

**CARBON VALLEY PARK
AND RECREATION DISTRICT
Weld County, Colorado**

**FINANCIAL STATEMENTS
December 31, 2016**



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Dazzio & Associates, PC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Carbon Valley Park and Recreation District
Weld County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of the Carbon Valley Park and Recreation District as of and for the year December 31, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Carbon Valley Park and Recreation District, as of December 31, 2016, and the respective changes in financial position and the budgetary comparisons for the General Fund and the Special Revenue Fund – Conservation Trust Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Carbon Valley Park and Recreation District's basic financial statements. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual, for the Debt Service Fund (the Supplementary Information) and the Schedule of Debt Service Requirements to Maturity and the Summary of Assessed Valuation, Mill Levy and Property Taxes Collected (the Other Information) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Information was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Other Information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Duggio & Associates, P.C.

July 11, 2017

BASIC FINANCIAL STATEMENTS

CARBON VALLEY PARK AND RECREATION DISTRICT
STATEMENT OF NET POSITION
December 31, 2016

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 1,211,743
Cash and investments - Restricted	1,908,918
Receivable - County Treasurer	21,018
Property taxes receivable	3,948,452
Prepaid expenses	64,505
Capital assets, nondepreciable	175,847
Capital assets, net	<u>9,431,657</u>
Total assets	<u>16,762,140</u>
DEFERRED OUTFLOWS OF RESOURCES	
Cost of bond refunding	249,469
Pension contributions subsequent to measurement date	182,341
Pension related deferrals	<u>650,954</u>
Total deferred outflows of resources	<u>1,082,764</u>
LIABILITIES	
Accounts payable	151,811
Accrued salaries	67,440
Payroll liabilities	37,370
Compensated absences	28,778
Accrued interest payable	26,067
Noncurrent liabilities	
Due within one year	742,336
Due in more than one year	5,017,357
Net pension liability	<u>2,877,266</u>
Total liabilities	<u>8,948,425</u>
DEFERRED INFLOWS OF RESOURCES	
Property tax revenue	3,948,452
Pension related deferrals	<u>93,460</u>
Total deferred inflows of resources	<u>4,041,912</u>
NET POSITION	
Net investment in capital assets	4,097,280
Restricted for:	
Emergency reserves	133,000
Debt service	1,756,337
Conservation Trust Fund	584
Unrestricted	<u>(1,132,634)</u>
Total net position	<u>\$ 4,854,567</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**CARBON VALLEY PARK AND RECREATION DISTRICT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government:					
Administrative	\$ 2,274,294	\$ 536,372	\$ -	\$ -	\$ (1,737,922)
Swimming pool, recreation and sports program	1,162,350	645,049	158,379	8,990	(349,932)
Interest and other costs related to long-term debt	276,346	-	-	-	(276,346)
Total governmental activities	<u>\$ 3,712,990</u>	<u>\$ 1,181,421</u>	<u>\$ 158,379</u>	<u>\$ 8,990</u>	<u>(2,364,200)</u>
General revenues:					
Property taxes					4,463,428
Specific ownership taxes					275,111
Net investment income					3,831
Other income					59,791
Total general revenues					<u>4,802,161</u>
Change in net position					2,437,961
Net position - Beginning as restated					<u>2,416,606</u>
Net position - Ending					<u>\$ 4,854,567</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**CARBON VALLEY PARK AND RECREATION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016**

	General Fund	Debt Service Fund	Conservation Trust Fund	Total Governmental Funds
ASSETS				
Cash and investments	\$ 1,211,743	\$ -	\$ -	\$ 1,211,743
Cash and investments - Restricted	133,000	1,775,334	584	1,908,918
Receivable - County Treasurer	13,949	7,069	-	21,018
Property taxes receivable	2,625,777	1,322,675	-	3,948,452
Prepaid expenditures	64,505	-	-	64,505
TOTAL ASSETS	\$ 4,048,974	\$ 3,105,078	\$ 584	\$ 7,154,636
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 151,811	\$ -	\$ -	\$ 151,811
Accrued salaries	67,440	-	-	67,440
Payroll liabilities	37,370	-	-	37,370
Total liabilities	256,621	-	-	256,621
DEFERRED INFLOWS OF RESOURCES				
Property tax revenue	2,625,777	1,322,675	-	3,948,452
Total deferred inflows of resources	2,625,777	1,322,675	-	3,948,452
FUND BALANCE				
Nonspendable	64,505	-	-	64,505
Restricted for:				
Emergency reserves	133,000	-	-	133,000
Debt service	-	1,782,404	-	1,782,404
Conservation Trust Fund	-	-	584	584
Unassigned	969,070	-	-	969,070
Total fund balances	1,166,575	1,782,404	584	2,949,563
TOTAL LIABILITIES DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 4,048,973	\$ 3,105,079	\$ 584	

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

Deferred outflows of resources are not available to pay for current period expenditures and, therefore, are not reported in the funds.

