

**FOOTHILLS PARK & RECREATION DISTRICT**  
**Jefferson County, Colorado**

**FINANCIAL STATEMENTS**  
**December 31, 2017 and 2016**

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Office of the State Auditor

April 25, 2018

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## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the major fund of Foothills Park & Recreation District (the District) as of and for the year ended December 31, 2017, 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 the 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 District'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 respective financial position of the major fund of the District, as of December 31, 2017, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Comparative Financial Information*

The financial statements of Foothills Park and Recreation District, as of December 31, 2016, were audited by other auditors, whose report dated May 4, 2017, expressed an unmodified opinion on those statements.

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Non GAAP Budgetary Basis Schedule of Revenues, Expenditures and Changes in Funds Available, Reconciliation of Non GAAP Budgetary Basis (Actual) to the Statement of Revenues, Expenses and Changes in Fund Net Position-Enterprise Fund, History of District Assessed Valuation Schedule, Mill Levies and Property Tax Collections, the History of Revenues, Expenses and Changes in Net Position Schedule, and the Historical Net Position Schedule are presented for purposes of additional analysis and are not a required part of the financial statements.

The Statements and Schedules listed above have 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.



Denver, Colorado  
April 23, 2018

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Foothills Park & Recreation District's ("the District") annual financial report provides an overview of the District's financial activities for the fiscal years ended December 31, 2017 and 2016. Comparative total data for the prior year has been presented in the accompanying management discussion and analysis and financial statements in order to provide an understanding of changes in the District's financial position and operations. Please read management's discussion and analysis in conjunction with the financial statements and notes to the financial statements.

### FINANCIAL HIGHLIGHTS

- ◆ In 2017, The District was successful in passing a 2.75 mill levy increase with a nine-year sunset provision. As a result, property tax revenues in 2018 are anticipated to increase by approximately \$3.3 million. The additional funding through the nine-year period will be used to: provide better park maintenance, improve conditions of parks and sports fields, improve neighborhood and community parks, improve outdated and failing equipment, repair and enhance trails for better connectivity, repair facilities and offset increasing operational and maintenance costs.
- ◆ Also in 2017, the District continued work on major capital improvements at Clement Park. During the year, much of the work was focused on the second phase of the overall improvement project, which included a rebuild of the concession and restroom building in the center of the softball fields, the replacement of the water fountain with a new interactive water feature, restoration of the restroom facilities on the east and west sides of the park and the installation of new energy efficient lighting. In addition, design work on the third phase of the project was initiated at the end of the year. The third phase will include: a rebuild of the central playground, installation of energy efficient ballfield lighting, a lake water quality improvement effort and redevelopment of the amphitheater and upper promenade area including new irrigation and sidewalk improvements. The third phase of the project is partially funded by a grant from Jefferson County Open Space and will continue throughout 2018 and 2019.
- ◆ The District ended the year in good financial position with assets exceeding liabilities at December 31, 2017 by \$59.9 million (net position), an increase from 2016 of \$4.5 million. Of this amount, \$9.7 million is unrestricted and may be used to meet the District's ongoing obligations to citizens and creditors.
- ◆ The District's cash and cash equivalents and total investments decreased \$2.4 million to \$9.6 million primarily due to the expenditure of funds on the Clement Park improvements mentioned above. Receivables increased by \$1.4 million due to the timing of payment from Jefferson County Open Space and Great Outdoors Colorado for grant funds receivable associated with progress on the second phase of the Clement Park project.

- ◆ The District's total debt decreased \$3.0 million due to principal payments on outstanding debt.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Foothills Park & Recreation District's basic financial statements. The District's basic financial statements are comprised of two components: 1) the District-wide financial statements, 2) notes to the financial statements. This annual report also contains supplementary information in addition to the basic financial statements themselves.

## **REQUIRED FINANCIAL STATEMENTS**

The financial statements of the District use accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities.

### **Statement of Net Position**

The Statement of Net Position provides information about the District's investments in resources and obligations. It also provides the basis for evaluating the capital structure of the District and assessing the short and long-term debt of the District.

### **Statement of Revenues, Expenses, and Changes in Net Position**

This statement measures the results of the District's operation over the past year and can be used to determine the percentage of the District's costs that are recovered through its user fees as well as other expenditures and revenues.

### **Statement of Cash Flows**

The primary purpose of this statement is to provide information about the District's cash receipts and payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities. It also provides answers to such questions regarding the source of cash, usage of cash, and the change in cash balance during the reporting period.

## **FINANCIAL ANALYSIS OF THE DISTRICT**

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District's activities in a way that can help understand the District's finances. The District's Net Position is another source to determine the financial health or financial position of the District. Over time, increases in the District's net position are an indicator that the District's financial health is improving. However, one should also consider other non-financial factors such as changes in economic conditions, population growth, or changes in governmental legislation.

A summary of the District's Statements of Net Position as of December 31, 2017 and 2016 is presented below:

	<b>Net Position</b>			
	<b>2017</b>	<b>2016</b>	<b>2016 to 2017</b>	
			<b>\$ Change</b>	<b>% Change</b>
Current and Other Assets	\$ 25,070,593	\$ 22,044,485	\$ 3,026,108	13.73%
Capital Assets	72,819,792	70,423,215	2,396,577	3.40%
Total Assets	<u>97,890,385</u>	<u>92,467,700</u>	<u>5,422,685</u>	<u>5.86%</u>
Deferred Outflows of Resources	715,329	851,654	(136,325)	-16.01%
Current Liabilities	4,661,231	4,738,132	(76,901)	-1.62%
Non-Current Liabilities	22,393,517	25,552,627	(3,159,110)	-12.36%
Total Liabilities	<u>27,054,748</u>	<u>30,290,759</u>	<u>(3,236,011)</u>	<u>-10.68%</u>
Deferred Inflows of Resources	11,699,843	7,639,949	4,059,894	53.14%
Net Invested in Capital Assets	49,326,572	46,068,205	3,258,367	7.07%
Restricted	779,000	649,000	130,000	20.03%
Unrestricted	9,745,551	8,671,441	1,074,110	12.39%
Total Net Position	<u>\$ 59,851,123</u>	<u>\$ 55,388,646</u>	<u>\$ 4,462,477</u>	<u>8.06%</u>

As can be seen from the chart above, Total Net Position increased \$4,462,477, or 8.06% in 2017. Emergency Reserves reflects amounts restricted for TABOR reserves. In addition, the Board of Directors of the District ("the Board") established a general reserve fund in an amount equal to 9.0% of the District's annual operating budget which includes the TABOR reserves. The Board has not restricted or committed any of these unrestricted funds for any specific purpose except for cash flow, emergency and other purposes as determined by the Board. As of December 31, 2017, the District had a general reserve fund of \$2,337,000, which includes the TABOR reserves of \$779,000.

A summary of the District's Statements of Net Position as of December 31, 2016 and 2015 is presented below:

	<b>Net Position</b>		<b>2015 to 2016</b>	
	<b>2016</b>	<b>2015</b>	<b>\$ Change</b>	<b>% Change</b>
Current and Other Assets	\$ 22,044,485	\$ 22,798,251	\$ (753,766)	-3.31%
Capital Assets	70,423,215	69,120,668	1,302,547	1.88%
Total Assets	<u>92,467,700</u>	<u>91,918,919</u>	<u>548,781</u>	<u>0.60%</u>
Deferred Outflows of Resources	851,654	987,978	(136,324)	-13.80%
Current Liabilities	4,738,132	4,588,831	149,301	3.25%
Non-Current Liabilities	<u>25,552,627</u>	<u>28,620,799</u>	<u>(3,068,172)</u>	<u>-10.72%</u>
Total Liabilities	<u>30,290,759</u>	<u>33,209,630</u>	<u>(2,918,871)</u>	<u>-8.79%</u>
Deferred Inflows of Resources	7,639,949	7,637,397	2,552	0.03%
Net Invested in Capital Assets	46,068,205	42,002,357	4,065,848	9.68%
Restricted	649,000	629,000	20,000	3.18%
Unrestricted	<u>8,671,441</u>	<u>9,428,513</u>	<u>(757,072)</u>	<u>-8.03%</u>
Total Net Position	<u>\$ 55,388,646</u>	<u>\$ 52,059,870</u>	<u>\$ 3,328,776</u>	<u>6.39%</u>

In 2016, Total Net Position increased \$3,328,776, or 6.39%. Emergency Reserves reflects amounts restricted for TABOR reserves. The Board of Directors of the District ("the Board") established a general reserve fund in an amount equal to 9.0% of the District's annual operating budget which includes the TABOR reserves. The Board has not restricted or committed any of these unrestricted funds for any specific purpose except for cash flow, emergency and other purposes as determined by the Board. At December 31, 2016, the District had a general reserve fund of \$1,946,000, which includes the TABOR reserves of \$649,000.

While the Statement of Net Position shows the change in financial position, the Statement of Revenues, Expenses, and Changes in Net Position provides answers as to the nature and source of these changes.

As part of our analysis, we provide a summary of the District's Statement of Revenues, Expenses and Changes in Net Position from 2016 to 2017 as presented below:

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

	2017	2016	2016 to 2017	
			\$ Change	% Change
Operating Revenues Fees and Charges	\$ 15,047,233	\$ 14,760,341	\$ 286,892	1.94%
Operating Expenditures	(20,320,814)	(19,916,607)	(404,207)	2.03%
Net Loss From Operations	(5,273,581)	(5,156,266)	(117,315)	2.28%
Non-Operating Revenues (Expenditures)				
Property and Specific Ownership Taxes	8,392,385	8,241,228	151,157	1.83%
Conservation Trust	469,489	524,545	(55,056)	-10.50%
Grants and Contributions	2,755,744	1,003,809	1,751,935	174.53%
Grants and Contributions Expenditures	(157,698)	(76,575)	(81,123)	105.94%
Facilities & Equipment Repair and Replacements	(806,239)	(1,004,001)	197,762	-19.70%
Interest Expense	(976,784)	(1,038,801)	62,017	-5.97%
Gain on Sale of Assets	30,492	773,479	(742,987)	-96.06%
Insurance Proceeds	-	102,421	(102,421)	-100.00%
Other Income	153,437	78,796	74,641	94.73%
Other Expenditures	(124,768)	(119,859)	(4,909)	4.10%
Total Net Non-Operating Revenues	9,736,058	8,485,042	1,251,016	14.74%
<b>Change in Net Position</b>	4,462,477	3,328,776	1,133,701	34.06%
<b>Net Position, Beginning of Year</b>	55,388,646	52,059,870	3,328,776	6.39%
<b>Net Position, End of Year</b>	<u>\$ 59,851,123</u>	<u>\$ 55,388,646</u>	<u>\$ 4,462,477</u>	<u>8.06%</u>

**Comparison of Revenue and Expenses – 2017 to 2016**

Operating Revenues derived from Fees and Charges for Services were \$15,047,233 in 2017 compared to \$14,760,341 in 2016, an increase of \$286,892. Several District programs experienced growth in 2017. Children's Programs, Golf and Recreation Centers had the most significant increases of \$160,865, \$100,730 and \$89,071 respectively, resulting from increased participation in a wide variety of programs. The increase for Recreation Centers was driven by the Foothills Fieldhouse, which contributed \$334,802 in total operating revenue in its first full year of operation. These increases were partially offset by a \$137,016 decrease in operating revenues at the Edge Ice Arena, which was driven by a decreased level of participation in hockey and figure skating programs.

