

**ARAPAHOE PARK AND RECREATION DISTRICT**

**BASIC FINANCIAL STATEMENTS**

**December 31, 2018**

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## **FINANCIAL SECTION**



# JOHN CUTLER & ASSOCIATES

Board of Directors  
Arapahoe Park and Recreation District  
Centennial, Colorado

## INDEPENDENT AUDITORS' REPORT

### Report on the Financial Statements

We have audited the of the governmental activities, the business-type activities and each major fund of the Arapahoe Park and Recreation District as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of Arapahoe Park and Recreation District as of December 31, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the schedules of the District's proportionate share, and the schedules of the District's contributions on pages 47 - 52 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 individual fund schedules listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund schedule is fairly stated in all material respects in relation to the financial statements as a whole.

*John Lutler & Associates, LLC*

July 28, 2019

**ARAPAHOE PARK AND RECREATION DISTRICT**  
Management's Discussion and Analysis  
(Required Supplemental Information)  
**For the Year Ended December 31, 2018**

Our discussion and analysis of the Arapahoe Park and Recreation District's financial performance provides an overview of the District's financial activities for the year ended December 31, 2018. Please read it in conjunction with the Auditors' Report at the front of this report and the District's financial statements, which follow this section.

**Financial Highlights**

The District's Governmental Activities total Assets on page 1 at December 31, 2018 were \$20,946,830 compared to \$20,063,906 at December 31, 2017. The increase is largely due to an increase in cash balances, partially offset by depreciation expense of \$335,509.

The District's Total Governmental Activities Net position on page 1 at December 31, 2018 was \$7,919,508 compared to \$6,601,099 for 2017. The difference is primarily due to the increase in assets and the general bond obligation payments of \$1,150,000 made during the year which reduced total debt.

The unrestricted net position of the Governmental Activities Fund on page 1 of a negative \$1,983,575 is related to the District's long term general bond obligations which were used to fund the building of the recreation center and the net pension liability of \$3,383,657.

The Statement of Activities on page 2 for Governmental Activities reflects a change in net position of \$1,604,833 for the year ended December 31, 2018, compared to \$905,128 for the year ended December 31, 2017. The difference is primarily due to a increase in intergovernmental revenues.

Total governmental Land and Improvements before depreciation at December 31, 2018 was \$19,570,571 compared to \$19,429,827 at December 31, 2017. The increase in 2018 is due to Mesa Trail improvements of \$140,744.

The Capital Assets of the Recreation Center on the Statement of Net Position on page 6 were \$9,036,307 at December 31, 2018 compared to \$9,605,669 at December 31 2017. The change is due to replacement of HVAC equipment and depreciation of \$597,939.

The net position of the Recreation Center decreased by \$498,616 at the end of 2018 when compared to 2017. This decrease is primarily due to depreciation.

The District has spent the following amounts on the construction of the Recreation Center including furnishings, etc. and subsequent improvements to the facilities:

<u>YEAR</u>	<u>Total Expenditures</u>
2004	\$17,094,662
2005	187,510
2006	1,375
2007	0
2008	85,839
2009	0
2010	71,486
2011	42,875
2012	46,750
2013	180,426
2014	0
2015	124,497
2016	0
2017	223,958
2018	28,577
	\$18,087,955

The Recreation Center has incurred operating expenses in excess of operating income in each of the prior years as follows:

<u>YEAR</u>	<u>Amount</u> Expenses Over <u>Revenues</u>	<u>Amount</u> (Before Depreciation) Expenses (Over) Under <u>Revenues</u>
2006	(\$780,405)	(\$120,095)
2007	(879,320)	(218,987)
2008	(853,436)	(184,519)
2009	(900,502)	(236,567)
2010	(791,351)	(133,461)
2011	(490,035)	97,041
2012	(494,481)	101,317
2013	(644,924)	(50,957)
2014	(438,786)	143,483
2015	(378,203)	208,125
2016	(472,257)	111,776
2017	(596,428)	26,186
2018	(546,248)	51,691

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Arapahoe Park and Recreation District basic financial statements. The basic financial statements are comprised of three components: 1) the government-wide financial statements, 2) fund financial statements, and 3) Notes to the Financial Statements. This report also contains required supplementary information and other supplemental information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements report information on all activities of the District. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

The *Statement of Activities* presents information showing how the Arapahoe Park and Recreation District net position changed during fiscal year 2018. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses reported in this statement for some items will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

**Fund financial statements.** The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

**Governmental funds** – All of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether or not there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statement is provided that explains the relationship between them.