Cost of bond refunding	249,469
Pension contributions subsequent to measurement date	182,341
Pension related deferrals	650,954

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	9,607,504
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Long-term liabilities, including bonds and capital leases payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Compensated absences	(28,778)
Accrued interest payable	(26,067)
Bonds payable	(4,030,000)
Bond premium	(158,247)
Capital lease payable	(1,571,446)
Net pension liability	(2,877,266)

Deferred inflows of resources are not available to report as current period revenues and, therefore, are not reported in the funds.

Pension related deferrals	(93,460)
Net position of governmental activities	\$ 4,854,567

These financial statements should be read only in connection with the accompanying notes to the financial statements.

CARBON VALLEY PARK AND RECREATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2016

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Conservation Trust Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 2,968,243	\$ 1,495,185	\$ -	\$ 4,463,428
Specific ownership taxes	182,994	92,117	-	275,111
Lottery fund income	-	-	158,379	158,379
Net investment income	1,966	1,283	582	3,831
Charges for services				
Recreation revenue	79,561	-	-	79,561
Operations revenue	536,372	-	-	536,372
Program revenue	565,488	-	-	565,488
Grants and donations	8,990	-	-	8,990
Other income	59,791	-	-	59,791
Total revenues	<u>4,403,405</u>	<u>1,588,585</u>	<u>158,961</u>	<u>6,150,951</u>
EXPENDITURES				
Administrative	966,331	-	-	966,331
Operations	960,596	-	-	960,596
Program	461,455	-	-	461,455
Recreation	637,041	-	-	637,041
Debt service				
Lease principal	167,716	-	-	167,716
Lease interest	71,553	-	-	71,553
Bond principal	-	500,000	-	500,000
Bond interest	-	159,950	-	159,950
County treasurer fees	-	22,453	-	22,453
Paying agent fees	-	200	-	200
Capital improvements	455,000	-	114,775	569,775
Ballfield maintenance	-	-	63,854	63,854
Total expenditures	<u>3,719,692</u>	<u>682,603</u>	<u>178,629</u>	<u>4,580,924</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>683,713</u>	<u>905,982</u>	<u>(19,668)</u>	<u>1,570,027</u>
OTHER FINANCING SOURCES (USES)				
Lease issuance	300,000	-	-	300,000
Total other financing sources (uses)	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>300,000</u>
NET CHANGE IN FUND BALANCES	983,713	905,982	(19,668)	1,870,027
FUND BALANCES - BEGINNING OF YEAR	<u>182,862</u>	<u>876,422</u>	<u>20,252</u>	<u>1,079,536</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,166,575</u>	<u>\$ 1,782,404</u>	<u>\$ 584</u>	<u>\$ 2,949,563</u>

These financial statements should be read only in connection with
the accompanying notes to the financial statements.

**CARBON VALLEY PARK AND RECREATION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2016**

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

Net change in fund balances - Total governmental funds	\$ 1,870,027
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Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset.

Capital outlay	569,775
Depreciation expense	(286,436)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Principal payment - Bonds	500,000
2016 Lease payable	(300,000)
Amortization of bond premium	40,083
Amortization of cost of refunding	(63,188)
Principal payment - Capital lease	167,716

Some revenues/expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Pension expense	(238,331)
Employer contribution	178,122
Compensated absences - Change in liability	(722)
Accrued interest on liabilities - Change in liability	915

Changes in net position of governmental activities	\$ 2,437,961
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These financial statements should be read only in connection with
the accompanying notes to financial statements.

**CARBON VALLEY PARK AND RECREATION DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2016**

	Budgeted Amounts Original/ Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property taxes	\$ 2,993,508	\$ 2,968,243	\$ (25,265)
Specific ownership taxes	209,546	182,994	(26,552)
Net investment income	-	1,966	1,966
Charges for services			
Recreation revenue	168,530	79,561	(88,969)
Operations revenue	442,785	536,372	93,587
Program revenue	481,035	565,488	84,453
Grants and donations	74,000	8,990	(65,010)
Other income	80,000	59,791	(20,209)
Total revenues	<u>4,449,404</u>	<u>4,403,405</u>	<u>(45,999)</u>
EXPENDITURES			
Administrative	2,267,615	966,331	1,301,284
Operations	507,134	960,596	(453,462)
Program	165,579	461,455	(295,876)
Recreation	849,672	637,041	212,631
Debt service			
Lease - principal	-	167,716	(167,716)
Lease - interest	-	71,553	(71,553)
Capital outlay	-	455,000	(455,000)
Total expenditures	<u>3,790,000</u>	<u>3,719,692</u>	<u>70,308</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>659,404</u>	<u>683,713</u>	<u>24,309</u>
OTHER FINANCING SOURCES (USES)			
Loan proceeds	-	300,000	300,000
Total other financing sources (uses)	<u>-</u>	<u>300,000</u>	<u>300,000</u>
NET CHANGE IN FUND BALANCES	659,404	983,713	324,309
FUND BALANCES - BEGINNING OF YEAR	216,978	182,862	(34,116)
FUND BALANCES - END OF YEAR	<u>\$ 876,382</u>	<u>\$ 1,166,575</u>	<u>\$ 290,193</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**CARBON VALLEY PARK AND RECREATION DISTRICT
SPECIAL REVENUE FUND - CONSERVATION TRUST FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2016**

