



Thompson Rivers Parks and Recreation District

Financial Statements and Supplementary
Information

For the Years Ended December 31, 2019 and 2018



Thompson Rivers Parks and Recreation District

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the Thompson Rivers Parks and Recreation District (the "District") as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Thompson Rivers Parks and Recreation District as of December 31, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Emphasis of a Matter

The COVID-19 outbreak in 2020 (see Note 10) has caused business disruption in a variety of industries, markets and geographic regions, which has resulted in considerable uncertainty as to the financial impact and duration, which cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Other Information

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

ACM LLP

Greeley, Colorado
July 24, 2020

**Thompson Rivers Parks and Recreation District
Management's Discussion and Analysis
For the Year Ended December 31, 2019**

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

The MD&A should be read in conjunction with the District's basic financial statements (beginning on page 8).

2019 Highlights - Business-Type Activities

As of December 31, 2019, net position was \$5,027,766 an increase of \$389,501 when compared to 2018 (\$4,638,265).

Total operating revenue was \$238,279 during 2019, an increase of \$12,295 when compared to 2018 (\$225,984).

Total operating expenses were \$1,950,180 during 2019, an increase of \$227,502 when compared to 2018 (\$1,722,678).

Net capital assets were \$11,479,077 in 2019, a decrease of \$52,281 when compared to 2018(\$11,531,358).

The District's long-term debt was \$7,169,637 as of December 31, 2019, a net decrease of \$117,263 as compared to 2018 (\$7,286,900).

Using this Annual Report

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

Statements of Net Position - reports the District's current financial resources (short-term spendable resources) with capital assets and long-term obligations. (See page 8).

Statements of Revenues, Expenses and Changes in Net Position - reports the District's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions. (See page 9).

Statements of Cash Flows - reports the District's cash flows from operating activities, investing, capital and non-capital activities. (See page 10).

**Thompson Rivers Parks and Recreation District
Management's Discussion and Analysis
For the Year Ended December 31, 2019**

Condensed Statements of Net Position

	<u>2018</u>	<u>2019</u>
Current assets	\$ 2,003,081	\$ 2,546,489
Capital assets, net of accumulated depreciation	11,531,358	11,479,077
Other assets	<u>59,000</u>	<u>4,000</u>
<u>Total assets</u>	<u>13,593,439</u>	<u>14,029,566</u>
Current liabilities	502,549	520,749
Non-current liabilities	<u>6,903,738</u>	<u>6,752,171</u>
<u>Total liabilities</u>	<u>7,406,287</u>	<u>7,272,920</u>
Deferred inflows of resources	<u>1,548,887</u>	<u>1,728,880</u>
Net position		
Invested in capital assets, net of related debt	4,244,458	4,309,440
Restricted	58,068	63,752
Unrestricted	<u>335,739</u>	<u>654,574</u>
<u>Total net position</u>	<u>\$ 4,638,265</u>	<u>\$ 5,027,766</u>

The net position of the District was \$5,027,766 as of December 31st, 2019, an increase of \$389,501 from 2018 (\$4,638,265). As of December 31st, 2019, total assets were \$14,029,566, an increase of \$436,127 from 2018 (\$13,593,439).

**Thompson Rivers Parks and Recreation District
Management's Discussion and Analysis
For the Year Ended December 31, 2019**

Review of Revenues

	<u>2018</u>	<u>2019</u>
Operating Revenue	\$ 225,984	\$ 238,279
Non-Operating Revenues		
Property and specific ownership taxes	1,430,259	1,651,198
State lottery funds	123,099	143,385
Earnings on investments	1,471	1,660
Other income and capital contributions	350,869	749,490
Total non-operating revenues	<u>1,905,698</u>	<u>2,545,733</u>
Total revenues	<u>\$2,131,682</u>	<u>\$2,784,012</u>

Operating revenues increased slightly in 2019. The increase was due to an increase in program participation. Non-operating revenues increased by \$652,330. The increase was largely due to a higher assessed valuation and higher capital contributions. Steady oil and gas development and increased home values drove the assessed value increase.