Operating Expenses in 2017 were \$20,320,814 compared to \$19,916,607 in 2016, an increase of \$404,207, or 2.03%. Operating Expenses increased due to general inflationary trends the majority of major District operating centers. The most significant increases occurred in Recreation Centers, Aquatics, Children's Programs and General and Administrative. Recreation Centers increased \$193,651, or 6.67% due to increased salaries and benefits related to annual pay increases and the increase in Colorado minimum wage, higher utility costs and higher depreciation expense. Aquatics increased by \$138,146, or 8.56% primarily due to higher salary expense related to annual pay increases and the increase in Colorado minimum wage. Children's Programs increased by \$107,992, or 5.23% primarily due to higher salaries and wages to support increased participation in day care and camp programs and annual pay increases. General and Administrative expenses increased \$95,928, or 5.46%, primarily due to higher election, professional services, salary and benefit expenses.

Property and Specific Ownership Taxes were \$8,392,385 in 2017 versus \$8,241,228 in 2016. The increase of \$151,157 was primarily attributable to an increase in property taxes collected, resulting from an increase in assessed values for the 2017 tax year. Conservation Trust revenues were \$469,489 and \$524,545 in 2017 and 2016, respectively, reflecting a decrease in state lottery ticket sales for 2017. Grants increased \$1,751,935 driven primarily by Jefferson County Open Space and Great Outdoors Colorado Grant funds associated with the improvement projects in motion at Clement Park.

In 2017, 74.05% of the District's total operations were covered by fees and charges from programs and facilities and the remaining 25.95% came from property and specific ownership taxes and other sources. The District's parks, greenbelts and trails are costly to maintain and account for \$3,712,723 of the \$5,273,581 operating loss the District incurred in 2017. The District's pools and recreation centers are also costly to operate and were subsidized \$2,333,976 from other revenue sources besides the fees and charges paid by the users of these facilities in 2017. Of the \$8,392,385 of taxes collected, \$2,064,442 were designated to make principal and interest payments on General Obligation Debt and \$6,327,943 were designated to offset operating losses and other debt principle and interest payments owed as a result of financing the construction of the District's Peak Community Wellness Center, the Edge Ice Arena, and the Foothills Sports Arena.

The following table shows the amount and percent that operating costs were recovered through operating revenues including fees and charges for the years ended December 31, 2017 and 2016:

### Cost Recovery Through Fees and Charges

	2017	2016	2016 to 2017	
			\$ Change	% Change
Operating Revenues	\$ 15,047,233	\$ 14,760,341	\$ 286,892	1.94%
Operating Expenses	\$ 20,320,814	\$ 19,916,607	\$ 404,207	2.03%
% Cost Recovery Through Operating Fees and Charges	<u>74.05%</u>	<u>74.11%</u>		

As part of our analysis, we also provide a summary of the District's Statement of Revenues, Expenses and Changes in Net Position from 2015 to 2016 as presented below:

### Statement of Revenues, Expenses and Changes in Net Position, 2016 and 2015

	2016	2015	2015 to 2016	
			\$ Change	% Change
Operating Revenues Fees and Charges	\$ 14,760,341	\$ 14,328,948	\$ 431,393	3.01%
Operating Expenditures	(19,916,607)	(18,702,064)	(1,214,543)	6.49%
Net Loss From Operations	<u>(5,156,266)</u>	<u>(4,373,116)</u>	<u>(783,150)</u>	<u>17.91%</u>
Non-Operating Revenues (Expenditures)				
Property and Specific Ownership Taxes	8,241,228	7,414,990	826,238	11.14%
Conservation Trust	524,545	450,289	74,256	16.49%
Grants and Contributions	1,003,809	613,385	390,424	63.65%
Grants and Contributions Expenditures	(76,575)	(68,675)	(7,900)	11.50%
Facilities & Equipment Repair and Replacements	(1,004,001)	(626,017)	(377,984)	60.38%
Interest Expense	(1,038,801)	(1,055,460)	16,659	-1.58%
Gain on Sale of Capital Assets	728,753	49,707	679,046	1366.10%
Gain on Sale of Assets	44,726	48,040	(3,314)	-6.90%
Insurance Proceeds	102,421	14,238	88,183	619.35%
Other Income	78,796	82,578	(3,782)	-4.58%
Other Expenditures	(119,859)	(368,367)	248,508	-67.46%
Total Net Non-Operating Revenues	<u>8,485,042</u>	<u>6,554,708</u>	<u>1,930,334</u>	<u>29.45%</u>
<b>Change in Net Position</b>	<b>3,328,776</b>	<b>2,181,592</b>	<b>1,147,184</b>	<b>52.58%</b>
<b>Net Position, Beginning of Year</b>	<b>52,059,870</b>	<b>49,878,278</b>	<b>2,181,592</b>	<b>4.37%</b>
<b>Net Position, End of Year</b>	<b>\$ 55,388,646</b>	<b>\$ 52,059,870</b>	<b>\$ 3,328,776</b>	<b>6.39%</b>

### *Comparison of Revenue and Expenses – 2016 to 2015*

Operating Revenues derived from Fees and Charges for Services were \$14,760,341 in 2016 compared to \$14,328,948 in 2015, an increase of \$431,393. Numerous District programs experienced growth in 2016. Children's Programs, Golf and Recreation Centers had the most significant increases of \$213,397, \$162,671 and \$146,564 respectively, resulting from increased participation in a wide variety of programs in 2016. The increase for Recreation Centers was driven by the Foothills Fieldhouse, which contributed \$104,027 in total operating revenue in its first six months of operations from July through December. These increases were partially offset by a \$55,517 decrease in operating revenues from Recreation Programs and a decrease in operating revenues from Parks and Regional Parks of \$40,239. Both areas were negatively impacted by facility and field closures in the early spring resulting from the Clement Park irrigation system replacement project.

Operating Expenses in 2016 were \$19,916,607 compared to \$18,702,064 in 2015, an increase of \$1,214,543, or 6.49%. Operating Expenses increased due to general inflationary trends in all major operating centers. The most significant increases occurred in Children's Programs, Parks and Regional Parks, and General and Administrative. Children's Programs increased in 2016 by \$198,736, or 10.65% primarily due to higher salaries and wages to support increased participation in day care and camp programs. Parks and Regional Parks increased in 2016 \$609,265 or 15.57% mainly due to higher salaries and benefits and higher utilities, driven by higher water expenditures for the year, and higher levels of depreciation on park improvements. In 2016, General and Administrative expenses increased \$139,369, or 8.61%, primarily due to higher election, professional services, salary and benefit expenses.

Property and Specific Ownership Taxes were \$8,241,228 in 2016 versus \$7,414,990 in 2015. The increase of \$826,238 was primarily attributable to an increase in property taxes collected, resulting from a significant increase in assessed values for the 2016 tax year. Conservation Trust revenues were \$524,545 and \$450,289 in 2016 and 2015, respectively, reflecting an increase in state lottery ticket sales. Grants and Contributions increased \$390,424 in 2016 mostly due to Jefferson County Open Space Grant funds associated with the improvement projects in motion at Clement Park. Bond Issuance Costs decreased to zero from \$257,670 in 2015 as the District had no new or refunded bonds issued during 2016. The District realized proceeds of \$814,725 from the sale of 4.65 acres of vacant land located at S. Wadsworth Blvd and W. Coal Mine Ave., Jefferson County, Colorado to Cornerstone Capital Investments Inc.

In 2016, 74.11% of the District's total operations were covered by fees and charges from programs and facilities and the remaining 25.89% came from property and specific ownership taxes and other sources. The District's parks, greenbelts and trails are costly to maintain and account for \$4,049,511 of the \$5,156,266 operating loss the District incurred in 2016. The District's pools and recreation centers are also costly to operate and were subsidized \$2,077,813 from other revenue sources besides the fees and charges paid by the users of these facilities in 2016. Of the \$8,241,228 of taxes collected, \$2,073,478 were designated to make principal and interest payments on General Obligation Debt and \$6,167,750 were designated to offset operating losses and other debt principle

and interest payments owed as a result of financing the construction of the District's Peak Community Wellness Center, the Edge Ice Arena, and the Foothills Sports Arena.

The following table shows the amount and percent that operating costs were recovered through operating revenues including fees and charges for the years ended December 31, 2016 and 2015:

**Cost Recovery Through Fees and Charges**

	<u>2016</u>	<u>2015</u>	<u>2015 to 2016</u>	
			<u>\$ Change</u>	<u>% Change</u>
Operating Revenues	\$ 14,760,341	\$ 14,328,948	\$ 431,393	3.01%
Operating Expenses	\$ 19,916,607	\$ 18,702,064	\$ 1,214,543	6.49%
% Cost Recovery Through Operating Fees and Charges	<u>74.11%</u>	<u>76.62%</u>		

**Comparison of Revenue and Expenses – 2017 Actual to 2017 Budget**

Operating Revenues were \$15,047,233 compared to budget of \$14,932,392 or \$114,841 favorable to plan. Several District facilities and programs performed favorably to plan. Operating revenues exceeded plan most significantly as follows: Golf by \$194,968, or 4.18%; Children's Programs by \$88,879, or 3.20% and Parks by \$60,971 or 13.04% as a result of growth in patron visits and participation in the District's various program offerings. These positive variances were partially offset by the Ice Arena and Recreation Centers, which were unfavorable to plan by \$122,286 and \$79,997, respectively. The Ice arena variance was related to lower than planned participation in hockey and figure skating programming and the Recreation Center variance was related to lower than planned pass and admission revenues.

Operating Expenses were \$17,827,670 compared to budget of \$18,179,432, which was \$351,762 less than planned. Over the last nine years the District has been very effective in creating an organization which encourages management and employees to control expenditures and to create efficiencies within their departments. Operating Expenditures have only increased \$2,215,167 or 14.19% over the last eight years even with increasing program costs associated with increasing Operating Revenues which have grown \$2,757,949, or 22.44% over the same period.

Net Non-Operating Revenues were \$1,930,724 compared to budget of \$3,247,040 or \$1,316,316 unfavorable to plan mostly due to lower levels of net Grant expenditures, and cash reserves used to fund additional Facilities & Equipment Repair & Replacements in 2017.

### **Comparison of Revenue and Expenses – 2016 Actual to 2016 Budget**

Operating Revenues were \$14,760,341 compared to budget of \$14,323,211 or \$437,130 favorable to plan. With the exception of the Aquatics program, which was lower than plan by \$11,699, most of the Districts other facilities and programs performed favorably to plan. Operating revenues exceeded plan most significantly as follows: Recreation Centers by \$162,949 or 12.54%; Children's Programs by \$120,948, or 4.68%; Golf by \$83,689, or 1.79%; Ice Arena by \$70,597 or 3.40% and Recreation Programs by \$43,506 or 2.02% as a result of growth in patron visits and participation in the District's various program offerings and the addition of the Fieldhouse to our lineup of recreation offerings.