	Budgeted Amounts Original/ Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Lottery fund income	\$ 135,000	\$ 158,379	\$ 23,379
Net investment income	500	582	82
Total revenues	<u>135,500</u>	<u>158,961</u>	<u>23,461</u>
EXPENDITURES			
Ballfield maintenance	50,000	63,854	(13,854)
Contingency	120,000	-	120,000
Capital improvements	50,000	114,775	(64,775)
Total expenditures	<u>220,000</u>	<u>178,629</u>	<u>41,371</u>
NET CHANGE IN FUND BALANCES	(84,500)	(19,668)	64,832
FUND BALANCES - BEGINNING OF YEAR	88,922	20,252	(68,670)
FUND BALANCES - END OF YEAR	<u>\$ 4,422</u>	<u>\$ 584</u>	<u>\$ (3,838)</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

CARBON VALLEY PARK & RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 - DEFINITION OF REPORTING ENTITY

Carbon Valley Park and Recreation District (the District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized in 1983 and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District operates under a Service Plan approved by the County of Weld County, Colorado. The District's service area is located in Weld County, Colorado including the communities of Frederick, Firestone, Dacono and the surrounding rural area. The District was established to construct and maintain parks and recreation facilities.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial 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 primary governmental entity.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes.

The statement of net position reports all financial and capital resources of the District. The difference between the sum of assets and deferred outflows and the sum of liabilities and deferred inflows is reported as net position.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Separate financial statements are provided for the governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

CARBON VALLEY PARK & RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and specific ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Special Revenue – Conservation Trust Fund is used to account for conservation trust revenues and expenditures incurred for eligible costs.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

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 appropriation is at the total fund expenditures and other financing uses level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

Pooled Cash and Investments

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Interest earnings are allocated periodically to the participating funds based upon each fund's average equity balance in total cash and investments.

Investments are carried at fair value.

CARBON VALLEY PARK & RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

Property taxes are levied by the District's 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 by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayer's 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 or December. The County Treasurer remits the taxes collected monthly to the District.

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

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

Building and improvements	7-50 years
Equipment	5-10 years
Vehicles	7 years

Original Issue Discount/Premium

In the government-wide financial statements, bond discounts and premiums are deferred and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

CARBON VALLEY PARK & RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

Obligations associated with the District's vacation policy are recorded as liabilities and expenses when earned to the extent that such benefits vest to the employee, in the government-wide financial statements. The amount of accrued and unpaid balance due under this policy is considered a long-term liability. The District has reported a liability for accrued compensated absences of \$28,778 at December 31, 2016.

Deferred Inflow/Outflow of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government only has three items that qualifies for reporting in this category. Accordingly, the items *cost of bond refunding*, *pension contributions subsequent to measurement date*, and *pension related deferrals* are deferred and recognized as outflows of resources in the period that the amounts become available.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Pensions

The District participates in the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the LGDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CARBON VALLEY PARK & RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity

Net Position

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned.

Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

- *Nonspendable fund balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.
- *Restricted fund balance* – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.
- *Committed fund balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.
- *Assigned fund balance* – The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.
- *Unassigned fund balance* – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balances is available for use when an expenditure is incurred, it is the District's practice to use the most restrictive classification first.

CARBON VALLEY PARK & RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2016, are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$ 1,211,743
Cash and investments - restricted	<u>1,908,918</u>
Total cash and investments	<u>\$ 3,120,661</u>

Cash and investments as of December 31, 2016, consist of the following:

Deposits with financial institutions	\$ 2,421,352
Investments	<u>699,309</u>
Total cash and investments	<u>\$ 3,120,661</u>

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, 2016, the District's cash deposits had a bank balance of \$2,458,285 and a carrying balance of \$2,421,352.

The District had \$630,724 deposits insured by the FDIC and \$1,790,628 collateralized under the PDPA.

Investments

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

The District generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

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 reserve or sinking fund requirements.

**CARBON VALLEY PARK & RECREATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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

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

Fair Value Measurement and Application

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; and 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); money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee); and CSAFE which record their investments at amortized cost.

The District had invested in COLOTRUST, an external investment pool that records its investments at fair value and measures fair value using Level 2 inputs.

As of December 31, 2016, the District had the following investments:

Investment	Maturity	Fair Value
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	<u>\$ 699,309</u>

CARBON VALLEY PARK & RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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 Commissioner 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.