The District's governmental fund financial statements contain two separate funds. The General Fund and the Conservation Trust Fund. The General Fund is the general operations fund of the District, and accounts for all financial resources that are not accounted for in other funds. The Conservation Trust Fund accounts for lottery proceeds which are legally restricted for part and recreation purposes.

***Proprietary Funds*** – The Arapahoe Park and Recreation District maintains one type of proprietary fund. *Enterprise Funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements.

The District's proprietary fund financial statements account for the activities of the Trails Recreation Center. Proprietary Fund statements offer financial information about the activities the government entity operates like a business. This fund is considered to be a major fund of the Arapahoe Park and Recreation District.

## **Financial Analysis of the District As A Whole**

### **Net Position**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Arapahoe Park and Recreation District, assets exceeded liabilities by \$16,342,969 at the close of the 2018 fiscal year.

A portion of the Arapahoe Park and Recreation District's net position (\$18,574,640) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment). The Arapahoe Park and Recreation District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of the Arapahoe Park and Recreation District net position (\$219,000) represents resources that are subject to external restrictions for how they may be used. The remaining balance of unrestricted negative net position (\$2,450,671) may be used to meet the District's obligations to citizens and creditors.

At the end of the current fiscal year, the Arapahoe Park and Recreation District is able to report positive balances in net position for the District as a whole, as well as for its governmental activities as a whole. The same situation held true for the prior fiscal year.

## Arapahoe Park and Recreation District Net Position

	Governmental Activities	Governmental Activities	Business- Type Activities	Business- Type Activities
	2018	2017	2018	2017
Current and other assets	5,928,086	\$4,850,397	\$(124,260)	\$(184,269)
Capital assets	15,018,744	\$15,213,509	\$9,036,307	\$9,605,669
<b>Total assets</b>	<b>\$20,946,830</b>	<b>\$20,063,906</b>	<b>\$8,912,047</b>	<b>\$9,421,400</b>
<b>Deferred Outflows</b>	<b>\$516,072</b>	<b>\$1,129,561</b>	<b>\$0</b>	<b>\$0</b>
Long-term liabilities outstanding	\$9,025,200	\$10,694,777	\$145,750	\$178,755
Other liabilities	\$82,092	\$80,093	\$342,836	\$320,568
<b>Total liabilities</b>	<b>\$9,107,292</b>	<b>\$10,774,870</b>	<b>\$488,586</b>	<b>\$499,323</b>
<b>Deferred Inflows</b>	<b>\$4,436,102</b>	<b>\$3,817,498</b>	<b>\$0</b>	<b>\$0</b>
<b>Net Position</b>				
Net Investment in capital assets	\$9,684,083	\$8,670,183	\$8,890,557	\$9,426,914
Restricted	\$219,000	\$191,000	\$0	\$0
Unrestricted	(1,983,575)	(2,260,084)	(467,096)	(504,837)
<b>Total net position</b>	<b>\$7,919,508</b>	<b>\$6,601,099</b>	<b>\$8,423,461</b>	<b>\$8,922,077</b>

### Changes in Net Position

#### Governmental activities

- Governmental-type activities increased the District's total net position by \$1,604,833 from 2017.
- The increase in total net position was due to the District's pay down of its long term debt.

#### Business Type Activities

- Business-type activities decreased the District's total net position by \$498,616 from 2017.
- The decrease is primarily due to depreciation.

