

PROSPECT RECREATION & PARK DISTRICT

—
**Financial Statements
and
Supplemental Information
Year Ended December 31, 2017 and 2016
with
Independent Auditor's Report**

L. PAUL GOEDECKE P.C.

CERTIFIED PUBLIC ACCOUNTANTS



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Office of the State Auditor

April 25, 2018

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Independent Auditor's Report

Board of Directors
Prospect Recreation & Park District
Jefferson County, Colorado

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities of Prospect Recreation & Park District as of and for the years ended December 31, 2017 and 2016 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 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 Prospect Recreation & Park District at December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

The management's discussion and analysis information on pages III - V are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplementary information as listed in the table of contents is presented for purposes of legal compliance and additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



L. Paul Goedecke, P.C.
April 11, 2018

Management's Discussion and Analysis

As management of the Prospect Recreation & Park District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2017.

Financial Highlights

- As of the close of the current fiscal year, the District's net position was \$ 11,279,787
- Net position increased by \$ 1,055,187.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of revenues, expenses and changes in net position* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements identify functions of the District that are principally to be supported by ad valorem taxes (*governmental activities*). The governmental activities of the District include the financing, construction of, and maintenance of governmental infrastructure including neighborhood/community parks and recreation facilities and services, and facilities constructed or acquired by the District.

The government-wide financial statements can be found on pages 1, 2 and 3 of this report.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 4-16 of this report.

Other information. A budgetary comparison statement has been provided in this section to demonstrate compliance with State budget law. The budget statements are found after the *basic financial statements* on pages 17-19 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The District's assets exceeded liabilities by \$ 11,279,787 at the close of the most recent fiscal year.

Net Position

	<u>2017</u>	<u>2016</u>
Current assets	\$ 5,575,972	\$ 4,222,797
Capital assets	16,787,974	17,193,878
Total assets	<u>22,363,946</u>	<u>21,416,675</u>
Current liabilities	2,466,283	2,261,416
Total liabilities	<u>2,466,283</u>	<u>2,261,416</u>
Long Term Obligations	8,617,876	8,930,659
Investment in capital assets	7,870,098	8,263,219
Restricted	63,076	62,374
Unrestricted	3,346,613	1,899,007
Total net position	<u>\$ 11,279,787</u>	<u>\$ 10,224,600</u>

Change in Net Position

	<u>2017</u>	<u>2016</u>
Revenue		
Operating Revenue	\$ 587,682	\$ 4,315,979
Property taxes (net)	1,809,621	1,088,087
Specific ownership taxes	180,431	89,613
Investment income	33,826	16,415
Total revenue	<u>2,611,560</u>	<u>5,510,094</u>
Expenses		
General government (includes depreciation)	1,191,614	1,004,850
Debt Service costs	364,760	150,173
Total expenses	<u>1,556,374</u>	<u>1,155,023</u>
Change in net position	1,055,186	4,355,071
Net position – Beginning	10,224,601	5,869,529
Net position - Ending	<u>\$ 11,279,787</u>	<u>\$ 10,224,600</u>

Total net position increased by \$ 1,055,186 from the previous year.

New Year's Budgets and Rates

The District has appropriated \$ 2,541,365 for spending in the 2018 fiscal year budget. It is anticipated that beginning fund balances, property tax revenue, specific ownership tax revenue, recreation fees, grants and fee-in-lieu revenue will be sufficient to cover these expenditures.

Requests for Information

This financial report is designed to provide a general overview of the Prospect Recreation & Park District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to:

Office of the Prospect Recreation & Park District
4198 Xenon Street
Wheat Ridge, CO 80033.