**Thompson Rivers Parks and Recreation District
Management's Discussion and Analysis
For the Year Ended December 31, 2019**

Review of Expenses

	<u>2018</u>	<u>2019</u>
District expenses		
Program costs	\$ 682,107	\$ 705,919
Administrative and operating costs	780,378	1,108,571
Depreciation	268,016	286,651
County treasurer fees	20,003	23,235
Interest expense	<u>228,633</u>	<u>270,135</u>
 Total	 <u><u>\$ 1,979,137</u></u>	 <u><u>\$ 2,394,511</u></u>

District expenses increased to \$2,394,511 in 2019, an increase of \$415,374 when compared to 2018 (\$1,979,137). The significant increase in expenses was a result of increased administrative and operating costs including Debt Issuance Costs as the District refinanced Capital Lease Obligations. The long term debt refinancing saved the District less than \$25,000 over the 15 years remaining of the financing, however the District was able to lock in financing at historically low interest rates avoiding possible future interest increases in previous financing.

Capital Contributions

	<u>2018</u>	<u>2019</u>
Capital contributions	<u>\$ 72,967</u>	<u>\$ 545,737</u>

Capital Assets

	<u>2018</u>	<u>2019</u>
Land	\$ 1,673,100	\$ 1,673,100
Construction in progress		70,070
Building	5,979,889	5,979,889
Land improvements	5,067,280	5,067,280
Vehicles and equipment	<u>536,287</u>	<u>694,608</u>
 Total	 <u><u>\$ 13,256,556</u></u>	 <u><u>\$ 13,484,947</u></u>

**Thompson Rivers Parks and Recreation District
Management's Discussion and Analysis
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Per the District's capital equipment plan, the District purchased three new vehicles, one new mower and two new trailers. All new equipment replaced existing equipment. The District also completed design and engineering work on a future addition outdoor lap pool at the Water Works Pool which is showing in construction in progress.

Economic and Other Factors

The District has had an increase in its assessed valuation in 2018 and 2019 due to increased residential property values, new residential construction, steady oil and gas prices and increased oil and gas production. Revenue generated from increased oil and gas production and higher oil prices are often cyclical and the District takes this into consideration when constructing our annual budget. Increased revenue in 2018 and 2019 has allowed the District to perform a backlog of facility maintenance projects and continue to invest in equipment in accordance to our capital equipment replacement plan. Reduced oil and gas values, as well as other broad economic challenges caused by the COVID-19 virus has caused some financial uncertainty for the District in 2020. Looking forward, the District anticipates reduced revenue and expenditures in the 2021-2023 fiscal years. The District management is confident that we are positioned in a way to weather the economic storm while still working towards our mission: Building a healthy, happy community through people, parks, programs and partnerships.

Financial Contract

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

Basic Financial Statements

Thompson Rivers Parks and Recreation District

Statements of Net Position

<i>December 31,</i>	2019	2018
Assets		
Current assets		
Cash and cash equivalents	\$ 754,478	\$ 319,966
Property taxes receivable	1,728,880	1,547,117
Note receivable, current portion	55,000	55,000
Other receivables	3,831	76,698
Prepaid items	4,300	4,300
Total current assets	2,546,489	2,003,081
Capital assets		
Land	1,673,100	1,673,100
Construction in progress	70,070	-
Building	5,979,889	5,979,889
Land improvements	5,067,280	5,067,280
Vehicles and equipment	694,608	536,287
Total capital assets	13,484,947	13,256,556
Less: accumulated depreciation	(2,005,870)	(1,725,198)
Total capital assets, net	11,479,077	11,531,358
Other assets		
Note receivable, net of current portion	-	55,000
Security deposit	4,000	4,000
Total assets	14,029,566	13,593,439
Liabilities		
Current liabilities		
Current portion of capital lease obligations	417,466	383,162
Accounts payable	6,233	10,161
Accrued wages and compensated absences payable	46,990	48,571
Accrued interest payable	50,060	60,655
Total current liabilities	520,749	502,549
Noncurrent liabilities		
Capital lease obligations, net of current portion	6,752,171	6,903,738
Total liabilities	7,272,920	7,406,287
Deferred inflows of resources		
Unearned revenue - property taxes	1,728,880	1,548,887
Net position		
Net investment in capital assets	4,309,440	4,244,458
Restricted:		
Emergencies	63,752	58,068
Unrestricted	654,574	335,739
Total net position	\$ 5,027,766	\$ 4,638,265