## Arapahoe Park and Recreation District Changes in Net Position

	Governmental Activities		Business-type Activities	
	2018	2017	2018	2017
<b>Revenues</b>				
<b>Program Revenues</b>				
Charges for services	\$97,984	\$107,720	\$2,560,886	\$2,502,126
Operating grants and contributions	121,456	87,981	-	-
Capital grants and contributions	290,150	279,507	-	-
<b>General Revenues</b>				
Property taxes	3,680,085	3,399,533	-	-
Specific Ownership taxes	268,899	286,826	-	-
Investment Earnings	49,088	21,984	-	-
Miscellaneous	541,589	2,000	26,067	31,822
Transfers	(47,632)	23,324	47,632	(23,324)
<b>Total revenues</b>	<b>\$5,001,619</b>	<b>\$4,208,875</b>	<b>\$2,634,585</b>	<b>\$2,510,624</b>
<b>Expenses</b>				
General Government	\$1,709,856	\$1,643,010	\$0	\$0
Park and Recreation	1,506,606	1,451,422	3,125,286	3,129,645
Interest and Fiscal Charges	180,324	209,315	7,915	731
<b>Total expenses</b>	<b>3,396,786</b>	<b>3,303,747</b>	<b>3,133,201</b>	<b>3,130,376</b>
Change in net position	1,604,833	905,128	(498,616)	(619,752)
Net position, beginning, restated	6,314,675	5,695,971	8,922,077	9,541,829
Net position, ending	<b>\$7,919,508</b>	<b>\$6,601,099</b>	<b>\$8,423,461</b>	<b>\$8,922,077</b>

### Restatement of Beginning Net Position

In 2018, the District adopted Governmental Accounting Standards Board Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of the new standard required the restatement of the

beginning net position of the governmental activities. Therefore, the beginning net position was decreased by \$286,424 to \$6,314,675.

### **Financial Analysis of the District's Funds**

The Arapahoe Park and Recreation District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. In 2011, the District adopted a new accounting pronouncement which requires it to classify fund balance based mainly on the extent to which the District is bound to honor constraints on how the funds are allowed to be spent.

As of December 31, 2018, \$40,262 of the District's fund balances is non-spendable and \$938,519 is restricted. The remaining balance of \$1,146,209 is unassigned.

### **Governmental Funds:**

The District's total General Fund balance, on page 4 increased by \$887,446. The district has a General Fund balance of \$1,405,471 at December 31, 2018.

The District's Conservation Trust fund balance increased by \$131,975 and has an ending fund balance of \$719,519 at December 31, 2018 which is scheduled to be spent on park development in 2019 or beyond. Conservation Trust Fund assets must be spent for designated purposes.

The District's largest revenue sources, property taxes and specific ownership taxes, increased by \$280,522 and decreased by \$17,927 respectively, compared to 2017. The increase is primarily due to increased assessed values on properties within the District.

Overall, total revenues in the governmental funds increased by \$863,700 in 2018 as compared to 2017. This was primarily a result of insurance reimbursement for hail damage to district assets. Total expenditures in the governmental funds increased by \$14,919 or less than 1%.

### **General Fund Budgetary Highlights**

The General Fund expenditures in 2018 were \$44,444 under budget and actual revenues including transfers were \$787,803 over budget.

### **Trails Recreation Fund**

The District's proprietary fund reported an increase in charges for services of \$53,005 and an increase in park and recreation expenses of \$37,181 compared to 2017.

Net position in the proprietary fund decreased by \$498,616 compared to \$619,752 in 2017. The net loss is primarily due to increased revenues and the recording of depreciation expense of \$597,939 in 2018 and 622,614 in 2017.

## Trails Recreation Fund Budgetary Highlights

The Trails Recreation Center Enterprise Fund on page 53 reported actual revenues that were over budget by \$73,286. Actual expenditures for the Recreation Center were higher than budgeted expenditures by \$6,968, with a net positive budget variance of \$66,318. Depreciation expense for the Trails Recreation Center for 2018 was \$597,939.

## Capital Assets

**Capital assets.** The Arapahoe Park and Recreation District combined investment in capital assets as of December 31, 2018 amounts to \$24,055,051. This investment in capital assets includes land, parks and improvements, buildings, furnishings and equipment.