PROSPECT RECREATION & PARK DISTRICT

—
Statement of Net Position
December 31, 2017 and 2016

ASSETS	2017	2016
Current Assets:		
Cash and investments	\$ 3,207,458	\$ 2,272,643
Investments – restricted	63,076	62,374
Current taxes receivable	13,741	7,386
Taxes receivable in 2018	2,132,261	1,846,670
Golf course receivable	110,264	-
Prepaid expenses/deposits	49,172	33,724
Total current assets	<u>5,575,972</u>	<u>4,222,797</u>
Capital Assets:		
Leasehold improvements	95,219	95,219
Applewood Golf course land	10,366,800	10,366,800
Applewood Golf course building	3,133,200	3,133,200
Park facilities	3,655,672	3,655,672
Water rights	297,820	297,820
Buildings	1,203,836	1,203,836
Land	1,156,316	1,156,316
Vehicles and equipment	333,751	333,751
Computer equipment	21,719	21,719
Accumulated depreciation	(3,476,359)	(3,070,455)
Total capital assets	<u>16,787,974</u>	<u>17,193,878</u>
Total assets	<u>22,363,946</u>	<u>21,416,675</u>
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable	8,393	9,017
Prepaid fees	13,340	13,610
Accrued expenses	2,646	60,082
Accrued sick and vacation pay	5,943	4,837
Deposits	3,700	2,200
Current portion of long-term obligations	300,000	325,000
Total current liabilities	<u>334,022</u>	<u>414,746</u>
Long-Term Obligations	<u>8,617,876</u>	<u>8,930,659</u>
Deferred Inflows of Resources		
Property tax revenue	2,132,261	1,846,670
Total deferred inflows of resources	<u>2,132,261</u>	<u>1,846,670</u>
Net position:		
Investment in capital assets	7,870,098	8,263,219
Restricted	63,076	62,374
Unrestricted	3,346,613	1,899,007
Total net position	<u>11,279,787</u>	<u>10,224,600</u>
Total liabilities and net position	<u>\$ 22,363,946</u>	<u>\$ 21,416,675</u>

See notes to financial statements.

PROSPECT RECREATION & PARK DISTRICT

**Statement of Revenues, Expenses and Changes in Net Position
December 31, 2017 and 2016**

	2017	% of Total Revenue	2016	% of Total Revenue
Operating revenue:				
Fee in lieu revenue	\$ 19,225	0.86 %	\$ 31,291	0.58 %
Lottery/conservation trust	48,811	2.17 %	54,750	1.02 %
Grant revenue	-	- %	4,100,000	76.49 %
Golf Course Revenue base rent	171,467	7.63 %	-	- %
Golf Course Percentage rent	110,264	4.91 %	-	- %
Golf Course water lease revenue	21,440	0.95 %	-	- %
Water lease expenses	(57,500)	(2.56) %	-	- %
Recreation fees	110,425	4.91 %	118,415	2.21 %
Other revenue/donations	163,550	7.28 %	11,523	0.21 %
Total operating revenues	<u>587,682</u>	<u>26.16 %</u>	<u>4,315,979</u>	<u>80.51 %</u>
Operating expenses:				
Personnel and related expenses	413,639	18.41 %	375,817	7.01 %
General and administrative	179,415	7.99 %	188,806	3.52 %
Repairs and maintenance	192,655	8.57 %	187,709	3.50 %
Total operating expenses	<u>785,709</u>	<u>34.97 %</u>	<u>752,332</u>	<u>14.03 %</u>
Operating income (loss) before depreciation	(198,027)	(8.81) %	3,563,647	66.48 %
Depreciation	(405,905)	(18.07) %	(252,518)	(4.71) %
Income (loss) from operations	<u>(603,932)</u>	<u>(26.88) %</u>	<u>3,311,129</u>	<u>61.77 %</u>
Non-operating revenues and expenses				
Taxes – property, current	1,113,434	49.56 %	1,104,666	20.61 %
Taxes – debt service	723,762	32.21 %	-	- %
Taxes – specific ownership	180,431	8.03 %	89,613	1.67 %
Interest income	33,826	1.51 %	16,415	0.31 %
Bond issue costs	-	- %	(150,173)	(2.80) %
Bond interest	(364,760)	(16.23) %	-	- %
Treasurer fees	(27,574)	(1.23) %	(16,579)	(0.31) %
Total non-operating revenues (expenses)	<u>1,659,119</u>	<u>73.85 %</u>	<u>1,043,942</u>	<u>19.48 %</u>
Change In Net Position:	1,055,187	46.96 %	4,355,071	81.25 %
Beginning of Year	<u>10,224,600</u>		<u>5,869,529</u>	
End of year	<u>\$11,279,787</u>		<u>\$10,224,600</u>	

See notes to financial statements.