CARBON VALLEY PARK & RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2016, follows:

	<u>Balance at December 31, 2015</u>	<u>Additions</u>	<u>Deletions/ Adjustment</u>	<u>Balance at December 31, 2016</u>
Governmental Activities:				
Capital assets, nondepreciable:				
Land	\$ 175,847	\$ -	\$ -	\$ 175,847
Total capital assets, nondepreciable	<u>175,847</u>	<u>-</u>	<u>-</u>	<u>175,847</u>
Capital assets, being depreciated:				
Building and improvements	11,680,319	569,775	-	12,250,094
Equipment	644,889	-	-	644,889
Vehicles	123,134	-	-	123,134
Total capital assets, being depreciated	<u>12,448,342</u>	<u>569,775</u>	<u>-</u>	<u>13,018,117</u>
Less accumulated depreciation for:				
Building and improvements	(2,777,846)	(245,476)	-	(3,023,322)
Equipment	(407,625)	(38,620)	-	(446,245)
Vehicles	(114,553)	(2,340)	-	(116,893)
Total accumulated depreciation	<u>(3,300,024)</u>	<u>(286,436)</u>	<u>-</u>	<u>(3,586,460)</u>
Total capital assets, being depreciated, net	<u>9,148,318</u>	<u>283,339</u>	<u>-</u>	<u>9,431,657</u>
Governmental activities capital assets, net	<u>\$ 9,324,165</u>	<u>\$ 283,339</u>	<u>\$ -</u>	<u>\$ 9,607,504</u>

Depreciation expense for the year ended December 31, 2016, was charged to the swimming pool, recreation and sports program activities.

CARBON VALLEY PARK & RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 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, 2016:

	<u>Balance at December 31, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at December 31, 2016</u>	<u>Due Within One Year</u>
General obligation bonds,					
Series 2010 issue	\$ 4,530,000	\$ -	\$ 500,000	\$ 4,030,000	\$ 525,000
Bond premium	198,330	-	40,083	158,247	36,950
Capital leases,					
2009 lease	1,338,351	-	102,424	1,235,927	106,563
2015 lease	100,811	-	26,250	74,561	23,455
2016 lease	-	300,000	39,042	260,958	50,368
	<u>\$ 6,167,492</u>	<u>\$300,000</u>	<u>\$ 707,799</u>	<u>\$ 5,759,693</u>	<u>\$ 742,336</u>

General Obligation Bonds

\$6,180,000 General Obligation Refunding Bonds, Series 2010, dated August 31, 2010, with interest of 0.75% to 4.00%. Interest is payable semi-annually on June 1 and December 1, beginning on December 1, 2010. The bonds are subject to redemption prior to maturity, at the option of the District, without redemption premium, beginning December 1, 2020. Proceeds of the bonds were used to advance refund a portion of the District's outstanding General Obligation Bonds, Series 2002, and to pay the costs of issuing the bonds.

The bonds are general obligations of the District, secured by a pledge of the full faith and credit of the District and payable from the general ad valorem taxes which may be levied without limitation of rate and in an amount necessary to pay the bonds when due against all taxable property within the District.

The annual requirement to amortize the District's bonds is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 525,000	\$ 147,450	\$ 672,450
2018	530,000	133,012	663,012
2019	550,000	111,813	661,813
2020	575,000	89,812	664,812
2021	600,000	74,000	674,000
2022-2023	1,250,000	75,400	1,325,400
	<u>\$ 4,030,000</u>	<u>\$ 631,487</u>	<u>\$ 4,661,487</u>

CARBON VALLEY PARK & RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Capital Leases

2009 Building Lease

On May 1, 2009, the District entered into a Lease Agreement with Valley Bank & Trust for the purpose of financing a portion of the acquisition, construction and installation of a Senior Center and Gymnasium. Under the Agreement, the District agrees to sublease property from which Valley Bank & Trust has a leasehold interest in the land, the premises, building and improvements situated or to be situated on the land. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payment as of the inception date. The lease was capitalized in the amount of \$1,800,000 and bears interest at a rate of 4.00%. The District is required to make semi-annual payments due on April 1, and October 1, beginning on October 1, 2009, and ending on October 1, 2026.

2015 Equipment Lease

On November 1, 2015, the District entered into a Lease Agreement with Kansas State Bank of Manhattan for the purpose of acquiring cardiovascular equipment. The Lease Agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payment as of the date of inception. The lease was capitalized in the amount of \$103,234 and bears interest at a rate of 6.23%. The District is required to make monthly payments beginning on January 1, 2016, and ending November 1, 2019.

2016 Building Lease

On February 22, 2016, the District entered into a Lease Agreement with Option to Purchase with Weld County for the property located at 320 Maple Street, Frederick, CO 80530, to be used as the District's administrative offices. The District paid a non-refundable option fee in the amount of \$105,000 which will serve as the security deposit. Beginning in May 2016, the District commenced monthly payments in the amount of \$5,869.84 for sixty (60) months. The overall cost of the property is \$405,000, with a lease obligation of \$300,000 at an interest rate of 6.50%. The District has the option to purchase the property at the end of the sixty months, April 2021, for the price of \$1.00. The non-refundable option fee will apply to the purchase price.