Operating Expenses were \$17,168,423 compared to budget \$17,448,199, which was \$279,776 less than planned. Over the last eight years the District has been very effective in creating an organization which encourages management and employees to control expenditures and to create efficiencies within their departments. Operating Expenditures have only increased \$1,555,920 or 9.97% over the last eight years even with increasing program costs associated with increasing Operating Revenues which have grown \$2,471,057, or 20.11% over the same period.

Net Non-Operating Revenues were \$1,532,073 compared to budget of \$3,124,988 or \$1,592,915 unfavorable to plan mostly due to the \$1.4 million acquisition of the Fieldhouse, proceeds received from the sale of vacant land, lower levels of net Grant expenditures, and cash reserves used to fund additional Facilities & Equipment Repair & Replacements in 2016.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

As of December 31, 2017, 2016 and 2015, the District had invested \$72,819,792, \$70,423,215 and \$69,120,668, respectively in net capital assets, which represents a broad range of infrastructure including parks, recreation centers, golf courses, maintenance and administration facilities, vehicles, and equipment. In 2017, The District's net capital assets increased by \$2,396,577 from net capital assets at the end of 2016 primarily due to the current year's additions, partially offset by current year depreciation of its capital assets. Similarly, in 2016 the District's net capital assets increased by \$1,302,547 from net capital assets at the end of 2015 primarily due additions during the year, partially offset by depreciation of its capital assets. More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

The table below summarizes changes in capital assets for the year ended December 31, 2017:

**Change in Capital Assets (Net of Depreciation), 2017**

	2017	2016	2016 to 2017	
			\$ Change	% Change
Land	\$ 20,226,875	\$ 20,226,875	\$ -	0.00%
Water Rights	276,784	276,784	-	0.00%
Buildings	31,231,460	30,134,116	1,097,344	3.64%
Improvements	18,002,421	16,705,538	1,296,883	7.76%
Furniture, Fixtures and Equipment	2,343,595	2,158,726	184,869	8.56%
Vehicles	686,891	594,714	92,177	15.50%
Construction in Progress	51,766	326,462	(274,696)	100.00%
Total Capital Assets	<u>\$ 72,819,792</u>	<u>\$ 70,423,215</u>	<u>\$ 2,396,577</u>	<u>3.40%</u>

The table below summarizes changes in capital assets for the year ended December 31, 2016:

**Change in Capital Assets (Net of Depreciation), 2016**

	2016	2015	2015 to 2016	
			\$ Change	% Change
Land	\$ 20,226,875	\$ 20,298,205	\$ (71,330)	-0.35%
Water Rights	276,784	276,784	-	0.00%
Buildings	30,134,116	29,612,537	521,579	1.76%
Improvements	16,705,538	16,198,242	507,296	3.13%
Furniture, Fixtures and Equipment	2,158,726	1,726,057	432,669	25.07%
Vehicles	594,714	453,871	140,843	31.03%
Construction in Progress	326,462	554,972	(228,510)	100.00%
Total Capital Assets	<u>\$ 70,423,215</u>	<u>\$ 69,120,668</u>	<u>\$ 1,302,547</u>	<u>1.88%</u>

**Long-Term Debt**

The District paid \$2,975,800 in debt principal repayments during 2017 and at December 31, 2017 had \$24,216,928 in short and long-term debt. More detailed information about the District's long-term debt is presented in Note 5 to the financial statements.

Below is a summary of changes in long-term debt for the year ended December 31, 2017:

### Changes in Long-Term Debt

	<u>2017</u>	<u>2016</u>	<u>2016 to 2017</u>	
			<u>\$ Change</u>	<u>% Change</u>
General Obligation Bonds	\$ 5,796,800	\$ 7,547,600	\$ (1,750,800)	-23.20%
Certificates of Participation	17,300,000	18,335,000	(1,035,000)	-5.64%
Golf Course Revenue Bonds	600,000	790,000	(190,000)	-24.05%
Unamortized Deferred Charges	(715,329)	(851,654)	136,325	-16.01%
Unamortized Bond Premium (Discount)	1,235,457	1,370,833	(135,376)	-9.88%
Total Long Term Debt	<u>\$ 24,216,928</u>	<u>\$ 27,191,779</u>	<u>\$ (2,974,851)</u>	<u>-10.94%</u>

The District paid \$2,917,800 in debt principal repayments during 2016 and at December 31, 2016 had \$27,191,779 in short and long-term debt. Below is a summary of changes in long-term debt for the year ended December 31, 2016:

### Changes in Long-Term Debt

	<u>2016</u>	<u>2015</u>	<u>2015 to 2016</u>	
			<u>\$ Change</u>	<u>% Change</u>
General Obligation Bonds	\$ 7,547,600	\$ 9,260,400	\$ (1,712,800)	-18.50%
Certificates of Participation	18,335,000	19,355,000	(1,020,000)	-5.27%
Golf Course Revenue Bonds	790,000	975,000	(185,000)	-18.97%
Unamortized Deferred Charges	(851,654)	(987,978)	136,324	-13.80%
Unamortized Bond Premium (Discount)	1,370,833	1,515,889	(145,056)	-9.57%
Total Long Term Debt	<u>\$ 27,191,779</u>	<u>\$ 30,118,311</u>	<u>\$ (2,926,532)</u>	<u>-9.72%</u>

The District was able to maintain an adequate debt coverage ratio on the Golf Course Revenue Bonds outstanding for the years ended December 31, 2017 and 2016 as shown below:

**Debt Coverage Ratio-Golf Revenue Bonds**

	2017	2016	2016 to 2017	
			\$ Change	% Change
Golf Operating Revenue	\$ 4,854,299	\$ 4,753,569	\$ 100,730	2.12%
Golf Operating Expenses (Excluding Depreciation and Debt Payments)	3,495,399	3,417,540	77,859	2.28%
Golf Net Earning Before Depreciation, and Debt Payments	<u>\$ 1,358,900</u>	<u>\$ 1,336,029</u>	<u>\$ 22,871</u>	<u>1.71%</u>
Golf Revenue Bonds Annual Debt Service Requirements for the Respective Fiscal year	<u>\$ 217,808</u>	<u>\$ 219,320</u>	<u>\$ (1,512)</u>	<u>-0.69%</u>
Debt Coverage Ratio	<u>6.24</u>	<u>6.09</u>		

The District was able to maintain an adequate debt coverage ratio on the Golf Course Revenue Bonds outstanding for the years ended December 31, 2016 and 2015 as shown below:

**Debt Coverage Ratio-Golf Revenue Bonds**

	2016	2015	2015 to 2016	
			\$ Change	% Change
Golf Operating Revenue	\$ 4,753,569	\$ 4,590,898	\$ 162,671	3.54%
Golf Operating Expenses (Excluding Depreciation and Debt Payments)	3,417,540	3,390,923	26,617	0.78%
Golf Net Earning Before Depreciation, and Debt Payments	<u>\$ 1,336,029</u>	<u>\$ 1,199,975</u>	<u>\$ 136,054</u>	<u>11.34%</u>
Golf Revenue Bonds Annual Debt Service Requirements for the Respective Fiscal year	<u>\$ 219,320</u>	<u>\$ 215,480</u>	<u>\$ 3,840</u>	<u>1.78%</u>
Debt Coverage Ratio	<u>6.09</u>	<u>5.57</u>		

The required ratio is 1.50 of the debt service requirements on the golf course revenue bonds for the respective fiscal year.

## **ECONOMIC FACTORS**

The District has continued to experience an increase in the number of patron visits to our facilities and to our various programs. Many of our facilities and programs are at or near capacity. The District anticipates fee revenue and other operational revenue sources to remain relatively flat for the foreseeable future. Any increase in revenue is anticipated to be from fee increases or new programs. The need for fee increases will continue to be evaluated on an annual basis and be based on competitive rates for the markets we serve. The District's golf rounds and related revenues are expected to remain relatively flat for the near future, primarily due to the number of golf courses in our area competing for the same customers.

Property valuations within the District saw a significant increase in 2017, however the assessment rate for the calculation of residential assessed values was reduced by law. As a result of these two factors, property tax revenues will increase moderately in 2018. Property tax revenue increases resulting from valuation changes beyond 2018 are not expected to be significant. Little new development is expected to take place in the District resulting in minimal potential for increases in assessed valuations due to growth related to new construction. The District was successful in the 2017 election in securing a mill levy increase of 2.75 mills. The mill increase has a nine-year sunset provision and it will result in a significant increase in property tax revenues for 2018 and throughout the duration of the nine-year increase. The additional funding is expected to be deployed in funding updates and improvements to the aging infrastructure of the District.

Costs for facility and program operations are expected to increase at historical inflation rates of 2.5% per year. We also expect utility and fuel costs to rise at rates much higher than inflation, more in the range of 5% per year.

The District has made every effort to find new revenue streams and to be more efficient with available funds. Little more can be done to cut costs without impacting the services we provide to our constituents.

Budgets will continue to be strained with the District's expectations that revenue streams will remain relatively flat and all major operating costs are expected to increase due to general inflationary trends in the foreseeable future.

## **REQUEST FOR INFORMATION**

This financial report provides a general overview of Foothills Park & Recreation District's finances. Questions concerning any of the information provided in this report or to request additional financial information should be addressed to the attention of Director of Administrative Services at Foothills Park & Recreation District, 6612 S Ward Street, Littleton, Colorado 80127.