PROSPECT RECREATION & PARK DISTRICT

**Statement of Cash Flows
December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Receipts from customers/grants/lottery and other	\$ 478,918	\$ 4,331,729
Payment for operating expenses	(858,381)	(705,341)
Net cash provided (required) by operating activities	<u>(379,463)</u>	<u>3,626,388</u>
Cash flows from non-capital financing activities:		
Taxes – property and specific ownership - net	1,983,698	1,175,760
Net cash provided by non-capital financing activities	<u>1,983,698</u>	<u>1,175,760</u>
Cash flows from capital financing activities:		
Proceeds from Bond issue net of issue costs	-	9,105,486
Debt Principal reduction	(325,000)	-
Interest on Debt net of amortization	(377,544)	-
Acquisition of capital assets/work in progress	-	(13,519,197)
Net cash flows from capital financing activities	<u>(702,544)</u>	<u>(4,413,711)</u>
Cash flows from investing activities:		
Interest income	33,826	16,415
Net cash provided (required) from investing activities	<u>33,826</u>	<u>16,415</u>
Net increase (decrease) in cash and equivalents	935,517	404,852
Cash and equivalents – beginning of year	2,335,017	1,930,165
Cash and equivalents – end of year	<u>\$ 3,270,534</u>	<u>\$ 2,335,017</u>
Reconciliation of operating income(loss) to net cash provided (required) by operating activities:		
Loss from operations	(603,932)	3,311,129
Adjustments to reconcile loss from operations to net cash flows provided (required) by operating activities:		
Depreciation	405,905	252,518
(Increase) decrease in assets:		
Prepaid expenses	(15,448)	(1,162)
Accounts receivable	(110,264)	15,750
Increase (decrease) in liabilities:		
Accounts payable - operating	(624)	(9,469)
Deposits	1,500	1,000
Accrued expenses	(56,330)	57,538
Prepaid fees	(270)	(916)
Net cash provided (required) by operating activities	<u>\$ (379,463)</u>	<u>\$ 3,626,388</u>

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

PROSPECT RECREATION & PARK DISTRICT

Notes to Financial Statements December 31, 2017 and 2016

Note 1: Definition of Reporting Entity

The District, a quasi-municipal corporation, is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Jefferson County, Colorado. The District was established as a Title 32 Special District to provide park and recreation services on January 1, 2000. Prior to January 1, 2000 the District was a component unit of Jefferson County acting as a Title 30 Special District.

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

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

Note 2: Summary of Significant Accounting Policies

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental units accounted for as a proprietary enterprise fund as defined by Governmental Accounting Standards. The enterprise fund is used since the District's powers are related to those operated in a manner similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

The District has elected to follow GASB pronouncements. During the year ended December 31, 2004 the District adopted provisions of Governmental Accounting Standards Board Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The Statement establishes new financial reporting which requires governmental entities that use proprietary fund accounting, such as the District, to recognize capital contributions on the Statement of Revenue, Expenses and Change in Net Assets.

PROSPECT RECREATION & PARK DISTRICT

Notes to Financial Statements December 31, 2017 and 2016

Note 2: Summary of Significant Accounting Policies (Continued)

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

- a) Basis of Accounting – The District’s records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for property, plant and equipment are shown as increases in net assets.
- b) Property, Plant and Equipment – Property, plant and equipment are recorded at cost except for those assets that have been transferred from Jefferson County which are stated at estimated fair market value as determined by Jefferson County. These assets are being depreciated over their estimated useful lives on a straight-line basis. Donated land has been recorded at its appraised value and the donation is reflected as non-operating revenue.
- c) Property Taxes – Property taxes are levied by the District Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set before December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of December 31 of each year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or in equal installments, at the taxpayers’ election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November. The County Treasurer remits the taxes collected monthly to the District.

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

- d) Compensated Absences – The District’s financial statements include a provision for vacations earned but not taken by District employees.

PROSPECT RECREATION & PARK DISTRICT

Notes to Financial Statements December 31, 2017 and 2016

Note 2: Summary of Significant Accounting Policies (Continued)

- e) Budgets – In accordance with the State Budget Law, the District’s Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The District’s Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can be modified only upon completion of notice and hearing requirements. The appropriation is at the total fund expenditures level and lapses at year end.

Encumbrance accounting (open purchase orders, contracts in process and other commitments for the expenditures of funds in future periods) is not used by the District for budget or financial reporting purposes.

- f) Cash Equivalents – The District considers cash deposits and highly liquid investments with original maturities of three months or less to be cash equivalents.