The assets acquired through capital leases are as follows:

Assets:	
Building and improvements	\$ 2,205,000
Cardio equipment	103,234
Less: accumulated depreciation	(274,497)
Total	<u><u>\$ 2,033,737</u></u>

CARBON VALLEY PARK & RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2016, were as follows:

Year ending December 31,	
2017	\$ 245,893
2018	254,727
2019	249,613
2020	225,382
2021	178,423
2022-2026	<u>728,876</u>
Total minimum lease payments	1,882,914
Less: Amount representing interest	<u>(311,468)</u>
Present value of minimum lease payments	1,571,446
Current portion	180,386
Long-term portion	<u><u>\$ 1,391,060</u></u>

Authorized Debt

The District has no remaining authorized but unissued general obligation indebtedness.

NOTE 6 - NET POSITION

The District has net position consisting of three components – net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, and is reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2016, the District had net investment in capital assets calculated as follows:

	<u>Governmental Activities</u>
Net investment in capital assets:	
Capital assets, net	\$ 9,607,504
Cost of bond refunding	249,469
Current portion of outstanding long-term obligations	(742,336)
Noncurrent portion of outstanding long-term obligations	(5,017,357)
Total net investment in capital assets	<u><u>\$ 4,097,280</u></u>

**CARBON VALLEY PARK & RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 6 - NET POSITION (CONTINUED)

Restricted net position includes assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of either governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2016, as follows:

Restricted net position:	
Emergence reserves	\$ 133,000
Debt service	1,756,337
Conservation Trust Fund	584
Total restricted net position	<u>\$ 1,889,921</u>

The District has a deficit in unrestricted net position. This deficit amount is a result of the District's requirement to record its proportionate share, as defined in GASB 68, of PERA's unfunded pension liability. The District has no legal obligation to fund this shortfall nor does it have any ability to affect funding, benefits, or annual required contribution decisions made by PERA.

NOTE 7 – INTERGOVERNMENTAL AGREEMENTS

City of Dacono

On July 28, 2016, the District and the City of Dacono (City) entered into an intergovernmental agreement to set forth the general understandings of the parties regarding their relationship and their provision of recreation facilities and services within the City and the District. The District and the City acknowledge and agree that they will have the following general responsibilities with respect to the following matters of mutual interest to the District and the City:

- The City will continue to use its best efforts to require developments within the City that are not currently within the District to file a petition for inclusion with the District.
- The City will give the District the opportunity to comment on development proposals on all new developments within the City no later than 15 days prior to the Planning Commission's consideration of such development proposal.
- The City will own and develop the neighborhood, area and regional parks within the City.
- The City will continue to pay for the watering of the inside and surrounding areas of the regional parks within the City.
- The District will provide and maintain a current contact list for the City's Public Works Manager and Chief of Police with current contact information for a District representative to be contacted in the case of emergency related to any District activity or event within the City. The District shall notify the Public Works Manager and Chief of Police in writing of any change of designated representative or such representative's contact information.
- Representatives of the District shall provide the City Council with quarterly updates that include information on current and planned services and facilities, and other issues related to implementation of this Agreement, and other matters of mutual interest.
- The District shall update its service plan or other necessary filings, as may be necessary to assure that it can include properties into the District that may annex into Dacono.

CARBON VALLEY PARK & RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 7 - INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

- The District shall only include property within the District that are within the City of Dacono, the Town of Frederick or the Town of Firestone.
- The District shall not enter into any agreement with City of Dacono, Town of Firestone or Town of Frederic (or properties in unincorporated Weld County to provide specific facilities or services that are inconsistent with the Master Plan approved by the District.

The term of this agreement will remain in effect until December 31, 2019, unless sooner terminated by mutual written agreement.

Town of Frederick

On April 27, 2006, the District and the Town of Frederick (Town) entered into an intergovernmental agreement to set forth the general understandings of the Parties regarding their relationship and their provision of recreation facilities and services within the Town and the District. The District and the Town acknowledge and agree that they will have the following general responsibilities with respect to the following matters of mutual interest to the District and the Town:

- The Town will continue to require developments within the Town that are not currently within the District to file a petition for inclusion with the District.
- The Town will give the District the opportunity to comment on development proposals on all new developments within the Town no later than 21 days prior to the Planning Commission's consideration of such development proposal.
- The Town will own and develop the St. Vrain Legacy Trail within the Town limits.
- The District will expend District capital improvements and maintenance funds within the Town, in amounts not less than the ratio of the total assessed valuation of all taxable property within the District. This capital improvement and maintenance expenditure allocation shall not apply to bond proceeds and shall be reviewed on a three-year basis commencing in the year 2007.
- The District will operate, maintain and manage the inside (other than watering) of mutually agreed upon sports fields and/or other recreation facilities within the Town.
- The District shall be responsible for cleaning of all areas and facilities used by it, and for the supervision of players and programs, and shall hold harmless the Town from any and all liability resulting there from.
- With respect to the Lighted Ball Field on Block 29, the District agrees to pay all power/lighting costs associated with its use. The parties agree to evenly split the cost of all water used. The District is required to perform routine maintenance on the lighted ball field to include the following: mow and water the grassed areas weekly; daily trash pickup and maintenance of facilities; and other grounds keeping as agreed upon by the Parties. The terms of the use of the facilities on Block 29 are further clarified in the July 2012 Agreement for Joint Use of Facilities between the District, the Town and the St. Vrain School District RE-1J.