**FOOTHILLS PARK & RECREATION DISTRICT**  
**STATEMENTS OF NET POSITION**  
**December 31, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
Current Assets		
Cash and Cash Equivalents	\$ 8,620,159	\$ 11,056,605
Receivables	2,908,778	1,517,149
Property Taxes Receivables	11,699,843	7,639,949
Inventories	267,690	275,268
Prepaid Expenses	524,786	439,777
Total Current Assets	24,021,256	20,928,748
Non-Current Assets		
Nonrestricted Long-Term Investments	985,884	992,811
Land, Water Rights and Construction in Progress	20,555,425	20,830,121
Other Capital Assets, Net of Accumulated Depreciation	52,264,367	49,593,094
Deposits	2,935	3,170
Investment in Bergen Ditch and Reservoir Co. and Bergen Land Co.	60,518	119,756
Total Non-Current Assets	73,869,129	71,538,952
Total Assets	97,890,385	92,467,700
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Charges	715,329	851,654
Total Assets and Deferred Outflows of Resources	98,605,714	93,319,354
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payables	746,683	905,761
Interest Payable	89,317	97,273
Accrued Payroll Payable	316,662	271,760
Long-Term Debt Payable (Current Portion)	3,053,900	2,975,800
Unearned Revenue	454,669	487,538
Total Current Liabilities	4,661,231	4,738,132
Non-Current Liabilities		
Compensated Absences Payable	515,160	484,994
Long-Term Debt Payable	21,878,357	25,067,633
Total Non-Current Liabilities	22,393,517	25,552,627
Total Liabilities	27,054,748	30,290,759
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Property Taxes	11,699,843	7,639,949
Total Liabilities and Deferred Inflows of Resources	38,754,591	37,930,708
<b>NET POSITION</b>		
Net Investment in Capital Assets	49,326,572	46,068,205
Restricted	779,000	649,000
Unrestricted	9,745,551	8,671,441
Total Net Position	59,851,123	55,388,646
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 98,605,714	\$ 93,319,354

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

**FOOTHILLS PARK & RECREATION DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**For the Years Ended December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>% Change</u>
<b>OPERATING REVENUES</b>				
Fees and Charges:				
Aquatics	\$ 964,871	\$ 978,308	\$ (13,437)	-1.37%
Children's Programs	2,868,591	2,707,726	160,865	5.94%
Golf (Pledged for Payment of Revenue Bonds)	4,854,299	4,753,569	100,730	2.12%
Ice Arena	2,010,011	2,147,027	(137,016)	-6.38%
Recreation Centers	1,551,410	1,462,339	89,071	6.09%
Recreation Programs	2,246,143	2,201,465	44,678	2.03%
Parks and Regional Parks	528,425	472,062	56,363	11.94%
General and Administrative	23,483	37,845	(14,362)	-37.95%
Total Operating Revenues	<u>15,047,233</u>	<u>14,760,341</u>	<u>286,892</u>	<u>1.94%</u>
<b>OPERATING EXPENSES</b>				
Aquatics	1,752,865	1,614,719	138,146	8.56%
Children's Programs	2,172,576	2,064,584	107,992	5.23%
Golf	3,816,254	3,734,611	81,643	2.19%
Ice Arena	1,658,113	1,658,983	(870)	-0.05%
Recreation Centers	3,097,392	2,903,741	193,651	6.67%
Recreation Programs	1,729,309	1,661,167	68,142	4.10%
Parks and Regional Parks	4,241,148	4,521,573	(280,425)	-6.20%
General and Administrative	1,853,157	1,757,229	95,928	5.46%
Total Operating Expenses	<u>20,320,814</u>	<u>19,916,607</u>	<u>404,207</u>	<u>2.03%</u>
<b>NET LOSS FROM OPERATIONS</b>	<u>(5,273,581)</u>	<u>(5,156,266)</u>		
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Property and Specific Ownership Taxes	8,392,385	8,241,228	151,157	1.83%
Conservation Trust	469,489	524,545	(55,056)	-10.50%
Grants	2,755,744	1,003,809	1,751,935	174.53%
Grants Expenditures	(157,698)	(76,575)	(81,123)	105.94%
Facilities & Equipment Repairs and Replacements	(806,239)	(1,004,001)	197,762	-19.70%
Investment Income	103,788	69,752	34,036	48.80%
Interest Expense	(976,784)	(1,038,801)	62,017	-5.97%
Interest Expense Subsidy	33,302	33,338	(36)	-0.11%
Bond Issuance Cost	-	-	-	-100.00%
Loss on Investment in Bergen Ditch and Reservoir Co. and Bergen Land Co.	(59,238)	(24,294)	(34,944)	143.84%
Gain on the Sale of Assets	30,492	773,479	(742,987)	-96.06%
Proceeds from Insurance	-	102,421	(102,421)	-100.00%
Other Income	75,585	-	75,585	100.00%
Other Expense	(124,768)	(119,859)	(4,909)	4.10%
Total Net Non-Operating Revenues (Expenses)	<u>9,736,058</u>	<u>8,485,042</u>	<u>1,251,016</u>	<u>14.74%</u>
<b>CHANGE IN NET POSITION</b>	4,462,477	3,328,776	1,133,701	34.06%
<b>NET POSITION, Beginning of Year</b>	55,388,646	52,059,870	3,328,776	6.39%
<b>NET POSITION, End of Year</b>	<u>\$ 59,851,123</u>	<u>\$ 55,388,646</u>	<u>\$ 4,462,477</u>	<u>8.06%</u>

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

**FOOTHILLS PARK & RECREATION DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers and Users	\$ 13,622,970	\$ 13,819,137
Payments to Suppliers	(6,625,819)	(6,469,700)
Payments to Employees	(11,363,292)	(10,650,557)
Net Cash Used by Operating Activities	<u>(4,366,141)</u>	<u>(3,301,120)</u>
<b>CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Property and Specific Ownership Taxes	8,392,385	8,241,228
Receipts from Conservation Trust Fund	469,489	524,545
Grants and Contributions Received, Net of Expenditures	2,598,046	927,234
Facilities & Equipment Repairs and Replacements	(806,239)	(1,004,001)
Other Expenditures	(49,183)	(119,859)
Net Cash Provided by Non-Capital Financing Activities	<u>10,604,498</u>	<u>8,569,147</u>
<b>CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Interest Expense Paid on Bonds and Leases	(950,489)	(1,021,530)
Acquisition of Capital Assets	(4,920,290)	(4,161,035)
Proceeds from the Sale of Assets	61,061	883,783
Proceeds from Insurance	-	102,421
Principal Payments on Long-Term Debt	(2,975,800)	(2,917,800)
Net Cash Used by Capital and Related Financing Activities	<u>(8,785,518)</u>	<u>(7,114,161)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Maturity (Purchase) of Investments	6,927	1,132,357
Interest on Investments	103,788	69,752
Net Cash Provided by Investing Activities	<u>110,715</u>	<u>1,202,109</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(2,436,446)	(644,025)
<b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	<u>11,056,605</u>	<u>11,700,630</u>
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	<u>\$ 8,620,159</u>	<u>\$ 11,056,605</u>

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

(Continued)

**FOOTHILLS PARK & RECREATION DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2017 and 2016**  
(Continued)

	<b>2017</b>	<b>2016</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:</b>		
Operating Loss	\$ (5,273,581)	\$ (5,156,266)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation	2,493,144	2,748,184
Effect of changes in operating assets and liabilities:		
Receivables	(1,391,629)	(969,925)
Inventories	7,578	(14,165)
Prepaid Expense	(85,009)	(60,010)
Deposits	235	(258)
Accounts Payable	(159,078)	(13,092)
Accrued Payroll Payable	44,902	82,749
Compensated Absences Payable	30,166	52,684
Unearned Revenue	(32,869)	28,979
Total Adjustments	907,440	1,855,146
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>\$ (4,366,141)</b>	<b>\$ (3,301,120)</b>

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

**FOOTHILLS PARK & RECREATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017 and 2016**

**NOTE 1: DEFINITION OF REPORTING ENTITY**

*Financial Reporting Entity*

Foothills Park & Recreation District is a governmental unit (special district) operating in accordance with Colorado Statute. The District is governed by a five-member elected Board of Directors. The District was established to provide park and recreation facilities and programs in southern Jefferson County.

In accordance with Governmental Accounting Standards, the District has considered the possibility of inclusion of additional entities in its financial statements. The definition of the reporting entity is based primarily on financial accountability. The District is financially accountable for the organizations that make up its legal entity. It is also financially responsible for legally separate organizations if the District officials appoint a voting majority of the organization's governing body and, either it is able to impose its will on that organization or there is a potential for the organization to provide benefits to or, to impose specific financial burdens on the District. The District may also be financially accountable for governmental organizations that are fiscally dependent upon it.

*Component Unit*

The Foothills Park & Recreation District Building Authority (the Building Authority) is governed by a board that consists of a voting majority appointed by the governing board of the District. In addition, the District is financially accountable for the Building Authority, and the Building Authority is financially dependent upon the District. The Building Authority is consolidated into the financial statements of the District. The Building Authority does not issue separate financial statements. In 2015, the District refunded the 2006 Certificates of Participation which were held by the Building Authority. Coincident with the refunding transaction, the Building Authority transferred the deed of all properties owned to the District. As a result, the Building Authority had no financial activity in 2017 and 2016.

*Joint Venture*

The Bergen Ditch and Reservoir Company (Bergen Ditch) and Bergen Ditch Land Company (Bergen Land) are corporations owned and controlled by various governmental entities and private individuals. The purpose of Bergen Ditch is to own and operate a water ditch system known as the Bergen Ditch. The District has a 23.8% ownership interest in Bergen Ditch and a 26.3% ownership interest in Bergen Land. In addition, the District leases another 60.5% of shares with voting interests in Bergen Ditch from Jefferson County. The District's Executive Director and Director of Parks, Planning and Construction served on the Board of Directors of Bergen Ditch in 2017. The District's share in this joint venture is included as an investment on the financial statements. The financial statements for Bergen Ditch and Bergen Land are available at 9329 Lark Sparrow Trail, Highlands Ranch, CO 80126.

**FOOTHILLS PARK & RECREATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017 and 2016**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Foothills Park & Recreation District conform to generally accepted accounting principles as applicable to governmental units accounted for as a proprietary enterprise fund. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial principles. The following is a summary of the significant policies.

*Measurement Focus*

The District is accounted for as a single enterprise fund. Enterprise funds are a type of proprietary fund and as such, are reported in accordance with generally accepted accounting principles for proprietary funds as defined by GASB. The proprietary fund type is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the Statement of Net Position.

*Basis of Accounting*

The District uses the accrual basis of accounting, where revenues are recognized when they are earned and measurable, and expenses are recognized in the period incurred.

**Proprietary Fund**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal ongoing operations of the District result in revenue from charges to patrons for admissions to recreation facilities, rental of recreation facilities, fees paid for participation in recreation programs, and green fees for usage of the District's golf courses. All activities not associated with the principal ongoing operations of the District are reported as non-operating revenues or expenses.

*Cash, Cash Equivalents and Investments*

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are recorded at fair value. Local government investment pools are recorded at net asset value. Money market funds are valued at amortized cost.

*Inventory and Prepaid Expenses*

Merchandise inventory held for resale is valued at the lower of cost or market. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**FOOTHILLS PARK & RECREATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017 and 2016**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position and balance sheets will sometimes report a separate section for deferred outflows or resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position and fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows or resources. This separate financial statement element, *deferred inflow of resources*, represents an acquisition of net position and fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

*Restricted Assets*

It is the District's policy to first use restricted, if any, and then unrestricted resources when an expense is incurred for purposes for which restricted and unrestricted amounts are available.

*Property Taxes*

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the Jefferson County Assessor, generally as of November 30th of each year.

The levy is normally set by December 15<sup>th</sup> by certification to the Jefferson County Commissioners to put the tax lien on the individual properties as of January 1<sup>st</sup> of the following year.

The Jefferson County Treasurer (Treasurer) collects the determined taxes during the ensuing calendar year. The taxes are payable by April, or in equal installments in February and June at the taxpayer's election. Delinquent taxpayers are notified in August, and tax lien sales are in November.

The Treasurer remits the taxes collected monthly to the District. Property taxes receivable not collected within 30 days of year-end have been recorded as deferred revenue. Since property taxes are levied in December for the next calendar year's operations, the total levy is reported as property taxes receivable and a deferred inflow of resources for property taxes.