PROSPECT RECREATION & PARK DISTRICT

**Notes to Financial Statements
December 31, 2017 and 2016**

Note 3: Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2017 follows:

<u>By Classification</u>	<u>Balance 12/31/2016</u>	<u>Additions</u>	<u>Reduction</u>	<u>Balance 12/31/2017</u>
Applewood Golf course	\$ 13,500,000	\$ -	\$ -	\$ 13,500,000
Park facilities	3,750,891	-	-	3,750,891
Water Rights	297,820	-	-	297,820
Buildings and improvements	1,203,836	-	-	1,203,836
Land	1,156,316	-	-	1,156,316
Vehicles and equipment	333,751	-	-	333,751
Computer equipment	21,719	-	-	21,719
	20,264,333	-	-	20,264,333
Accumulated depreciation	(3,070,455)	(405,904)	-	(3,476,359)
Net capital assets	<u>\$ 17,193,878</u>	<u>\$ (405,904)</u>	<u>\$ -</u>	<u>\$ 16,787,974</u>

Note 4: Cash and Investments

Cash and investments as of December 31, 2017 are classified in the accompanying financial statement as follows:

Statement of net assets:

Cash and investments – unrestricted	\$ 3,207,458
Cash and investments – restricted	63,076
	<u>\$ 3,270,534</u>

Cash and equivalents, per the Statement of Cash Flows as of December 31, 2017 consist of the following:

Petty cash	\$ 100
Deposits with financial institutions	334,116
Investments – ColoTrust*	2,936,318
	<u>\$ 3,270,534</u>

*The District has \$63,076 held in a ColoTrust account which represents fees in lieu which are pending determination by the County as to their allowable use.

PROSPECT RECREATION & PARK DISTRICT

Notes to Financial Statements December 31, 2017 and 2016

Note 4: Cash and Investments (Continued)

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

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

At December 31, 2017, the District's cash deposits had a bank balance of \$334,116 and a carrying balance of \$334,116.

Custodial Credit Risks – Deposits

As of December 31, 2017, none of the District's bank balance of \$334,116 were exposed to custodial credit risk as all deposits are either insured through the FDIC or collateralized with securities held by the pledging financial institution through PDPA.

PROSPECT RECREATION & PARK DISTRICT

Notes to Financial Statements December 31, 2017 and 2016

Note 4: Cash and Investments (Continued)
Investments

Credit Risk

The District has not adopted a formal investment policy, however, the District follows state statutes regarding investments.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM funds Governmental Select series) and money market funds (generally held by Bank Trust Departments in their role as Paying Agent or Trustee), and Colotrust, which record their investments at amortized cost.

Colorado State statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

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

The District generally limits its concentration of investments to those noted with an asterisk (*) above, which are believed to have minimal credit risk; minimal interest rate risk and no foreign currency risk.

The local government investment pools include the Colorado Local Government Liquid Assets Trust (ColoTrust) rated AAAM by Standard & Poor's.

PROSPECT RECREATION & PARK DISTRICT

Notes to Financial Statements December 31, 2017 and 2016

Note 4: Cash and Investments (Continued)

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors, such actions are generally associated with a debt service or sinking fund requirements.

As of December 31, 2017, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Colorado Liquid Asset Trust (ColoTrust)	Weighted average Under 60 days	\$ 2,936,318

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioners administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAM by Standard & Poor's. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

Concentration of Credit Risk

The District does not have a policy that addresses limitations on the amount that can be invested in any one issuer, however, the District invests primarily in local government investment pools and/or U.S. securities, which are not subject to concentration of credit risk.

PROSPECT RECREATION & PARK DISTRICT

**Notes to Financial Statements
December 31, 2017 and 2016**

Note 5: Long Term Obligations

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2017

	Balance 1/1/2017	Additions	Deletions	Balance 12/31/2017	Current Portion
General Obligation Bonds					
Series 2016	\$ 9,000,000	\$ -	\$ 325,000	\$ 8,675,000	\$ 300,000
Unamortized premium on Bonds	255,659	-	12,783	242,876	-
	<u>\$ 9,255,659</u>	<u>\$ -</u>	<u>\$ 337,783</u>	<u>\$ 8,917,876</u>	<u>\$ 300,000</u>

The detail of the District's long-term obligations is as follows:

On December 14, 2016 the District issued \$ 9,000,000 of Taxable Series 2016 General Obligation – Bonds with a premium of \$ 255,659. Proceeds from the bond issue along with \$ 4,100,000 of grant revenues (\$3,000,000 of GOCO and \$1,100,000 of Jeffco Open Space Funds) and \$400,000 of district funds were used to acquire the Applewood Golf course property.