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

Thompson Rivers Parks and Recreation District

Statements of Revenues, Expenses and Changes in Net Position

<i>For the years ended December 31,</i>	2019	2018
Operating revenues		
Charges for services	\$ 238,279	\$ 225,984
Operating expenses		
Program costs	705,919	682,107
Administrative and operating costs	957,610	772,555
Depreciation	286,651	268,016
Total operating expenses	1,950,180	1,722,678
Operating loss	(1,711,901)	(1,496,694)
Nonoperating revenues (expenses)		
Property taxes	1,548,077	1,330,311
Conservation trust funds	143,385	123,099
Other nonoperating revenues	203,753	277,902
Specific ownership taxes	103,121	99,948
Earnings from investments	1,660	1,471
County treasurer fees	(23,235)	(20,003)
Loss on disposal of capital assets	(3,461)	(7,823)
Debt issuance cost	(147,500)	-
Interest expense	(270,135)	(228,633)
Total nonoperating revenues (expenses)	1,555,665	1,576,272
Income before contributions	(156,236)	79,578
Capital contributions	545,737	72,967
Change in net position	389,501	152,545
Net position at beginning of year	4,638,265	4,485,720
Net position at end of year	\$ 5,027,766	\$ 4,638,265

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

Thompson Rivers Parks and Recreation District

Statements Cash Flows

<i>For the years ended December 31,</i>	2019	2018
Cash flows from operating activities		
Cash received from customers	\$ 311,146	\$ 152,217
Cash paid to suppliers	(947,165)	(825,660)
Cash paid to employees	(721,873)	(617,648)
Net cash flows from operating activities	(1,357,892)	(1,291,091)
Cash flow from noncapital financing activities		
Property and specific ownership taxes	1,649,428	1,436,504
Conservation trust funds	143,385	123,099
Other nonoperating revenues	203,753	277,902
Treasurer fees	(23,235)	(20,003)
Net cash flows from noncapital financing activities	1,973,331	1,817,502
Cash flows from capital and related financing activities		
Acquisition of capital assets	(136,140)	(92,177)
Payments received from notes receivable	55,000	55,000
Capital contributions	545,737	72,967
Proceeds from the issuance of capital lease obligations	7,076,062	-
Principal payments on capital lease obligations	(7,295,016)	(375,124)
Debt issuance costs	(147,500)	-
Interest paid	(280,730)	(249,668)
Net cash flows from capital and related financing activities	(182,587)	(589,002)
Cash flows from investing activities		
Interest	1,660	1,471
Net cash flows from investing activities	1,660	1,471
Net change in cash and cash equivalents	434,512	(61,120)
Cash and cash equivalents at beginning of year	319,966	381,086
Cash and cash equivalents at end of year	\$ 754,478	\$ 319,966
Reconciliation of operating loss to net cash flows from operating activities:		
Operating loss	\$ (1,711,901)	\$ (1,496,694)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation	286,651	268,016
Changes in operating assets and liabilities:		
Other receivables	72,867	(73,767)
Accounts payable	(3,928)	3,293
Accrued wages and compensated absences payable	(1,581)	8,061
Net cash flows from operating activities	\$ (1,357,892)	\$ (1,291,091)
Non-cash investing activity		
Purchase of vehicles under capital lease	\$ 101,691	\$ -

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

Thompson Rivers Parks and Recreation District

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Form of Organization

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

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

Financial Reporting Entity

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

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

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

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

Basic Financial Statements

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

Basis of Accounting

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

Thompson Rivers Parks and Recreation District

Notes to Financial Statements

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

Budgets and Budgetary Accounting

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

1. On or about October 15, the District staff submits to the Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at regular Board meetings to obtain taxpayer comments.
3. Prior to December 15, the budget is legally adopted by the Board.
4. Unused appropriations lapse at the end of each year.