*Capital Assets*

Capital Assets include property, improvements to property, buildings, equipment, and water rights with an initial individual value of \$5,000 or greater. All capital assets are valued at historical cost or at an estimated historical cost if actual historical cost was not available. Donated assets are valued at their acquisition value.

**FOOTHILLS PARK & RECREATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017 and 2016**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Depreciation begins in the year of the completion for assets under construction. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over estimated useful lives ranging from 5 to 50 years.

*Compensated Absences*

Accumulated unpaid vacation amounts are accrued. District employees with 1-4 years of full-time service can accumulate up to 120 vacation hours, 5-9 years of full time service can accumulate up to 180 vacation hours, and 10 or more years of full-time service can accumulate up to 240 vacation hours. Accrued vacation is paid to employees upon termination of employment.

*Amortization*

**Bond and Certificate of Participation Original Issue Premium and/or Discount**

Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. The amortization amount related to the bond premiums and/or discounts is a component of interest expense and the unamortized balances are reflected as an addition or reduction of bonds payable, respectively.

**Deferred Cost on Bond and Certificate of Participation Refunding**

The deferred costs on the bond and certificate of participation refundings are being amortized using the straight-line method, which approximates the interest method, over the shorter of the life of the new or life of the defeased bonds or certificates of participation. The amortization amount is a component of interest expense and the unamortized deferred cost is reflected as deferred charges in deferred outflows of resources on the statement of financial position.

*Budgets*

In accordance with State Budget Law, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate funds for the ensuing year. The District's Board of Directors can modify the budget and appropriation resolutions upon completion of notification and publication requirements. The appropriation is at the total fund level and lapses at year-end. The Building Authority's budget is included within the District's budget.

**FOOTHILLS PARK & RECREATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017 and 2016**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Estimates*

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

*Reclassifications*

Certain prior year amounts have been reclassified to conform to the current year presentation. The reclassifications had no effect on net position or changes in net position and were made to provide further detail of financial statement amounts.

**NOTE 3: CASH AND INVESTMENTS**

*Cash Deposits*

Colorado statutes require that the District use eligible public depositories, as defined by the Public Deposit Protection Act (PDPA) of 1975. Under the Act, the depository is required to pledge collateral having a market value at all times equal to at least 102% of the aggregate public deposits held by the depository not insured by federal deposit insurance. Eligible collateral, as defined by the Act, primarily includes obligations or guarantees by the U.S. Government, the State of Colorado, or any political subdivision thereof, and obligations evidenced by notes secured first by lien mortgages or deeds of trust on real property. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group.

At December 31, 2017 and 2016, the District's cash deposits had a carrying balance of \$918,052 and \$1,362,613, respectively. The District's cash deposits were not exposed to custodial credit risk, as all deposits were insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized in accordance with PDPA. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned.

**FOOTHILLS PARK & RECREATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2017 and 2016**

**NOTE 3: CASH AND INVESTMENTS (CONTINUED)**

*Investments*

At December 31, 2017, the District had the following investments and maturities:

<u>Investment Type</u>	<u>2017</u>		
	<u>Value</u>	<u>Measurement</u>	<u>Maturities</u>
Money Market Funds	\$ 1,214,981	Amortized Cost	Less than 12 Months
Local Government Investment Pools	6,478,602	Net Asset Value	Less than 12 Months
Bank Certificate of Deposits	735,615	Fair Value	More than 12 Months
Federal Agency Bonds	250,269	Fair Value	Less than 12 Months
Total	<u>\$ 8,679,467</u>		

At December 31, 2016, the District had the following investments and maturities:

<u>Investment Type</u>	<u>2016</u>		
	<u>Value</u>	<u>Measurement</u>	<u>Maturities</u>
Money Market Funds	\$ 2,205,280	Amortized Cost	Less than 12 Months
Local Government Investment Pools	7,480,368	Net Asset Value	Less than 12 Months
Bank Certificate of Deposits	494,583	Fair Value	Less than 12 Months
Federal Agency Bonds	249,635	Fair Value	Less than 12 Months
Federal Agency Bonds	248,593	Fair Value	More than 12 Months
Total	<u>\$ 10,678,459</u>		

At December 31, 2017 and 2016, the District had \$1,204,635 and \$2,201,953, respectively, invested with Firstbank Colorado and \$10,346 and \$3,327, respectively, in money market investment accounts other financial institutions.

In addition, as of December 31, 2017 and 2016, the District had invested \$6,478,602 and \$7,480,368, respectively, in the Colorado Liquid Asset Trust Fund (COLOTRUST) which has a credit rating of AAAM by Standard and Poor's. COLOTRUST is an investment vehicle established for local government entities in Colorado to pool surplus funds and is regulated by the State Securities Commissioner. It operates similarly to a money market fund and each share is equal in value to \$1.00. Investments consist of U.S. Treasury and U.S. Agency securities, and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodians' internal records identify the investments owned by the entities.

**FOOTHILLS PARK & RECREATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017 and 2016**

**NOTE 3: CASH AND INVESTMENTS (CONTINUED)**

*Fair Value*

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

As of December 31, 2017 and 2016, the District had \$985,884 and \$992,811, respectively invested in U.S. Treasury Agency Securities and bank market indexed and market linked certificates of deposit. These investments are valued with Level 1 inputs.

*Investments and Credit Risk*

Colorado statutes specify in which instruments the District may invest. These instruments are:

- Certain money market funds
- Certain marketable repurchase agreements
- Certain marketable reverse repurchase agreements
- Certain guaranteed investment contracts
- Bankers' acceptances of certain banks
- Certain corporate bonds
- General obligation and revenue bonds of U.S. local government entities
- Obligations of the United States and certain U.S. government agency securities
- Local government investment pools

In order to minimize credit risk the District follows the State Statutes by investing only in the instruments noted above.

*Interest Rate Risk*

As a means of limiting its exposure to fair value losses arising from prevailing market interest rates, the District primarily invests in Local Government Investment Pools which have a weighted average maturity of not more than 90 days. The District's investment policy states that investments with maturities longer than three or five years depending on the investment require approval from the Board of Directors.

**FOOTHILLS PARK & RECREATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2017 and 2016**

**NOTE 3: CASH AND INVESTMENTS (CONTINUED)**

*Concentration of Credit Risk*

The District had no investment in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represents 5% or more of total District investments at December 31, 2017.

*Summary of District Cash, Cash Equivalents and Investments*

Cash deposits and investments at December 31, 2017 and 2016 are summarized as follows:

	<u>2017</u>	<u>2016</u>
Petty Cash	\$ 8,524	\$ 8,345
Cash Deposits	918,052	1,362,612
Investments	<u>8,679,467</u>	<u>10,678,459</u>
Total Cash Deposits and Investments	<u>\$ 9,606,043</u>	<u>\$ 12,049,416</u>

Cash deposits and investments as of December 31, 2017 and 2016 were reflected on the statement of net position as follows:

	<u>2017</u>	<u>2016</u>
Cash and Cash Equivalents	\$ 8,620,159	\$ 11,056,605
Non-Restricted Investments	<u>985,884</u>	<u>992,811</u>
Total Cash Deposits and Investments	<u>\$ 9,606,043</u>	<u>\$ 12,049,416</u>

**FOOTHILLS PARK & RECREATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017 and 2016**

**NOTE 4: CAPITAL ASSETS AND DEPRECIATION**

A summary of changes in Capital Assets for 2017 is as follows:

	<b>JANUARY 1, 2017 BALANCE</b>	<b>INCREASES</b>	<b>DECREASES</b>	<b>DECEMBER 31, 2017 BALANCE</b>
<b>Capital Assets, Not Being Depreciated</b>				
Land	\$ 20,226,875	\$ -	\$ -	\$ 20,226,875
Water Rights	276,784	-	-	276,784
Construction in Progress	326,462	51,766	(326,462)	51,766
<b>Total Capital Assets, Not Being Depreciated</b>	<b>20,830,121</b>	<b>51,766</b>	<b>(326,462)</b>	<b>20,555,425</b>
<b>Capital Assets, Being Depreciated</b>				
Buildings	44,617,220	2,089,680	-	46,706,900
Improvements	36,634,310	2,248,177	(10,850)	38,871,637
Furniture, Fixtures and Equipment	8,308,222	636,712	(97,728)	8,847,206
Vehicles	1,824,372	220,417	(116,219)	1,928,570
<b>Total Capital Assets, Being Depreciated</b>	<b>91,384,124</b>	<b>5,194,986</b>	<b>(224,797)</b>	<b>96,354,313</b>
<b>Less Accumulated Depreciation for:</b>				
Buildings	(14,483,103)	(992,337)	-	(15,475,440)
Improvements	(19,928,772)	(951,293)	10,850	(20,869,215)
Furniture, Fixtures and Equipment	(6,149,497)	(451,742)	97,628	(6,503,611)
Vehicles	(1,229,658)	(97,772)	85,750	(1,241,680)
<b>Total Accumulated Depreciation</b>	<b>(41,791,030)</b>	<b>(2,493,144)</b>	<b>194,228</b>	<b>(44,089,946)</b>
<b>Capital Assets, Being Depreciated, Net</b>	<b>49,593,094</b>	<b>2,701,842</b>	<b>(30,569)</b>	<b>52,264,367</b>
<b>Net Capital Assets</b>	<b>\$ 70,423,215</b>	<b>\$ 2,753,608</b>	<b>\$ (357,031)</b>	<b>\$ 72,819,792</b>

**FOOTHILLS PARK & RECREATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017 and 2016**

**NOTE 4: CAPITAL ASSETS AND DEPRECIATION (CONTINUED)**

A summary of changes in Capital Assets for 2016 is as follows:

	<b>JANUARY 1, 2016 BALANCE</b>	<b>INCREASES</b>	<b>DECREASES</b>	<b>DECEMBER 31, 2016 BALANCE</b>
<b>Capital Assets, Not Being Depreciated</b>				
Land	\$ 20,298,205	\$ -	\$ (71,330)	\$ 20,226,875
Water Rights	276,784	-	-	276,784
Construction in Progress	554,972	326,462	(554,972)	326,462
<b>Total Capital Assets, Not Being Depreciated</b>	<u>21,129,961</u>	<u>326,462</u>	<u>(626,302)</u>	<u>20,830,121</u>
<b>Capital Assets, Being Depreciated</b>				
Buildings	43,131,210	1,486,010	-	44,617,220
Improvements	34,839,756	1,841,901	(47,347)	36,634,310
Furniture, Fixtures and Equipment	7,594,830	843,138	(129,746)	8,308,222
Vehicles	1,628,728	218,496	(22,852)	1,824,372
<b>Total Capital Assets, Being Depreciated</b>	<u>87,194,524</u>	<u>4,389,545</u>	<u>(199,945)</u>	<u>91,384,124</u>
<b>Less Accumulated Depreciation for:</b>				
Buildings	(13,518,673)	(964,430)	-	(14,483,103)
Improvements	(18,641,514)	(1,295,833)	8,575	(19,928,772)
Furniture, Fixtures and Equipment	(5,868,773)	(410,269)	129,545	(6,149,497)
Vehicles	(1,174,857)	(77,652)	22,851	(1,229,658)
<b>Total Accumulated Depreciation</b>	<u>(39,203,817)</u>	<u>(2,748,184)</u>	<u>160,971</u>	<u>(41,791,030)</u>
<b>Capital Assets, Being Depreciated, Net</b>	<u>47,990,707</u>	<u>1,641,361</u>	<u>(38,974)</u>	<u>49,593,094</u>
<b>Net Capital Assets</b>	<u>\$ 69,120,668</u>	<u>\$ 1,967,823</u>	<u>\$ (665,276)</u>	<u>\$ 70,423,215</u>