The term of this agreement will remain in effect until December 31, 2021, unless sooner terminated by mutual written agreement.

CARBON VALLEY PARK & RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 7 - INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

Town of Firestone

On January 14, 2015, the District and the Town of Firestone (Town) entered into an intergovernmental agreement to set forth the general understandings of the Parties regarding their relationship and their provision of recreation facilities and services within the Town and the District, and specific responsibilities concerning the use, management, operation and maintenance of certain Town-owned parks that are jointly used for recreation services. The District and the Town acknowledge and agree that they will have the following general responsibilities with respect to the following matters of mutual interest to the District and the Town:

- The Town will continue to use its best efforts to require developments within the Town that are not currently within the District to file a petition for inclusion with the District.
- The Town will give the District the opportunity to comment on development proposals on all new developments within the Town no later than 15 days prior to the Planning Commission's consideration of such development proposal.
- The Town will own and develop the Firestone Trail.
- The Town will own and develop the neighborhood, area and regional parks and trails within the Town.
- The District will provide and maintain a current contact list to the Town for a District representative to be contacted in the case of emergency related to any District activity or event within the Town. The District shall notify the Town in writing of any change of designated representative or such representative's contact information.
- To the extent permitted by law, the Town agrees to indemnify and hold harmless the District and its officials, agents and employees, from and against all liability, claims, and demands, on account of any injury, loss, or damage, which arise out of or are connected with the Town's use, operation, maintenance or management of Town Parks or other Town-owned facilities, to the extent caused by or claimed to be caused by the act, omission, or other fault of the District, its officials, agents and employees.
- To the extent permitted by law, the District agrees to indemnify and hold harmless the Town, and its officials, agents and employees, from and against all liability, claims, and demands, on account of any injury, loss, or damage, which arise out of or are connected with the District's use, operation, maintenance or management of Town Parks or other Town-owned facilities, to the extent caused by or claimed to be caused by the act, omission, or other fault of the District, its officials, agents and employees.
- Representatives of the District shall provide the Town Board with quarterly updates that include information on current and planned services and facilities, and other issues related to implementation of this Agreement, and other matters of mutual interest.
- The agreement further clarifies the joint use for specific parks with the Town, including field maintenance, storage of District equipment and consent for capital improvements.

The term of this agreement will remain in effect until December 31, 2019, unless sooner terminated by mutual written agreement.

CARBON VALLEY PARK & RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 7 - INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

Town of Firestone and the Firestone Urban Renewal Authority Cooperation Agreement

On December 16, 2015, the District entered into a Cooperation Agreement with the Town of Firestone and the Firestone Urban Renewal Authority as it relates to the Central Firestone Urban Renewal Plan. Whereas the Firestone Urban Renewal Authority agrees to pay to the District all of the increase in property tax revenues calculated, produced, and allocated to the Firestone Urban Renewal Authority as a result of the levy of the District upon taxable property within the Urban Renewal Area for twenty-five (25) years from the effective date of the Plan.

NOTE 8 - PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO

General Information about the Pension Plan

Plan description. Eligible employees of the Carbon Valley Park and Recreation District are provided with pensions through the Local Government Division Trust Fund (LGDTF) – a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

The service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

CARBON VALLEY PARK & RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 8 - PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO (CONTINUED)

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007, receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007, receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve for the LGDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions. Eligible employees and the District are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

	For the years ended December 31:	
	2015 Rate	2016 Rate
Employer Contribution Rate ¹	10.00%	10.00%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) ¹	(1.02)%	(1.02)%
Amount Apportioned to the LGDTF ¹	8.98%	8.98%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	2.20%	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	1.50%	1.50%
Total Employer Contribution Rate to the LGDTF ¹	12.68%	12.68%

¹Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the District were \$182,341, \$192,312, and \$170,307 for the years ended December 31, 2016, 2015, and 2014, respectively.

CARBON VALLEY PARK & RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 8 - PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2016, the District reported a liability of \$2,877,266 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The District proportion of the net pension liability was based on the District contributions to the LGDTF for the calendar year 2015 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2015, the District proportion was 0.2611941358 percent, which was an increase of 0.0160797528 percent from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the District recognized pension expense of \$242,551. At December 31, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 21,588	\$ 99
Changes of assumptions or other inputs	\$ -0-	\$ 52,701
Net difference between projected and actual earnings on pension plan investments	\$ 553,894	\$ -0-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$ 75,472	\$ 40,660
Contributions subsequent to the measurement date	\$ 182,341	\$ -0-
Total	\$ 833,295	\$ 93,460

CARBON VALLEY PARK & RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 8 - PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO (CONTINUED)

\$182,341 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
December 31, 2017	\$ 141,422
December 31, 2018	\$ 154,997
December 31, 2019	\$ 146,407
December 31, 2020	\$ 114,668
December 31, 2021	—
Thereafter	—

Actuarial assumptions. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 10.85 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07 (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

The actuarial assumptions used in the December 31, 2014, valuation were based on the results of an actuarial experience study for the period January 1, 2008, through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013, and January 17, 2014.