Following is a summary of the original budget, total revisions and revised budget for the District for the year ended December 31, 2019:

	Original Budget	Total Revisions	Revised Budget
Thompson Rivers Parks and Recreation District	\$ 2,237,384	\$ 612,616	\$ 2,850,000

Cash and Cash Equivalents

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

Revenue Recognition and Receivables

Operating revenues are those revenues that are generated directly from the primary activity of the District. These revenues are for recreational programs and classes which are earned as the service is provided. The District is responsible for billing and collection of these charges on a monthly basis. All revenues not meeting these definitions are reported as nonoperating revenues. Receivables are reported at their gross value and, when appropriate, are reduced by the estimated portion that is expected to be uncollectible. No amounts were determined to be uncollectible at December 31, 2019 or 2018, respectively.

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

Thompson Rivers Parks and Recreation District

Notes to Financial Statements

Operating Revenues and Expenses

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

Prepaid Items

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

Capital Assets

Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are expensed.

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

Description	Years
Land	N/A
Land improvements	20 - 50 years
Vehicles & Equipment	4 - 20 years
Building	50 years

Accrued Compensated Absences Payable

Obligations associated with the District's vacation policy are recorded as a liability and expensed when earned to the extent that such benefits vest to the employee. The amount of the accrued and unpaid balance due under this policy is considered a long-term liability. The District had approximately \$36,000 and \$32,000 for accrued compensated absences at December 31, 2019 and 2018 respectively.

Net Position

Net position is classified in the following categories:

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

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

Thompson Rivers Parks and Recreation District

Notes to Financial Statements

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

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

Use of Estimates

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

2. Budget Violations

During the year ended December 31, 2019, actual expenditures exceeded appropriations by \$6,549,415 primarily due to Principal payments related to the refinance of Capital leases. See note 5.

3. Cash and Investments

Custodial Credit Risk - Deposits

Colorado state statutes govern the entity's deposits of cash. For deposits in excess of federally insured limits, Colorado Revised Statutes require the depository institution to maintain collateral on deposit with an official custodian (as authorized by the State Banking Board). The Colorado Public Deposit Protection Act ("PDPA") requires state regulators to certify eligible depositories for public deposit. PDPA requires the eligible depositories with public deposits in excess of the amounts insured by the Federal Deposit Insurance Corporation ("FDIC") to create a single institutional collateral pool of obligations of the State of Colorado or local Colorado governments and obligations secured by first lien mortgages on real property located in the State. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the assets in the pool must be at least 102% of the uninsured deposits. At December 31, 2019 and 2018, the District had deposits with two financial institutions with a carrying amount of \$750,445 and \$316,846 respectively. The bank balances with the financial institutions were \$755,634 and \$310,851, respectively, of which, \$273,815 and \$310,851 respectively, was covered by federal depository insurance, with the excess in 2019 and 2018 covered by PDPA.

Investments

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

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

Thompson Rivers Parks and Recreation District

Notes to Financial Statements

- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

District policy is to hold investments until maturity.

Interest Rate Risk

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

Custodial Credit Risk - Investments

Custodial credit risk of investments is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2019 and 2018, the District held no investments.

Cash and cash equivalents held by the District at December 31, 2019 and 2018 were as follows:

	2019	2018
Cash held by county treasurer	\$ 4,033	\$ 3,120
Cash on deposit with financial institutions	750,445	316,846
Total cash and cash equivalents	\$ 754,478	\$ 319,966

Thompson Rivers Parks and Recreation District

Notes to Financial Statements

4. Capital Assets

Capital asset activity for the year ended December 31, 2019, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,673,100	\$ -	\$ -	\$ 1,673,100
Construction in progress	-	70,070	-	70,070
Total capital assets, not being depreciated	1,673,100	70,070	-	1,743,170
Capital assets, being depreciated:				
Land improvements	5,067,280	-	-	5,067,280
Building	5,979,889	-	-	5,979,889
Vehicles and equipment	536,287	167,761	(9,440)	694,608
Total capital assets, being depreciated	11,583,456	167,761	(9,440)	11,741,777
Less: accumulated depreciated				
Land improvements	(1,077,123)	(103,985)	-	(1,181,108)
Building	(269,095)	(119,598)	-	(388,693)
Vehicles and equipment	(378,980)	(63,068)	5,979	(436,069)
Total accumulated depreciation	(1,725,198)	(286,651)	5,979	(2,005,870)
Total capital assets, being depreciated, net	9,858,258	(118,890)	(3,461)	9,735,907
Capital assets, net	\$ 11,531,358	\$ (48,820)	\$ (3,461)	\$ 11,479,077