For the years ended December 31, 2017 and 2016 depreciation expense was charged to programs as follows:

	<b>2017</b>	<b>2016</b>
Aquatics	\$ 142,349	\$ 142,349
Children's Programs	13,979	10,130
Golf Courses	320,855	317,071
Ice Arena	272,476	272,184
Recreation Centers	835,303	789,572
Recreation Programs	3,757	5,473
Parks and Regional Parks	848,155	1,159,067
General and Administration	56,270	52,338
<b>Total</b>	<u>\$ 2,493,144</u>	<u>\$ 2,748,184</u>

**FOOTHILLS PARK & RECREATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017 and 2016**

**NOTE 5: LONG TERM DEBT**

The following is an analysis of the changes in long-term debt for the year ended December 31, 2017:

	<b>January 1, 2017 Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>December 31, 2017 Balance</b>	<b>Current Portion</b>
2010 General Obligation Bonds	\$ 6,955,000	-	\$ (1,660,000)	\$ 5,295,000	\$ 1,710,000
2012 General Obligation Bonds	592,600	-	(90,800)	501,800	93,900
2011 Revenue Bonds	790,000	-	(190,000)	600,000	190,000
2010 Certificates of Participation, Series 2010A	550,000	-	(245,000)	305,000	250,000
2010 Certificates of Participation, Taxable QECB Series 2010B	1,000,000	-	-	1,000,000	-
2013 Certificates of Participation	6,130,000	-	(390,000)	5,740,000	405,000
2015 Certificates of Participation	10,655,000	-	(400,000)	10,255,000	405,000
Compensated Absences	484,994	65,608	(35,442)	515,160	-
	<u>27,157,594</u>	<u>65,608</u>	<u>(3,011,242)</u>	<u>24,211,960</u>	<u>3,053,900</u>
Less deferred charges	(851,654)	-	136,325	(715,329)	-
Plus net unamortized original issue premium (discount)	1,370,833	-	(135,376)	1,235,457	-
	<u>\$ 27,676,773</u>	<u>\$ 65,608</u>	<u>\$ (3,010,293)</u>	<u>\$ 24,732,088</u>	<u>\$ 3,053,900</u>

The following is an analysis of the changes in long-term debt for the year ended December 31, 2016:

	<b>January 1, 2016 Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>December 31, 2016 Balance</b>	<b>Current Portion</b>
2010 General Obligation Bonds	\$ 8,575,000	-	\$ (1,620,000)	\$ 6,955,000	\$ 1,660,000
2012 General Obligation Bonds	685,400	-	(92,800)	592,600	90,800
2011 Revenue Bonds	975,000	-	(185,000)	790,000	190,000
2010 Certificates of Participation, Series 2010A	785,000	-	(235,000)	550,000	245,000
2010 Certificates of Participation, Taxable QECB Series 2010B	1,000,000	-	-	1,000,000	-
2013 Certificates of Participation	6,515,000	-	(385,000)	6,130,000	390,000
2015 Certificates of Participation	11,055,000	-	(400,000)	10,655,000	400,000
Compensated Absences	432,310	81,530	(28,846)	484,994	-
	<u>30,022,710</u>	<u>81,530</u>	<u>(2,946,646)</u>	<u>27,157,594</u>	<u>2,975,800</u>
Less deferred charges	(987,978)	-	136,324	(851,654)	-
Plus net unamortized original issue premium (discount)	1,515,889	-	(145,056)	1,370,833	-
	<u>\$ 30,550,621</u>	<u>\$ 81,530</u>	<u>\$ (2,955,378)</u>	<u>\$ 27,676,773</u>	<u>\$ 2,975,800</u>

*General Obligation Bonds*

The District issues general obligation bonds to provide funds for acquisition and construction of major capital facilities. General Obligation bonds require a vote by the District's residents and are direct obligations and pledge the full faith of the District.

**FOOTHILLS PARK & RECREATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2017 and 2016**

**NOTE 5: LONG TERM DEBT (CONTINUED)**

*GO Series 2010* - In 2010, the District issued a total of \$15,310,000 of General Obligation Refunding Bonds, Series 2010, dated February 23, 2010. Proceeds from the sale of the bonds were used to refund a portion of the District's General Obligation Bonds, Series 2001, and to pay the costs of issuance of the Bonds. The bonds carry interest rates from 2.0% to 5.0% due semi-annually and mature serially beginning in 2010 and continue through 2020. The bond refunding saved a majority of the District taxpayers approximately \$1,335,374 in gross tax dollars between 2010 and 2020 as a result of the lower interest on the refunded bonds.

*GO Series 2012* - In 2012, the District issued a total of \$974,700 of General Obligation Refunding Bond, Series 2012, dated March 20, 2012. Proceeds from the sale of the bond were used to refund a portion of the District's General Obligation Bonds, Series 2002, and to pay the costs of issuance of the Bonds. The Bond is subject to quarterly mandatory sinking fund redemption. The Bond matures on December 1, 2022 and bears interest at the rate of 2.73% per annum. The Bond refunding saved taxpayers in Subdistrict B (Kipling Villas) \$124,568 in gross tax dollars through December 1, 2022 as a result of the lower interest on the refunded bonds.

The annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending December 31,	Principal	Interest	Total
2018	\$ 1,803,900	\$ 225,744	\$ 2,029,644
2019	1,851,300	171,856	2,023,156
2020	1,928,600	99,003	2,027,603
2021	105,700	4,738	110,438
2022	107,300	1,837	109,137
Total	<u>\$ 5,796,800</u>	<u>\$ 503,178</u>	<u>\$ 6,299,978</u>

*Revenue Bonds*

The District issues revenue bonds where the District pledges income derived from golf course revenues to pay the debt service.

*Revenue Bond Series 2011* - In 2011, the District issued a total of \$1,815,000 of Revenue Refunding Bonds, Series 2011, dated June 28, 2011. Proceeds from the sale of the bonds along with \$219,034 of District funds were used to refund the District's Revenue Refunding Bonds, Series 2001, and to pay the costs of issuance of the bonds. The bonds carry interest rate of 3.52% due semi-annually and mature serially beginning in 2011 and continue through 2020. The bond refunding saved the District \$369,898 from 2011 through 2020 as a result of the lower interest on the refunded bonds and the pay-down of the principal balance. The Revenue Refunding Bonds, Series 2011, do not have a reserve requirement.

**FOOTHILLS PARK & RECREATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2017 and 2016**

**NOTE 5: LONG TERM DEBT (CONTINUED)**

The annual debt service requirement to maturity for the revenue bond is as follows:

Year Ending December 31,	Principal	Interest	Total
2018	\$ 190,000	\$ 21,120	\$ 211,120
2019	200,000	14,432	214,432
2020	210,000	7,392	217,392
Total	<u>\$ 600,000</u>	<u>\$ 42,944</u>	<u>\$ 642,944</u>

*Certificates of Participation (COPs)*

The District and the Building Authority issue certificates of participation to finance needed recreation facilities.

*Foothills Park & Recreation COP Lease Purchase 2010* - In 2010, the District issued \$1,895,000 of Certificates of Participation Series 2010A and \$1,000,000 of Certificates of Participation Taxable QECB Series 2010B both dated August 19, 2010. The District applied and was awarded by the State Governor’s Energy Office \$1,000,000 of “qualified energy conservation bonds” which enabled a portion of the interest paid on the Taxable QECB 2010B certificates to be eligible for an annual cash subsidy payment from the United States Treasury.

The certificates were issued for the purpose of financing energy conservation projects as set forth in the Energy Performance Contracts the District entered into in 2010. The Series 2010A certificates mature between 2011 and 2019 and carry interest rates between 2.00% and 3.00% due semiannually. The Taxable QECB Series 2010B certificates due October 1, 2022 are subject to mandatory sinking fund redemptions between 2019 and 2022 and carry interest rate of 5.75% due semiannually. Net of the government interest subsidy payment the District receives from the Federal government, effective interest rate is reduced from 5.75% to 2.17%.

*Foothills Park & Recreation COP Lease Purchase 2013* - In 2013, the District issued \$9,300,000 of Certificates of Participation dated May 15, 2013. Proceeds from the sale of the bond were used to refund a portion of the District’s Certificates of Participation Bonds, Series 2002 and 2004, and to pay the costs of issuance of the Bonds. These certificates mature between 2013 and 2028 and carry interest rates between 2.00% to 3.25% due semiannually.

*Foothills Park & Recreation COP Lease Purchase 2015*- In 2015, the District issued \$11,055,000 of Certificates of Participation dated November 12, 2015. The certificates were issued to refund the outstanding balance of the 2006 COPs, to pay the costs of issuance of the Certificates, and to finance capital improvements at Clement Park. These certificates mature between 2016 and 2032 and carry interest rates between 2.0% and 5.0% due semiannually.

**FOOTHILLS PARK & RECREATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2017 and 2016**

**NOTE 5: LONG TERM DEBT (CONTINUED)**

The Ice Arena, Ridge Recreation Center, and the Peak administrative building are collateral for the 2006 and 2013 COPs, the Ice Arena and the Peak Community and Wellness Center are collateral for the 2015 COPs, and a portion of the Lilley Gulch Recreation Center is collateral for the 2010 COPs.

The annual debt service requirements to maturity for the certificates of participation are as follows:

Year Ending December 31,	Principal	Interest	Total
2018	\$ 1,060,000	\$ 659,788	\$ 1,719,788
2019	1,080,000	636,713	1,716,713
2020	1,110,000	602,913	1,712,913
2021	1,130,000	569,588	1,699,588
2022	1,165,000	529,775	1,694,775
2023 - 2027	5,280,000	2,087,662	7,367,662
2028 - 2032	6,475,000	896,400	7,371,400
Total	<u>\$ 17,300,000</u>	<u>\$ 5,982,839</u>	<u>\$ 23,282,839</u>

**NOTE 6: RISK MANAGEMENT AND RELATED INSURANCE ISSUES**

The District is subject to various risks of loss. These risks include theft of, damage to, or destruction of assets, errors or omissions by management or the Board of Directors, job-related illnesses or injuries to employees, torts, and injury to persons or damage to property resulting from a construction project, 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.

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 exceeded 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.