The Bonds have a maturity date of December 1, 2036 and bear interest ranging from 3.0% to 5.0% payable semi-annually on June 1 and December 1 of each year beginning on June 1, 2017. Principal payments are due annually on December 1, beginning on December 1, 2017. The Bonds are general obligations of the District and are secured by the District's full faith and credit. All taxable property within the District is subject to ad valorem taxation without limitation as to rate or amount and in an amount sufficient to pay the principal and interest on the bonds when due.

The District's long-term obligations will mature as follows:

	Principal	Interest	Total
2018	\$ 300,000	\$ 381,938	\$ 681,938
2019	325,000	372,938	697,938
2020	350,000	363,188	713,188
2021	350,000	352,688	702,688
2022	350,000	340,438	690,438
2023-2027	2,000,000	1,493,063	3,493,063
2028-2032	2,490,000	1,014,000	3,504,000
2033-2037	2,510,000	321,250	2,831,250
	<u>\$ 8,675,000</u>	<u>\$ 4,639,503</u>	<u>\$ 13,314,503</u>

PROSPECT RECREATION & PARK DISTRICT

**Notes to Financial Statements
December 31, 2017 and 2016**

Note 6: Risk Management

The District is exposed to various risks of loss related to thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2017. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property and public officials liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members.

Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

Note 7: Retirement Plan

The District provides retirement for its employees through contributions to the Colorado County Officials and Employees Retirement Association (CCOERA) a defined contribution retirement fund. The Plan is funded by both the District and the employee to provide retirement benefits as well as death and disability benefits. The District as well as the employee each contributes 6% of their eligible salary to the plan.

Active employees not currently receiving benefits	<u>5</u>
Total participants	<u>5</u>

PROSPECT RECREATION & PARK DISTRICT

**Notes to Financial Statements
December 31, 2017 and 2016**

Note 7: Retirement Plan (continued)

Employees eligible to participate in the plan are defined as having 24 or more hours per week for five or more months out of the calendar year and upon completion of 12 months of service. (The precise terms are described in the Districts Personnel Policy Manual). The employee vesting schedule is as follows:

<u>Years of Service</u>	<u>Vesting Percentage</u>
1	20%
2	40%
3	60%
4	80%
5 or more	100%

The District contributed \$ 12,212 during the year 2017.

Note 8: Tax, Spending and Debt Limitations

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

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR.

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

The District voters authorized the District to collect, retain and spend all revenue and other funds collected from any source effective January 1, 2000 and continuing thereafter without regard to any expenditure, revenue raising, or other limitation contained within TABOR or other state law.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation.

PROSPECT RECREATION & PARK DISTRICT

Notes to Financial Statements December 31, 2017 and 2016

Note 8: Tax, Spending and Debt Limitations (continue)

Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

Note 9: Intergovernmental Agreements

The District has entered into an intergovernmental agreement with Jefferson County, Colorado dated March 28, 2000 by which the County has conveyed to the District by Commissioners' Deeds the following properties: Arapahoe Park, part of Maple Grove Park, Applewood Park, Crestview Arena, Prospect Arena, Prospect West Tennis Courts and associated water rights.

The 'real properties' have been valued at the acquisition costs originally paid during the period when Prospect Recreation District was a part of the County.

The Water Rights values are based on the current 'estimated market values,' not appraised values. However, the 'market values' of some of these water rights are based on the District being in possession of certificates of ownership.

The District entered into an intergovernmental agreement with APEX, formally known as North Jeffco Park and Recreation District, in February 2002, in which the parties agreed on the District's northern boundary and APEX's southern boundary. In addition, the District discontinued its pending inclusion proceeding with respect to the properties which lie north of agreed upon boundaries. In consideration, APEX made services and facilities available to Prospect residents at the APEX resident rates, with a few exceptions.

On January 20, 2000, the Board of County Commissioners approved an agreement with Jefferson County, Denver West Properties, Inc. and the District to amend a construction, operation and maintenance agreement between the County and Denver West Properties. As a part of that agreement Denver West agreed they would not seek exclusion of the property constituting Denver West Office Park or any portion thereof, from the boundaries of the District. Denver West acknowledged that the services provided by the District do not duplicate or interfere with any overlapping municipality. Denver West agreed to use its best efforts to remain within the District's boundaries and that Denver West would continue to pay the equivalent property tax levied by the District for the entire Denver West Office Park or pay the equivalent dollar amount annually to the District for so long as the District remains in existence.