Thompson Rivers Parks and Recreation District

Notes to Financial Statements

Capital asset activity for the year ended December 31, 2018, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,673,100	\$ -	\$ -	\$ 1,673,100
Capital assets, not being depreciated:	1,673,100	-	-	1,673,100
Capital assets, being depreciated:				
Land improvements	5,001,532	65,748	-	5,067,280
Building	5,979,889	-	-	5,979,889
Vehicles and equipment	524,758	26,429	(14,900)	536,287
Total capital assets, being depreciated	11,506,179	92,177	(14,900)	11,583,456
Less: accumulated depreciated				
Land improvements	(973,138)	(103,985)	-	(1,077,123)
Building	(149,497)	(119,598)	-	(269,095)
Vehicles and equipment	(341,624)	(44,433)	7,077	(378,980)
Total accumulated depreciation	(1,464,259)	(268,016)	7,077	(1,725,198)
Total capital assets, being depreciated, net	10,041,920	(175,839)	(7,823)	9,858,258
Capital assets, net	\$ 11,715,020	\$ (175,839)	\$ (7,823)	\$ 11,531,358

Thompson Rivers Parks and Recreation District

Statements Cash Flows

5. Long-Term Debt

A summary of the District's long-term debt as of December 31, 2019 and 2018, is as follows:

	2019	2018
Capital Leases		
\$1,392,000 October 1, 2015, capital lease with the financial institution, due in semi-annual installments of \$49,421 through October 2021. The interest rate is initially set at 3.25%. The lease is collateralized by land. This lease was refinanced in 2019 and paid off.	\$ -	\$ 1,225,608
\$163,136 May 19, 2015, capital lease with the financial institution, due in monthly installments of \$3,002 through May 2020. The interest rate is 3.97%. The lease is collateralized by vehicles and equipment.	14,863	49,604
\$7,063,018 September 5, 2014, capital lease with the financial institution, due in semi-annual installments of \$244,961 through April 1, 2021 with a balloon payment of \$5,275,450 due October 1, 2021. The interest rate is initially set at 3.38%. The lease proceeds were used to payoff the 2011 capital lease, escrow monies for the construction of the Milliken Athletic Complex and pay the issuance costs of this agreement. The lease is collateralized by the Nelson ballfield property and the Milliken Athletic Complex. This lease was refinanced in 2019 and paid off.	-	6,011,688
\$102,236 November 22, 2019, Capital Lease with the motor credit company, due in annual installments of \$22,978 through November 22, 2023. Interest rate is set at 6.2%. The lease is collateralized by vehicles.	79,258	-
\$7,075,517 October 3, 2019, Capital Lease with the financial institution, due in semi-annual installments of \$291,865 Through October 1, 2034. The interest rate is set at 2.87%. The lease proceeds were used to payoff the October 1, 2015 capital lease and the September 5, 2014 capital lease and pay the issuance costs of this agreement. The lease is collateralized by the Nelson ballfield property and the Milliken Athletic Complex and Land.	7,075,516	-
Total long-term debt	\$ 7,169,637	\$ 7,286,900

A summary of changes in debt for the year ended December 31, 2019, is as follows:

	Beginning Balance	Additions	Debt Retired	Ending Balance	Due Within One Year
Capital Leases	\$ 7,286,900	\$ 7,177,753	\$ 7,295,016	\$ 7,169,637	\$ 417,466
Compensated Absences	\$ 31,584	\$ 7,355	\$ 2,971	\$ 35,968	\$ 5,395

Thompson Rivers Parks and Recreation District

Notes to Financial Statements

A summary of changes in debt for the year ended December 31, 2018, is as follows:

	Beginning Balance	Additions	Debt Retired	Ending Balance	Due Within One Year
Capital Leases	\$ 7,662,024	\$ -	\$ 375,124	\$ 7,286,900	\$ 383,162
Compensated Absences	\$ 29,842	\$ 4,811	\$ 3,069	\$ 31,584	\$ 4,738

The annual requirements to amortize all debt outstanding as of December 31, 2019 are as follows:

Year Ending December 31,	Principal	Interest	Total
2020	\$ 417,466	\$ 204,254	\$ 621,720
2021	413,694	193,015	606,709
2022	426,287	180,422	606,709
2023	439,284	167,425	606,709
2024	429,719	154,011	583,730
2025-2029	2,342,258	576,396	2,918,654
2030-2034	2,700,929	217,724	2,918,653
Totals	\$ 7,169,637	\$ 1,693,247	\$ 8,862,884

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

Land	\$ 500,000
Land improvements	4,437,124
Vehicles and technology equipment	229,062
Less: accumulated depreciation	(1,245,271)
Total	\$ 3,920,915

On October 3, 2019, the District entered into a lease purchase agreement for \$7,075,517 which refunded the October 1, 2015 capital lease and the September 5, 2014 capital lease. There were debt issuance costs of \$147,500. The refinance resulted in an economic gain (difference between the present values of the debt service payments of on the old and new debt) of approximately \$26,000. There were no deferred gains or losses resulting from this refunding as amounts were immaterial.

The District's credit agreement with the bank contains certain financial covenants that require, among other things, maintenance of minimum amounts in cash; submission of audited financial statements within 270 days after year end; and requires approval for new debt. The District is in compliance with these financial covenants.

6. Risk Management

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

Thompson Rivers Parks and Recreation District

Notes to Financial Statements

At December 31, 2018, the date of the most recent audited financial statements, the Pool had assets of \$63,918,422, liabilities of \$39,345,647 and members' equity of \$24,572,775. The liability amount includes no long-term debt. Total revenue for 2018 amounted to \$20,983,559 and total expenses were \$22,973,705, resulting in an excess of expenses over revenues of \$1,990,146. The net decrease in members' equity during 2018 was \$1,214,592, which includes a decrease in non-admitted assets of \$122,776. The District's share of these amounts is less than 1%.

7. Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 (the "Plan"). The Plan, available to all full time District employees, permits them to defer a portion of their salary until future years. The District may elect to make a discretionary matching contribution. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. For the years ended December 31, 2019 and 2018, the District contributed \$8,492 and \$6,719, respectively.

The Plan complies with Section 457 of the Internal Revenue Code, whereby, trust provisions are incorporated so that plan assets are held to trust for the exclusive benefit of participants and their beneficiaries. As a result, as of December 31, 2019, the assets and liabilities of the deferred compensation plan are not included in the accompanying financial statements.

8. TABOR Compliance

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

Revenue earned in excess of the "spending limit" must be refunded or approved to be retained by the District under specified voting requirements by the entire electorate. The Amendment also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by the Amendment, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending (excluding bonded debt service). The District has restricted \$63,752 and \$58,068 as of December 31, 2019 and 2018, respectively, for emergencies as defined by the Amendment.

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

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

Thompson Rivers Parks and Recreation District

Notes to Financial Statements

9. Note Receivable

On March 2, 2015 the District sold a piece of land for \$330,000. The District received cash of \$55,000 and had obtained a note receivable of \$275,000. The District will receive annual installments of \$55,000 for five years until June 2020. Once all five payments have been made, no other obligations exist for either party. Management has determined imputed interest to be immaterial, therefore the balance does not reflect this adjustment. Ending balance of the note receivable is \$55,000 and \$110,000 for 2019 and 2018, respectively.

10. Subsequent Events

Management of the District has evaluated subsequent events through July 24, 2020, the date that the financial statements were available to be issued. No transactions or events that would require adjustment to or disclosure in the financial statements were identified.

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Company’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Company is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.

