is serviced by the general fund.

NOTE 6 - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, property and casualty, errors and omissions, and employee health claims. These risks of loss are covered by commercial insurance coverage.

NOTE 7 - EMPLOYEE BENEFITS

The Authority contributes to the HARP Authority 457 Plan (the Plan), a defined contribution pension plan for its full-time employees. The Plan is administered by Variable Annuity Life Insurance Co.

Benefit terms, including participation criteria and contribution requirements, for the Plan are established by and may be amended by the Board of Directors. For each employee, the Plan provides for employee voluntary contributions and the Authority matches those contributions up to 4% of compensation. For the year ended December 31, 2016, employee contributions totaled \$52,239 and the Authority recognized pension expense of \$6,771.

Employees are fully vested in both the Authority's contributions and their own contributions, along with the earnings on those contributions.

HISTORIC ARKANSAS RIVERWALK AUTHORITY OF PUEBLO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 8 – COMMITMENTS AND CONTINGENCIES

The Authority leases office space under an operating lease from the HARP Foundation ending December 31, 2022. Future minimum lease payments at December 31, 2016 follow:

2017	\$ 24,000
2018	24,000
2019	24,000
2020	24,000
2021	24,000
2022	<u>24,000</u>
Total	<u>\$ 144,000</u>

Total rent expense incurred during 2016 totaled \$24,000.

The Authority also leases a copy machine under an operating lease from the Canon Financial Group ending October 28, 2020. Future minimum lease payments at December 31, 2016 follow:

2017	\$ 2,868
2018	2,868
2019	2,868
2020	<u>2,390</u>
Total	<u>\$ 10,994</u>

Total lease expense incurred during 2016 totaled \$2,868.

Colorado voters passed an amendment to the state constitution in November 1992. The amendment is commonly referred to as the Tabor Amendment and contains several limitations, including revenue raising, spending abilities and other specific requirements affecting state and local governments. The amendment is complex and subject to judicial interpretation. The Authority believes it is not subject to the amendment because it does not qualify as a governmental entity for purposes of the amendment.

NOTE 9 – RELATED PARTY

The Authority provides management services to the HARP Foundation and during 2016, the Authority received \$30,000 for those services.

REQUIRED SUPPLEMENTARY INFORMATION

**HISTORIC ARKANSAS RIVERWALK OF PUEBLO AUTHORITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2016**

	Budgeted Amounts		Actual Budget Basis	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 507,390	\$ 507,390	\$ 507,390	\$ -
CAM fees, sponsorships, and vendor fees	197,382	201,810	210,205	8,395
Foundation management services	30,000	30,000	30,000	-
Interest revenue	250	100	76	(24)
Other	5,500	16,360	10,277	(6,083)
TOTAL REVENUES	<u>740,522</u>	<u>755,660</u>	<u>757,948</u>	<u>2,288</u>
EXPENDITURES				
Current -				
Salaries	254,786	255,200	251,838	3,362
Payroll taxes and benefits	100,436	100,800	93,716	7,084
Adminstration	32,269	33,500	30,931	2,569
Professional and consulting fees	12,000	13,000	17,648	(4,648)
Maintenance	280,944	283,000	284,777	(1,777)
Supplies	4,000	4,000	3,912	88
Telephone	5,800	5,800	5,688	112
Occupancy	33,787	33,000	32,138	862
Capital outlay	16,500	27,360	23,736	3,624
TOTAL EXPENDITURES	<u>740,522</u>	<u>755,660</u>	<u>744,384</u>	<u>11,276</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	-	-	13,564	13,564
FUND BALANCE, January 1				
	-	-	196,737	196,737
FUND BALANCE, December 31				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 210,301</u>	<u>\$ 210,301</u>

**HISTORIC ARKANSAS RIVERWALK AUTHORITY OF PUEBLO
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2016**

BUDGETARY INFORMATION

Historic Arkansas Riverwalk Authority of Pueblo (HARP) adheres to the following procedures in establishing the budgetary data reflected in the budgetary comparison schedule.

The HARP Intergovernmental Agreement directs the HARP Board to consult with the appropriate officers of each of the IGA partners (City of Pueblo, Pueblo County, Pueblo Conservancy District, the Board of Water Works of Pueblo, and the Pueblo Urban Renewal Authority) in the preparation of an annual operating plan and line item budget for the promotion, management, supervision, maintenance, development, and operation of HARP. The HARP Authority is required to conduct a joint meeting with the IGA partners no later than August 20 of each year and then submit its annual plan and budget to each of the IGA partners no later than August 31. The HARP Authority then adopts its budget after the appropriations of each of the IGA partners have been set by their respective governing bodies.

The HARP Authority is also subject to Colorado state budget law, in which the executive director, on or before October 15, submits to the board of directors a proposed budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them. Public hearings are conducted by the board of directors to obtain taxpayer comments. The Authority adopts budgets for all funds. All funds, including the proprietary fund, use the current financial resources measurement focus and the modified accrual basis of accounting in preparing the budgets.

Expenditure estimates in the annual budget are enacted into law by the passage of appropriation resolutions. Budgetary control exists at the total fund level and encumbrance accounting is not employed as a part of the budgetary process. The budget amounts reported reflect all amendments enacted by the Authority and these amendments were approved in accordance with state law.

ADDITIONAL INFORMATION

HISTORIC ARKANSAS RIVERWALK OF PUEBLO AUTHORITY
SCHEDULE OF REVENUES AND EXPENDITURES
RECREATIONAL/ENTERTAINMENT OPERATIONS ENTERPRISE FUND
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2015

	<u>Budgeted</u> <u>Amount</u>	<u>Actual</u> <u>(Non-GAAP</u> <u>Basis)</u>	Variance With Final Budget Positive <u>(Negative)</u>
	<u>Final</u>	<u>Basis)</u>	<u>(Negative)</u>
REVENUES			
Charges for services	\$ 215,300	\$ 202,027	(13,273)
Interest	15	8	(7)
TOTAL REVENUES	<u>215,315</u>	<u>202,035</u>	<u>(13,280)</u>
EXPENDITURES			
Current -			
Salaries	55,100	59,326	(4,226)
Payroll taxes and benefits	7,500	7,585	(85)
Supplies	8,500	13,062	(4,562)
Advertising/logistics	27,900	26,384	1,516
Utilities and communications	6,500	7,109	(609)
Repairs & maintenance	11,200	4,214	6,986
Administrative support	67,800	67,800	-
Sponsorship, facility, special events	22,715	23,013	(298)
Other	8,100	4,985	3,115
TOTAL EXPENDITURES	<u>215,315</u>	<u>213,478</u>	<u>1,837</u>
EXCESS (DEFICIENCY) OF			
REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ (11,443)</u>	<u>\$ (11,443)</u>