PROSPECT RECREATION & PARK DISTRICT

Notes to Financial Statements December 31, 2017 and 2016

Note 9: Intergovernmental Agreements (Continued)

Denver West reserves the right, however, to oppose any increase in mill levy beyond the mill levy first set after formation of the District. In 2002, the City of Lakewood annexed the Denver West Office Park. Denver West has honored its obligation under this agreement, as has the City of Lakewood.

On August 25, 2008 the District entered into an agreement with the City of Wheat Ridge which after certain landscaping and trail improvement on the north side of 44th Avenue are completed obligates the District to maintain the reconstructed trail along the north side of 44th Avenue. The obligation is subject to annual appropriation.

Note 10: Lease agreement

The District has assumed a lease agreement with Touchstone Golf LLC whereby the Lessor (Prospect Recreation and Park District) agrees to lease the parcel of land commonly known as the Applewood Golf Course to be used solely for the operation of a public golf course and other activities usually associated with the operation of a public golf course. Touchstone is to pay a minimum lease payment increased annually by a CPI adjustment.

Note 11: Letter of Understanding

The District entered into a Letter of Understanding between the District and the City of Lakewood dated January 10, 2002 which established a mutually agreed upon framework for common action between the entities to enhance cooperation.

Note 12: Conveyance of Properties

On January 10, 2016, via Commissioner's Deeds, the County conveyed ownership of part of Maple Grove Park, the land on which the District Offices and Maintenance Facility reside, and part of Tanglewood Sports Park to the District. This conveyance came about through the District's utilization of a 2012 change in County policy. During the year 2016, the County conveyed ownership in Fairmont Park via a Commissioner's deed.

PROSPECT RECREATION & PARK DISTRICT

Notes to Financial Statements December 31, 2017 and 2016

Note 13: Debt Authorization

The voters in the District passed a debt authorization question in November 2016 which authorizes the District to issue an amount of debt up to 9.0 million dollars at an interest rate not to exceed 5.99%. The voters also authorized the District to increase its General fund mill levy by 1 mill. On December 14, 2016, the District issued the entire amount of its authorized debt of 9.0 million dollars. (see Note 5).

SUPPLEMENTAL INFORMATION

PROSPECT RECREATION & PARK DISTRICT

**Schedule of Operating Expenses
December 31, 2017 and 2016**

	2017	2016
Personnel and related expenses:		
Salaries	\$ 266,814	\$ 238,310
Insurance	50,455	46,662
Retirement	12,212	9,771
Payroll taxes	20,676	18,589
Incentive retention	1,542	1,485
Accounting contract	16,800	16,800
Recruiting	40	165
Mowing contract	45,100	44,035
Total personnel and related expenses	413,639	375,817
General and administrative expenses		
Advertising	500	500
Contract/partnership/election	-	246
Board meeting stipends	6,300	5,900
Computer	1,723	2,678
Insurance	32,067	19,080
Office supplies, printing, credit card charges and postage	16,473	12,145
Recreation programming	15,379	16,044
Uniform	599	573
Fuel	7,363	6,845
Audit	5,000	5,000
Utilities	18,106	18,519
Legal	24,881	48,952
Meetings	2,116	1,564
Cellular	977	1,637
Professional dues	3,005	2,679
Security	3,744	3,474
Telephone	3,481	3,176
Training	3,832	2,272
Tax reduction	-	443
Contingency/prof fees associated with Golf course	17,565	36,998
Miscellaneous/donations	16,304	81
Total general and administrative expenses	179,415	188,806
Repairs and maintenance		
Maintenance	172,817	177,569
Small capital projects	19,838	29,338
Applewood Golf Course Acquisition	-	13,500,000
Less amount capitalized to fixed assets	-	(13,519,198)
Total repairs and maintenance	192,655	187,709
Total Operating Expenses	\$ 785,709	\$ 752,332

PROSPECT RECREATION & PARK DISTRICT
Schedule of Revenue and Expenditures Budget and Actual
Year Ended December 31, 2017