The LGDTF's long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

CARBON VALLEY PARK & RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 8 - PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO (CONTINUED)

As of the most recent analysis of the long-term expected rate of return, presented to the PERA Board on November 15, 2013, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	26.76%	5.00%
U.S. Equity – Small Cap	4.40%	5.19%
Non U.S. Equity – Developed	22.06%	5.29%
Non U.S. Equity – Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	100.00%	

* In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.50%.

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Based on those assumptions, the LGDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

**CARBON VALLEY PARK & RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 8 - PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO (CONTINUED)

Sensitivity of the District proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$4,411,141	\$2,877,265	\$1,065,067

Pension plan fiduciary net position. Detailed information about the LGDTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

Payables to the pension plan

Defined Contribution Pension Plans

Voluntary Investment Program

Plan Description - Employees of the District that are also members of the LGDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the Program. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy - The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. For the year ended December 31, 2016, program members contributed \$-0-.

CARBON VALLEY PARK & RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 8 - PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO (CONTINUED)

Other Post-Employment Benefits

Health Care Trust Fund

Plan Description – The District contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy – The District is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending December 31, 2016, 2015, and 2014, the District contributions to the HCTF were \$14,622, \$15,421 and \$13,971, respectively, equal to their required contributions for each year.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Grant Programs

The District participates in various grant programs, which are subject to review by the grantor agencies. Such review could lead to a request for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. District management believes disallowances, if any, will be insignificant.

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; 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). The Pool is an organization created by intergovernmental agreement to provide property, liability, public official's 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.

CARBON VALLEY PARK & RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 10 - RISK MANAGEMENT (CONTINUED)

The District pays annual premiums to the Pool for liability, property, public official's liability and workers compensation 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 11 - 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 that apply to the State of Colorado and all local governments.

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.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. TABOR reserve is not provided when the District's ending fund balance is deficit.

In November 1996, the registered voters of the District voted to allow the District to collect, retain, and expend all revenues and other funds generated from its current general fund property tax mill levy of 4.427 mills, from fees and charges and all other sources, effective January 1, 1996, and continuing thereafter, and be used to provide District services as a voter approved revenue change, offset and an exception to the limits imposed by Article X, Section 20 of the Colorado Constitution, Section 29-1-301, C.R.S. This effectively removed all revenue and spending limits imposed by the Amendment.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

This information is an integral part of the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CARBON VALLEY PARK AND RECREATION DISTRICT
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PERA PENSION PLAN - LOCAL GOVERNMENT DIVISION OF TRUST FUND
LAST TEN YEARS *
Year Ended December 31, 2016

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District Proportion of the Net Pension Liability (Asset)	0.26119%	0.24511%	0.28665%
District Proportionate Share of the Net Pension Liability (Asset)	\$ 2,877,266	\$ 2,196,983	\$ 2,358,943
District Covered Employee Payroll	\$ 1,516,586	\$ 1,343,117	\$ 1,529,330
Proportionate Share of Net Pension Liability as a Percentage of its Covered Employee Payroll	189.720%	163.573%	154.247%
 Calculation of Collective Net Pension Liability (\$ in thousands):			
Total Pension Liability	\$ 4,762,090	\$ 4,647,777	\$ 4,517,239
Plan Fiduciary Net Position	3,660,509	3,751,468	3,694,318
Net Pension Liability	<u>\$ 1,101,581</u>	<u>\$ 896,309</u>	<u>\$ 822,921</u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 76.87%	 80.72%	 81.78%

NOTE: Information for the prior seven years was not available to report.

**CARBON VALLEY PARK AND RECREATION DISTRICT
SCHEDULE OF EMPLOYER CONTRIBUTIONS
PERA PENSION PLAN - LOCAL GOVERNMENT DIVISION OF TRUST FUND
LAST TEN YEARS *
Year Ended December 31, 2016**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 182,341	\$ 192,312	\$ 170,307	\$ 193,919
Contributions in Relation to the Contractually Required Contribution	<u>(182,341)</u>	<u>(192,312)</u>	<u>(170,307)</u>	<u>(193,919)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Convered Employee payroll	\$ 1,438,023	\$ 1,516,586	\$ 1,343,117	\$ 1,529,330
Contributions as Percentage of Covered Employee Payroll	12.68%	12.68%	12.68%	12.68%

NOTE: Information for the prior six years was not available to report.