Capital asset events during the 2018 fiscal year included the following:

<u>YEAR</u>	<u>Total Expenditures</u>
2002	\$171,163
2003	358,574
2004	1,380,295
2005	2,193,419
2006	464,650
2007	2,651,347
2008	922,932
2009	362,142
2010	729,465
2011	539,816
2012	1,063,317
2013	1,007,772
2014	463,699
2015	4,470
2016	509,600
2017	154,580
2018	169,321

## Long Term Debt Obligations

The district issued bonds in December 2002 in the amount of \$17,500,000. The net proceeds from the bonds were used to build the recreation center and the Skateboard Park. The 2002 bonds were paid off with the proceeds of the 2012 and 2011 Refunding bonds.

The District issued refunding bonds in August 2011 in the amount of \$9,500,000. The net proceeds from these bonds were used to partially pay off the 2002 bonds. These bonds mature as disclosed on Page 21 of the footnotes and carry interest rates of 2.00% to 4.50%. The District expects to save approximately \$924,000 in total interest charges because the 2011 bonds carry lower interest rates than the 2002 bonds.

The District issued refunding bonds in October 2012 in the amount of \$2,275,000. The net proceeds from these bonds were also used to pay off the 2002 bonds. These bonds were fully paid on December 1, 2015.

At the end of the 2018 fiscal year, the Arapahoe Park and Recreation District had total bonds payable outstanding of \$5,100,000.

### **Economic Factors, Next Year's Budget and Rates**

For 2019, the Arapahoe Park and Recreation District mill levy remains at 4 mills to cover operations, and the mill levy for debt service was lowered from 2.595 to 2.533 mills.

In preparing the 2019 budget, the Arapahoe Park and Recreation District had to take several factors into consideration including:

- The mill levy vs increase in property values
- Capital Improvements Schedule
- Increased utility costs – especially water
- Grant opportunities

The adopted 2019 fiscal year total budget appropriations are \$6,993,907, an increase of \$479,533 as compared to \$6,514,374 in 2018. This increase is due to anticipated capital project contributions and general cost increases.

### **Requests For Information**

This financial report is designed to provide a general overview of the Arapahoe Park and Recreation District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Lynn Cornell, District Manager  
Phone: 303-269-8400  
Arapahoe Park and Recreation District  
16799 E. Lake Avenue  
Centennial, CO 80016  
Website: [www.APRD.org](http://www.APRD.org)  
Email: [infoaprd@aprd.org](mailto:infoaprd@aprd.org)

## **BASIC FINANCIAL STATEMENTS**

## ARAPAHOE PARK AND RECREATION DISTRICT

STATEMENT OF NET POSITION  
As of December 31, 2018

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTALS	
			2018	2017
<b>ASSETS</b>				
Cash and Investments	\$ 1,753,779	\$ 117,187	\$ 1,870,966	\$ 884,062
Receivables				
Property Taxes	3,738,504	-	3,738,504	3,684,871
Accounts	-	16,706	16,706	23,364
Grants	103,300	-	103,300	-
Interfund Balances	292,241	(292,241)	-	-
Prepaid Items	40,262	34,088	74,350	73,831
Capital Assets, not Depreciated	7,433,359	-	7,433,359	7,433,359
Capital Assets, Depreciated, Net of Accumulated Depreciation	7,585,385	9,036,307	16,621,692	17,385,819
<b>TOTAL ASSETS</b>	<b>20,946,830</b>	<b>8,912,047</b>	<b>29,858,877</b>	<b>29,485,306</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Related to Pensions	494,589	-	494,589	1,129,561
Related to OPEB	21,483	-	21,483	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>516,072</b>	<b>-</b>	<b>516,072</b>	<b>1,129,561</b>
<b>LIABILITIES</b>				
Accounts Payable	58,475	50,007	108,482	100,578
Accrued Expenses	6,117	1,522	7,639	6,333
Unearned Revenue	-	291,307	291,307	273,614
Accrued Interest Payable	17,500	-	17,500	20,136
Noncurrent Liabilities				
Due within One Year	1,200,000	34,647	1,234,647	1,183,005
Due in More Than One Year	4,134,661	111,103	4,245,764	5,539,076
Net Pension Liability	3,383,657	-	3,383,657	4,151,451
Net OPEB Liability	306,882	-	306,882	-
<b>TOTAL LIABILITIES</b>	<b>9,107,292</b>	<b>488,586</b>	<b>9,595,878</b>	<b>11,274,193</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Related to Pensions	692,464	-	692,464	132,627
Related to OPEB	5,134	-	5,134	-
Deferred Property Tax Revenue	3,738,504	-	3,738,504	3,684,871
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>4,436,102</b>	<b>-</b>	<b>4,436,102</b>	<b>3,817,498</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	9,684,083	8,890,557	18,574,640	18,097,097
Restricted for Emergencies	219,000	-	219,000	191,000
Unrestricted	(1,983,575)	(467,096)	(2,450,671)	(2,764,921)
<b>TOTAL NET POSITION</b>	<b>\$ 7,919,508</b>	<b>\$ 8,423,461</b>	<b>\$ 16,342,969</b>	<b>\$ 15,523,176</b>