Other Supplementary Information

Thompson Rivers Parks and Recreation District

Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis)

	2019					2018 Actual
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)		
	Original	Final				
Revenues						
Operating revenues						
Charges for services	\$ 200,350	\$ 200,350	\$ 238,279	\$ 37,929		\$ 225,984
Nonoperating revenues						
Property taxes	1,548,876	1,548,876	1,548,077	(799)		1,330,311
Conservation trust funds	110,000	110,000	143,385	33,385		123,099
Specific ownership taxes	90,000	90,000	103,121	13,121		99,948
Other nonoperating revenues	290,750	290,750	233,917	(56,833)		277,902
Grants and contributions	-	500,000	515,573	15,573		72,967
Interest	1,150	1,150	1,660	510		1,471
Total nonoperating revenues	2,040,776	2,540,776	2,545,733	4,957		1,905,698
Total revenues	2,241,126	2,741,126	2,784,012	42,886		2,131,682
Expenditures						
Program costs						
Communication	16,800	17,500	8,412	9,088		9,962
Continuing education	11,300	16,000	3,031	12,969		1,364
Employee benefits	76,288	55,000	55,484	(484)		36,254
League fees	905	1,000	905	95		1,940
Other	-	-	(3,030)	3,030		2,311
Repairs and maintenance	47,100	53,000	115,655	(62,655)		101,169
Salaries	183,000	265,000	266,873	(1,873)		257,336
Supplies	190,470	210,000	132,921	77,079		139,200
Temporary help	116,600	155,000	67,961	87,039		73,105
Travel and meetings	2,500	2,500	2,485	15		1,463
Uniforms	30,845	38,000	34,583	3,417		32,084
Utilities	66,000	82,000	80,427	1,573		77,012
Workers' compensation	7,900	11,500	9,748	1,752		4,939
Total program costs	749,708	906,500	775,455	131,045		738,139
Administrative and operating costs						
Accounting	29,000	29,000	26,566	2,434		26,462
Advertising	5,000	20,000	20,238	(238)		3,759
Attorney	7,000	22,000	20,908	1,092		6,823
Board expense	1,600	2,000	2,061	(61)		1,682
Board member compensation	6,000	6,000	6,000	-		6,000

(Continued)

Thompson Rivers Parks and Recreation District

Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis)

	2019			Variance with Final Budget Positive (Negative)	2018 Actual
	Budgeted Amounts		Actual		
	Original	Final			
Expenditures (Continued)					
Communication	11,000	12,500	12,400	100	11,973
Computer expense	3,500	18,500	18,512	(12)	8,395
Continuing education	9,000	16,000	16,152	(152)	11,253
Contracted services	30,000	30,000	29,186	814	35,862
Copying	8,000	6,500	6,250	250	6,357
Election expense	-	-	-	-	2,427
Employee benefits	30,925	28,500	30,731	(2,231)	24,909
Fees/licenses/permits	23,000	27,000	26,797	203	22,272
Interest expense	268,433	275,433	274,496	937	228,633
Liability insurance	22,000	3,000	23,889	(20,889)	21,752
Office/administrative	41,000	74,380	33,394	40,986	21,508
Office supplies	3,000	3,000	67,315	(64,315)	58,034
Payroll taxes	50,000	60,000	57,813	2,187	50,423
Postage	250	500	411	89	156
Principal paid	357,068	389,567	7,295,016	(6,905,449)	375,124
Salaries	351,900	425,000	447,419	(22,419)	362,373
Travel and meetings	9,000	2,500	2,483	17	865
Utilities	41,000	35,000	35,188	(188)	33,238
Total administrative and operating costs	1,307,676	1,486,380	8,453,225	(6,966,845)	1,320,280
County treasurer fees	20,000	24,000	23,235	765	20,003
Loan issuance costs	-	-	147,500	(147,500)	-
Transfer to Capital Fund	160,000	433,120	-	433,120	-
Total expenditures	2,237,384	2,850,000	9,399,415	(6,549,415)	2,078,422
Change in net position budgetary basis	\$ 3,742	\$ (108,874)	(6,615,403)	\$ 6,592,301	53,260
Reconciling items to GAAP change in net position					
Loss on disposal of capital assets			(3,461)		(7,823)
Depreciation			(286,651)		(268,016)
Principal paid			7,295,016		375,124
Change in net position			\$ 389,501		\$ 152,545

See accompanying Independent Auditor's Report.