SUPPLEMENTARY INFORMATION

**CARBON VALLEY PARK AND RECREATION DISTRICT
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2016**

	Budgeted Amounts Original/ Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property taxes	\$ 1,462,647	\$ 1,495,185	\$ 32,538
Specific ownership taxes	102,390	92,117	(10,273)
Net investment income	1,500	1,283	(217)
Total revenues	<u>1,566,537</u>	<u>1,588,585</u>	<u>22,048</u>
EXPENDITURES			
County Treasurer's fees	21,940	22,453	(513)
Debt service			
Bond principal	500,000	500,000	-
Bond interest	159,950	159,950	-
Paying agent fees	2,575	200	2,375
Total expenditures	<u>684,465</u>	<u>682,603</u>	<u>1,862</u>
NET CHANGE IN FUND BALANCES	882,072	905,982	23,910
FUND BALANCES - BEGINNING OF YEAR	846,112	876,422	30,310
FUND BALANCES - END OF YEAR	<u>\$ 1,728,184</u>	<u>\$ 1,782,404</u>	<u>\$ 54,220</u>

OTHER INFORMATION

**CARBON VALLEY PARK AND RECREATION DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2016**

\$6,180,000

General Obligation Bonds, Series 2010

Dated August 31, 2010

Interest Rate 2.50% to 4.00%

Interest Payable June 1 and December 1

Principal Due December 1

<u>Bonds and Interest Maturing in the Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 525,000	\$ 147,450	\$ 672,450
2018	530,000	133,012	663,012
2019	550,000	111,813	661,813
2020	575,000	89,812	664,812
2021	600,000	74,000	674,000
2022	615,000	50,000	665,000
2023	635,000	25,400	660,400
	<u>\$ 4,030,000</u>	<u>\$ 631,487</u>	<u>\$ 4,661,487</u>

**CARBON VALLEY PARK AND RECREATION DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2016**

Bonds and Interest Maturing in the Year Ending December 31,	\$1,800,000 Capital Lease, 2009 Dated May 1, 2009 Interest Rate 4.00%		
	Interest and Principal Payable April 1 and October 1		
	Principal	Interest	Total
2017	\$ 106,563	\$ 48,382	\$ 154,945
2018	110,868	44,077	154,945
2019	115,346	39,598	154,944
2020	120,006	34,938	154,944
2021	124,854	30,090	154,944
2022	129,899	25,046	154,945
2023	135,146	19,798	154,944
2024	140,606	14,338	154,944
2025	146,287	8,657	154,944
2026	106,352	2,747	109,099
	\$ 1,235,927	\$ 267,671	\$ 1,503,598

**CARBON VALLEY PARK AND RECREATION DISTRICT
 SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
 December 31, 2016**

**\$103,234
 Capital Lease, 2015
 Dated November 1, 2015
 Interest Rate 6.23%**

Bonds and Interest Maturing in the Year Ending December 31,	Interest and Principal Payable Monthly on the 1st Day		
	Principal	Interest	Total
2017	\$ 23,455	\$ 2,924	\$ 26,379
2018	27,423	1,922	29,345
2019	23,683	546	24,229
	<u>\$ 74,561</u>	<u>\$ 5,392</u>	<u>\$ 79,953</u>

**CARBON VALLEY PARK AND RECREATION DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2016**

Bonds and Interest Maturing in the Year Ending December 31,	\$300,000 Capital Lease, 2016 Dated May 1, 2009 Interest Rate 6.5%		
	Interest and Principal Payable April 1 and October 1		
	Principal	Interest	Total
2017	\$ 50,368	\$ 14,201	\$ 64,569
2018	58,472	11,965	70,437
2019	62,387	8,053	70,440
2020	66,565	3,873	70,438
2021	23,166	313	23,479
	\$ 260,958	\$ 38,405	\$ 299,363

**CARBON VALLEY PARK AND RECREATION DISTRICT
SUMMARY OF ASSESSED VALUATION,
MILL LEVY AND PROPERTY TAXES COLLECTED
Year Ended December 31, 2016**

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mills Levied</u>	<u>Total Property Taxes</u>		<u>Percentage Collected to Levied</u>
			<u>Levied</u>	<u>Collected</u>	
2012	\$ 373,579,410	6.657	\$ 2,489,618	\$ 2,393,374	96.1%
2013	\$ 413,761,430	6.657	\$ 2,754,410	\$ 2,688,664	97.6%
2014	\$ 390,324,640	6.657	\$ 2,598,398	\$ 2,576,339	99.2%
2015	\$ 383,194,650	6.710 (2)	\$ 2,571,235	\$ 2,552,913	99.3%
2016	\$ 655,895,660	6.794 (3)	\$ 4,456,155	\$ 4,463,428	100.2%
Estimated for the year ending December 31, 2017	\$ 559,667,218	7.055 (4)	\$ 3,948,452		

(1) The total mill levy of 6.657 mills is made up of 4.427 for general operations and 2.230 for debt service.

(2) The 2015 total mill levy of 6.710 is made up of 4.427 for general operations, 2.230 for debt service and 0.053 for refunds and abatements.

(3) The 2016 total mill levy of 6.794 is made up of 4.427 for general operations, 2.230 for debt service, and 0.137 for refunds and abatements.

(4) The 2017 total mill levy of 7.055 is made up of 4.427 for general operations, 2.230 for debt service, and 0.398 for refunds and abatements.

Note:

Property taxes collected in any one year include collection of delinquent property taxes assessed in prior years, as well as reductions for property tax refunds or abatements. Information received from the County Treasurer does not permit identification of specific year of assessment.