For 2017 there were no significant reductions in insurance coverage from the prior year for any major category of risk. The amount of settlements did not exceed the insurance coverage for each of the past three fiscal years. The amount of risk retained by the District through deductibles on the insurance policies was not material to the District.

**FOOTHILLS PARK & RECREATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2017 and 2016**

**NOTE 7: SALARY DEFERRAL PLAN**

The District has a salary deferral plan (Plan) that was converted from a defined benefit plan to a defined contribution plan in 1982. Plan provisions and contribution requirements are established and may be amended by the District's Board of Directors. Full and part-time employees are eligible to participate in the plan on the first day of the month following completion of 30 days of employment if they are at least 21 years of age. Each eligible employee is allowed to defer compensation in 1% increments of their pay, but their deferral may not exceed the specific annual dollar amount determined by the Internal Revenue Service. The District may make non-elective contributions to full-time employees' account in the Plan in the amount determined by the District at its discretion. The District's contributions plus earnings become vested at a rate of 20% after the first year of employment, 40% after the second year of employment and are 100% vested after the third year of employment. District contributions for plan participants who leave employment before they are fully vested are forfeited. Participant forfeitures will be used to reduce the Employer Discretionary Contributions to the Plan for the Plan Year in which the forfeitures occur. There is no liability for benefits under the Plan beyond the District's discretionary contributions.

The District has the authority to determine the amount, if any, of discretionary contributions to the Plan. The District's discretionary contributions made in 2017 and 2016 were \$222,705 and \$225,216, respectively.

**NOTE 8: NET POSITION**

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

*Net Investment in Capital Assets*

Net invested in capital assets consists of amount invested in capital assets, net of accumulated depreciation, and further reduced by outstanding balances of bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

The District's Net Investment in Capital Assets as of December 31, 2017 and 2016 was calculated as follows:

	<u>2017</u>	<u>2016</u>
Capital Assets	\$ 72,819,792	\$ 70,423,215
Outstanding Debt	(23,696,800)	(26,672,600)
Unamortized Bond Debt Premium	(1,235,457)	(1,370,833)
Unamortized Deferred Charges	715,329	851,654
Unspent Debt Proceeds	<u>723,708</u>	<u>2,836,769</u>
Net Investment in Capital Assets	<u>\$ 49,326,572</u>	<u>\$ 46,068,205</u>

**FOOTHILLS PARK & RECREATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017 and 2016**

**NOTE 8: NET POSITION (CONTINUED)**

*Restricted Net Position*

**Tax, Spending and Debt Limitations**

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations including revenue increases, taxation, spending abilities, and debt limitations of state and 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. In May 2002, the District voters approved a ballot question to remove the revenue and spending limitations of the TABOR Amendment from the entire District.

The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment based on the interpretations of the amendment's language. As of December 31, 2017 and 2016, the District had an emergency reserve of \$779,000 and \$649,000, respectively.

*Unrestricted Net Position*

Unrestricted Net Position represents assets that do not have any third party limitations on their use. While District management may have categorized and segmented portions for various purposes, the District Board of Directors has the unrestricted authority to revisit or alter these managerial decisions. At December 31, 2017 and 2016, the District had an Unrestricted Net Position of \$9,745,551 and \$8,671,441, respectively.

**NOTE 9: FOOTHILLS ARTS & EVENTS AGENCY**

The Foothills Park & Recreation District Cultural Arts Agency was created in 1993 to better serve the public in the arts. In April of 2014, the Cultural Arts Agency was rebranded as the Foothills Arts & Events Agency ("The Agency"). The Agency creates, establishes, puts on and provides classes and opportunities for district-wide cultural arts services for the benefit of the taxpayers of the District, said services to include fine and leisure arts, performing arts and culturally related special events. The Agency is subsidized by grants and contributions from a variety of sources. In 2017 and 2016, the Agency received funding from the Scientific and Cultural Facilities District in the amount of \$27,000 and \$26,344, respectively, to support its mission. The Agency is tracked as a separate department but is reported within the financial statements of the District. In 2017 and 2016, the Agency had total revenue of \$287,707 and \$303,535, respectively, and total expenses of \$295,510 and \$304,149, respectively.

**FOOTHILLS PARK & RECREATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017 and 2016**

**NOTE 10: RELATED PARTY TRANSACTIONS**

The District's Executive Director and Director of Parks, Planning & Construction served on the Board of Directors of Bergen Ditch in 2017 and 2016. The District owns a 23.8% interest in Bergen Ditch and a 26.3% interest in Bergen Land, which are valued as of December 31, 2017 and 2016 at \$60,518 and \$119,756, respectively.

**NOTE 11: RECONCILIATION OF REVENUES AND EXPENSES GAAP TO BUDGETARY BASIS**

For financial statement presentation purposes the District is shown as an enterprise fund. Enterprise funds recognize income when earned and expenses when incurred. Depreciation is recorded on capitalized equipment. For budgetary purposes, all receipts are shown as revenue when received regardless of whether they are earned revenue or liabilities, and expenditures are recorded for all disbursements, including capital expenditures and debt service payments, regardless of the period those disbursements benefit. See Supplementary Information for Statement of Revenues and Expenditures prepared using Non-GAAP budgetary basis.

## SUPPLEMENTARY INFORMATION

(UNAUDITED)

### FOOTHILLS PARK & RECREATION DISTRICT SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUNDS AVAILABLE ACTUAL AND BUDGET (NON GAAP BUDGETARY BASIS)

#### ENTERPRISE FUND

For the Year Ended December 31, 2017

	Actual	Budget	Variance Favorable (Unfavorable)
<b>OPERATING REVENUES</b>			
Aquatics	\$ 964,871	\$ 1,013,417	\$ (48,546)
Children's Programs	2,868,591	2,779,712	88,879
Golf (Pledged for Payment of Revenue Bonds)	4,854,299	4,659,331	194,968
Ice Arena	2,010,011	2,132,297	(122,286)
Recreation Centers	1,551,410	1,631,407	(79,997)
Recreation Programs	2,246,143	2,223,774	22,369
Parks and Regional Parks	528,425	467,454	60,971
General and Administrative	23,483	25,000	(1,517)
Total Operating Revenues	15,047,233	14,932,392	114,841
<b>OPERATING EXPENSES</b>			
Aquatics	1,610,517	1,561,154	(49,363)
Children's Programs	2,158,597	2,244,485	85,888
Golf	3,495,399	3,467,153	(28,246)
Ice Arena	1,385,637	1,402,198	16,561
Recreation Centers	2,262,089	2,296,222	34,133
Recreation Programs	1,725,552	1,776,234	50,682
Parks and Regional Parks	3,392,993	3,518,908	125,915
General and Administrative	1,796,886	1,913,078	116,192
Total Operating Expenses	17,827,670	18,179,432	351,762
<b>NET LOSS FROM OPERATIONS</b>	(2,780,437)	(3,247,040)	466,603
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Funds Available	-	3,475,880	(3,475,880)
Property and Specific Ownership Taxes	8,392,385	8,178,093	214,292
Conservation Trust	469,489	464,480	5,009
Grants	2,755,744	3,252,194	(496,450)
Grants Expenditures	(4,535,559)	(6,414,931)	1,879,372
Facilities & Equipment Repairs and Replacements	(1,348,668)	(1,697,202)	348,534
Building Acquisition	-	-	-
Investment Income	103,788	33,001	70,787
Debt Service:			
Long-term Debt Principal and Interest	(3,951,635)	(3,959,591)	7,956
Interest Expense Subsidy	33,302	35,770	(2,468)
Proceeds from the Sale of Capital Assets	36,650	-	36,650
Proceeds from the Sale of Assets, Net of Expense	24,411	-	24,411
Proceeds from Insurance	-	-	-
Other Income	75,585	-	75,585
Other Expense	(124,768)	(120,654)	(4,114)
Total Net Non-Operating Revenues (Expenses)	1,930,724	3,247,040	(1,316,316)
<b>NET CHANGE IN FUNDS AVAILABLE</b>	(849,713)	-	(849,713)
<b>FUNDS AVAILABLE - Beginning of year</b>	12,037,454		
<b>FUNDS AVAILABLE - End of year</b>	\$ 11,187,741		
<b>Funds available is computed as follows:</b>			
Current Assets	\$ 24,021,256		
Deposits	2,935		
Non-restricted Long-term investments	985,884		
Current Liabilities	(4,661,231)		
Compensated Absences Payable	(515,160)		
Current Portion of Long-term Debt	3,053,900		
Deferred Property Taxes	(11,699,843)		
	\$ 11,187,741		

**FOOTHILLS PARK & RECREATION DISTRICT  
RECONCILIATION OF NON GAAP BUDGETARY BASIS (ACTUAL) TO  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION (UNAUDITED)  
ENTERPRISE FUND  
For the Year Ended December 31, 2017**

<b>Operating Revenues (Both Budgetary Basis and GAAP)</b>	\$	15,047,233
<b>Operating Expenditures (Budgetary Basis)</b>		17,827,670
Depreciation		<u>2,493,144</u>
<b>Operating Expenditures (GAAP)</b>		<u>20,320,814</u>
<b>Non-operating Revenues (Expenditures) (Budgetary Basis)</b>		1,936,805
Long-Term Debt Principal Payments		2,975,800
Amortization of Bond Premiums on Long-term Debt Refundings		135,376
Amortization of Losses on Long-term Debt Refundings		(136,325)
Loss on Investment in Bergen Ditch LLC and Bergen Land LLC		(59,238)
Loss on Sale of Capital Assets		(36,650)
Capital Outlay		<u>4,920,290</u>
<b>Non-operating Revenues (Expenditures) (GAAP)</b>		<u>9,736,058</u>
<b>Change in Net Position per Statement of Revenue, Expenses and Changes in Fund Net Position</b>	<b>\$</b>	<b><u>4,462,477</u></b>

**FOOTHILLS PARK & RECREATION DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUNDS AVAILABLE**  
**ACTUAL AND BUDGET (NON GAAP BUDGETARY BASIS)**  
**ENTERPRISE FUND**  
**For the Year Ended December 31, 2016**