Operating revenue:	Original/Final Budget	Actual	Variance Favorable (Unfavorable)
Fee in lieu	\$ 5,000	\$ 19,225	\$ 14,225
Lottery	45,000	48,811	3,811
Grant revenue	37,500	-	(37,500)
Recreation fees	85,000	110,425	25,425
Golf Course revenue base rent	150,000	171,467	21,467
Golf Course percentage rent	-	110,264	110,264
Golf Course water lease revenue	18,000	21,440	3,440
Water lease expenses	(75,000)	(57,500)	17,500
Other income/Insurance settlement	200	163,550	163,350
Total operating revenue	265,700	587,682	321,982
Operating expenses:			
Personnel			
Salaries	247,000	266,814	(19,814)
Retirement contribution	13,320	12,212	1,108
Benefits	74,036	72,713	1,323
General and Administrative			
Accounting contract	18,000	16,800	1,200
Mowing contract	46,000	45,100	900
Advertising	1,000	500	500
Board meetings	8,000	6,300	1,700
Computer support/Internet	3,700	1,723	1,977
Copier supplies	883	2,026	(1,143)
Credit card and bank charges	3,000	2,424	576
Office supplies	3,000	3,878	(878)
PC supplies/Software/Payroll	2,700	2,548	152
Postage	4,500	2,789	1,711
Printing	3,000	2,807	193
Recreation programming	18,900	15,379	3,521
Uniform	1,500	599	901
Fuel	11,000	7,363	3,637
Insurance – liability	20,811	32,067	(11,256)
Maintenance-building	9,000	7,025	1,975
Maintenance-equipment	5,500	5,340	160
Maintenance-irrigation	9,000	5,686	3,314
Maintenance-lawn and grounds	34,000	40,044	(6,044)
Maintenance-other/paint/playground	14,000	1,486	12,514
Maintenance-vehicle	10,000	6,195	3,805
Safety supplies	1,000	28	972
Sand and gravel	12,000	11,146	854
Small tools	1,000	213	787
Turf products	17,000	17,378	(378)
Water	65,000	64,229	771
Sanitation	15,000	14,049	951
Audit	5,000	5,000	-
Contract/Partnership/Election	8,000	-	8,000
Heat and power	20,000	18,105	1,895
Legal	45,000	24,881	20,119
Meeting	1,800	2,116	(316)
Miscellaneous	400	16,287	(15,887)
Cellular communication	2,000	977	1,023
Dues	3,000	3,005	(5)
Public notices	250	17	233
Security	3,600	3,744	(144)
Telephone	3,700	3,481	219
Training and education	6,000	3,832	2,168
Tax remission for Subdistrict 3	428	-	428
Contingency	134,303	17,565	116,738
Total operating expenses	906,331	765,871	140,460
Income (Loss) from Operations	\$ (640,631)	\$ (178,189)	\$ 462,442

PROSPECT RECREATION & PARK DISTRICT

**Schedule of Revenue and Expenditures Budget and Actual
And Changes in Funds Available (Budgetary Basis)
December 31, 2017**

	Original/Final Budget	Actual	Variance Favorable (Unfavorable)
Non-operating revenue			
Property taxes	1,846,114	1,837,196	(8,918)
Specific ownership taxes	48,000	180,431	132,431
Interest income	1,000	33,825	32,825
Treasurers fees	(16,788)	(27,574)	(10,786)
Total non-operating revenue	1,878,326	2,023,878	145,552
Non-operating expenditures			
Capital outlay Peaks to Plains trail project	20,000	-	20,000
Debt service principal	325,000	325,000	-
Debt service interest paid	401,920	377,543	24,377
Capital projects and equipment expense	166,741	19,838	146,903
Applewood Planning grant project	50,000	-	50,000
Non-operating expenditures	963,661	722,381	241,280
Net Non-operating income	914,665	1,301,497	386,832
Excess (deficiency) of revenue over expenditures (Budgetary Basis)	274,034	1,123,308	849,274
Beginning funds available	2,256,122	2,286,379	
Ending funds available	\$ 2,530,156	\$ 3,409,687	
Funds available are defined as follows:			
Current assets		5,575,972	
Less: current liabilities(net of current portion of debt)		2,166,285	
Ending funds available		\$ 3,409,687	
Reconciliation of budgetary basis (actual) to Statements of Revenue, Expenses and Changes in Net Assets:			
Revenue (budgetary basis)			2,639,134
Total revenue per Statements of Revenue, Expenses and Changes in Net Position			2,639,134
Expenditures (budgetary basis)			1,515,826
Depreciation			405,905
Amortization of Bond Premium			(12,784)
Principal paid			(325,000)
Total expenses per Statements of Revenue, Expenses and Changes in Net Position			1,583,947
Change in net assets per Statement of Revenue, Expense and Changes in Net Position			\$ 1,055,187