	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
<b>OPERATING REVENUES</b>			
Aquatics	\$ 978,308	\$ 990,007	\$ (11,699)
Children's Programs	2,707,726	2,586,778	120,948
Golf (Pledged for Payment of Revenue Bonds)	4,753,569	4,669,880	83,689
Ice Arena	2,147,027	2,076,430	70,597
Recreation Centers	1,462,339	1,299,390	162,949
Recreation Programs	2,201,465	2,157,959	43,506
Parks and Regional Parks	472,062	494,793	(22,731)
General and Administrative	37,845	47,974	(10,129)
Total Operating Revenues	<u>14,760,341</u>	<u>14,323,211</u>	<u>437,130</u>
<b>OPERATING EXPENSES</b>			
Aquatics	1,472,370	1,517,541	45,171
Children's Programs	2,054,454	2,057,843	3,389
Golf	3,417,540	3,391,512	(26,028)
Ice Arena	1,386,799	1,392,621	5,822
Recreation Centers	2,114,169	2,085,492	(28,677)
Recreation Programs	1,655,693	1,660,884	5,191
Parks and Regional Parks	3,362,506	3,471,612	109,106
General and Administrative	1,704,892	1,870,694	165,802
Total Operating Expenses	<u>17,168,423</u>	<u>17,448,199</u>	<u>279,776</u>
<b>NET LOSS FROM OPERATIONS</b>	<u>(2,408,082)</u>	<u>(3,124,988)</u>	<u>716,906</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Funds Available	-	2,760,422	(2,760,422)
Property and Specific Ownership Taxes	8,241,228	8,151,237	89,991
Conservation Trust	524,545	465,988	58,557
Grants	1,003,809	832,900	170,909
Grants Expenditures	(1,951,079)	(3,090,277)	1,139,198
Facilities & Equipment Repairs and Replacements	(1,890,531)	(1,968,725)	78,194
Building Acquisition	(1,400,000)	-	(1,400,000)
Investment Income	69,752	31,021	38,731
Debt Service:			
Long-term Debt Principal and Interest	(3,965,332)	(3,972,691)	7,359
Interest Expense Subsidy	33,338	35,770	(2,432)
Proceeds from the Sale of Capital Assets	839,055	-	839,055
Proceeds from the Sale of Assets, Net of Expense	44,726	-	44,726
Proceeds from Insurance	102,421	-	102,421
Other Expense	(119,859)	(120,657)	798
Total Net Non-Operating Revenues (Expenses)	<u>1,532,073</u>	<u>3,124,988</u>	<u>(1,592,915)</u>
<b>NET CHANGE IN FUNDS AVAILABLE</b>	<u>(876,009)</u>	<u>-</u>	<u>(876,009)</u>
<b>FUNDS AVAILABLE - Beginning of year</b>	<u>12,913,463</u>		
<b>FUNDS AVAILABLE - End of year</b>	<u>\$ 12,037,454</u>		
<b>Funds available is computed as follows:</b>			
Current Assets	\$ 20,928,748		
Deposits	3,170		
Non-restricted Long-term investments	992,811		
Current Liabilities	(4,738,132)		
Compensated Absences Payable	(484,994)		
Current Portion of Long-term Debt	2,975,800		
Deferred Property Taxes	(7,639,949)		
	<u>\$ 12,037,454</u>		

**FOOTHILLS PARK & RECREATION DISTRICT  
RECONCILIATION OF NON GAAP BUDGETARY BASIS (ACTUAL) TO  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
ENTERPRISE FUND**

**For the Year Ended December 31, 2016**

<b>Operating Revenues (Both Budgetary Basis and GAAP)</b>	\$ 14,760,341
<b>Operating Expenditures (Budgetary Basis)</b>	17,168,423
Depreciation	<u>2,748,184</u>
<b>Operating Expenditures (GAAP)</b>	<u>19,916,607</u>
<b>Non-operating Revenues (Expenditures) (Budgetary Basis)</b>	1,532,073
Long-Term Debt Principal Payments	2,917,800
Amortization of Bond Premiums on Long-term Debt Refundings	145,056
Amortization of Losses on Long-term Debt Refundings	(136,324)
Long-term Debt Proceeds	-
Gain on Investment in Bergen Ditch LLC and Bergen Land LLC	(24,294)
Loss on Sale of Capital Assets	(110,302)
Capital Outlay	<u>4,161,033</u>
<b>Non-operating Revenues (Expenditures) (GAAP)</b>	<u>8,485,042</u>
<b>Change in Net Position per Statement of Revenue, Expenses and Changes in Fund Net Position</b>	<u>\$ 3,328,776</u>

**FOOTHILLS PARK & RECREATION DISTRICT**  
**HISTORY OF DISTRICT ASSESSED VALUATION, MILL LEVIES AND PROPERTY TAX COLLECTIONS**  
**(UNAUDITED)**

The following tables set forth assessed valuation, mill levy and property tax information for the District, including information regarding Subdistrict A and Subdistrict B.

History of District Assessed Valuation

Levy/Collection Year	Regular District Property (1)	Subdistrict A	Subdistrict B	Entire District Total (2)	Percent Change
2012/2013	93,763,873	837,044,119	14,856,668	930,807,992	-0.20%
2013/2014	97,435,372	833,567,974	14,442,015	931,003,346	0.02%
2014/2015	97,518,919	833,516,391	14,448,217	931,035,310	0.00%
2015/2016	105,317,577	969,963,337	17,666,714	1,075,280,914	15.49%
2016/2017	103,974,440	977,906,463	17,665,319	1,081,880,903	0.61%

(1) Represents property within the District that is not within Subdistrict A or Subdistrict B.

(2) As Subdistrict B is located entirely with Subdistrict A, the assessed valuation attributable to Subdistrict B has been included in the District total as a component of Subdistrict A.

History of Mill Levies

Levy/Collection Year	District		Subdistrict A		Subdistrict B	
	General	Bond	General (1) (2)	Bond	General (1) (2)	Bond
2012/2013	4.079	0.000	1.125	2.323	4.302	7.331
2013/2014	4.080	0.000	1.140	2.339	4.300	7.634
2014/2015	4.085	0.000	1.119	2.347	4.300	7.717
2015/2016	4.079	0.000	1.136	2.022	4.300	6.352
2016/2017	4.080	0.000	1.110	2.001	4.300	6.094

(1) In addition to mills levied for the payment of tax credits, refunds, and abatements pursuant to state law which are included in these numbers, Subdistrict A and Subdistrict B also impose a general mill levy as shown in the above table, for payment of property taxes for expenses in connection with improvements that benefit the respective subdistrict.

(2) In addition to their respective total mills presented above, taxpayers within Subdistrict A are also responsible for the payment of property taxes attributable to the District's mill levy and taxpayers in Subdistrict B are also responsible for the payment of property taxes attributable to both the District's and Subdistrict's A mill levies.

History of Property Tax Collections

Levy/Collection Year	Total Taxes Levied	Current Tax Collections (1)	Percent of Levy Collected
2012/2013	6,855,722	6,837,868	99.7%
2013/2014	6,870,828	6,830,117	99.4%
2014/2015	6,865,867	6,837,702	99.6%
2015/2016	7,637,397	7,629,505	99.9%
2016/2017	7,639,949	7,646,056	100.1%

(1) Figures include current and delinquent tax collections, as well as interest and/or penalties thereon. The Jefferson County Treasurer's collection fee has not been deducted.

**FOOTHILLS PARK AND RECREATION DISTRICT**  
**History of Revenues, Expenses and Changes in Net Position (Unaudited)**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Operating Revenues</b>					
Fees and Charges:					
Aquatics	\$ 1,012,901	\$ 1,020,960	\$ 999,782	\$ 978,308	\$ 964,871
Children's Programs	2,280,055	2,369,324	2,494,329	2,707,726	2,868,591
Golf (Pledged for Payment of Revenue Bonds)	4,393,913	4,639,679	4,590,898	4,753,569	4,854,299
Ice Arena	1,918,878	2,050,242	2,113,098	2,147,027	2,010,011
Recreation Centers	1,299,379	1,295,362	1,315,775	1,462,339	1,551,410
Recreation Programs	2,047,138	2,164,498	2,256,982	2,201,465	2,246,143
Parks and Regional Parks	532,816	542,649	512,301	472,062	528,425
General and Administrative	33,694	35,653	45,783	37,845	23,483
Total	<u>13,518,774</u>	<u>14,118,367</u>	<u>14,328,948</u>	<u>14,760,341</u>	<u>15,047,233</u>
<b>Operating Expenses</b>					
Aquatics	1,575,089	1,604,340	1,602,792	1,614,719	1,752,865
Children's Programs	1,705,202	1,729,857	1,865,848	2,064,584	2,172,576
Golf	3,360,454	3,476,536	3,693,687	3,734,611	3,816,254
Ice Arena	1,504,539	1,586,235	1,603,469	1,658,983	1,658,113
Recreation Centers	2,668,440	2,728,358	2,808,548	2,903,741	3,097,392
Recreation Programs	1,513,197	1,566,254	1,597,552	1,661,167	1,729,309
Parks and Regional Parks	3,831,762	3,801,791	3,912,308	4,521,573	4,241,148
General and Administrative	1,611,026	1,717,200	1,617,860	1,757,229	1,853,157
Total	<u>17,769,709</u>	<u>18,210,571</u>	<u>18,702,064</u>	<u>19,916,607</u>	<u>20,320,814</u>
Net Loss from Operations	(4,250,935)	(4,092,204)	(4,373,116)	(5,156,266)	(5,273,581)
<b>Non-Operating Revenues (Expenses)</b>					
Property and Specific Ownership Taxes	7,341,775	7,372,506	7,414,990	8,241,228	8,392,385
Conservation Trust	494,934	448,217	450,289	524,545	469,489
Grants	275,826	330,882	613,385	1,003,809	2,755,744
Grants Expenditures	(93,490)	(115,122)	(68,675)	(76,575)	(157,698)
Facilities & Equipment Repairs and Replacements	(688,274)	(680,947)	(626,017)	(1,004,001)	(806,239)
Investment Income	20,877	29,514	36,030	69,752	103,788
Interest Expense	(1,291,961)	(1,171,894)	(1,055,460)	(1,038,801)	(976,784)
Interest Expense Subsidy	34,214	33,195	33,159	33,338	33,302
Bond Issuance Cost	(226,291)	-	(257,670)	-	-
Gain (Loss) on Investment	8,857	6,416	13,389	(24,294)	(59,238)
Gain on Sale of Assets	1,757,009	1,140,074	97,747	773,479	30,492
Proceeds from Insurance	-	17,325	14,238	102,421	-
Other Income	-	-	-	-	75,585
Other Expense	(113,929)	(105,680)	(110,697)	(119,859)	(124,768)
Total	<u>7,519,547</u>	<u>7,304,486</u>	<u>6,554,708</u>	<u>8,485,042</u>	<u>9,736,058</u>
Change in Net Position	3,268,612	3,212,282	2,181,592	3,328,776	4,462,477
Beginning Net Position	43,397,384	46,665,996	49,878,278	52,059,870	55,388,646
Prior Period Adjustment	-	-	-	-	-
Ending Net Position	<u>\$ 46,665,996</u>	<u>\$ 49,878,278</u>	<u>\$ 52,059,870</u>	<u>\$ 55,388,646</u>	<u>\$ 59,851,123</u>

**FOOTHILLS PARK AND RECREATION DISTRICT**  
**Historical Net Position (Unaudited)**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Net Investment in Capital Assets	\$ 38,018,204	\$ 39,785,709	\$ 42,002,357	\$ 46,068,205	\$ 49,326,572
Restricted	581,000	589,000	629,000	649,000	779,000
Unrestricted	<u>8,066,792</u>	<u>9,503,569</u>	<u>9,428,513</u>	<u>8,671,441</u>	<u>9,745,551</u>
Total Net Position	<u>\$ 46,665,996</u>	<u>\$ 49,878,278</u>	<u>\$ 52,059,870</u>	<u>\$ 55,388,646</u>	<u>\$ 59,851,123</u>