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

ARAPAHOE PARK AND RECREATION DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended December 31, 2018

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT</b>				
<b>Governmental Activities</b>				
General Government	\$ 1,709,856	\$ -	\$ -	\$ -
Park and Recreation	1,506,606	97,984	121,456	290,150
Interest and Fiscal Charges	180,324	-	-	-
Total Governmental Activities	3,396,786	97,984	121,456	290,150
<b>Business-Type Activities</b>				
Trails Recreation Center	3,125,286	2,560,886	-	-
Interest on Long-Term Debt	7,915	-	-	-
Total Business-Type Activities	3,133,201	2,560,886	-	-
Total Primary Government	\$ 6,529,987	\$ 2,658,870	\$ 121,456	\$ 290,150
<b>GENERAL REVENUES</b>				
Property Taxes				
Specific Ownership Taxes				
Investment Earnings				
Miscellaneous Revenue				
Transfers				
<b>TOTAL GENERAL REVENUES</b>				
<b>CHANGE IN NET POSITION</b>				
NET POSITION, Beginning, Restated				
NET POSITION, Ending				

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

NET (EXPENSE) REVENUE AND  
CHANGE IN NET POSITION

Governmental Activities	Business-Type Activities	TOTALS	
		2018	2017
\$ (1,709,856)	-	\$ (1,709,856)	\$ (1,643,010)
(997,016)	-	(997,016)	(976,214)
(180,324)	-	(180,324)	(209,315)
<u>(2,887,196)</u>	<u>-</u>	<u>(2,887,196)</u>	<u>(2,828,539)</u>
-	(564,400)	(564,400)	(627,519)
-	(7,915)	(7,915)	(731)
<u>-</u>	<u>(572,315)</u>	<u>(572,315)</u>	<u>(628,250)</u>
(2,887,196)	(572,315)	(3,459,511)	(3,456,789)
3,680,085	-	3,680,085	3,399,533
268,899	-	268,899	286,826
49,088	-	49,088	21,984
541,589	26,067	567,656	33,822
(47,632)	47,632	-	-
<u>4,492,029</u>	<u>73,699</u>	<u>4,565,728</u>	<u>3,742,165</u>
1,604,833	(498,616)	1,106,217	285,376
<u>6,314,675</u>	<u>8,922,077</u>	<u>15,236,752</u>	<u>15,237,800</u>
<u>\$ 7,919,508</u>	<u>\$ 8,423,461</u>	<u>\$ 16,342,969</u>	<u>\$ 15,523,176</u>

ARAPAHOE PARK AND RECREATION DISTRICT

BALANCE SHEET  
ALL GOVERNMENTAL FUNDS  
December 31, 2018

	CONSERVATION		TOTALS	
	GENERAL FUND	TRUST FUND	2018	2017
<b>ASSETS</b>				
Cash and Investments	\$ 1,034,260	\$ 719,519	\$ 1,753,779	\$ 821,190
Property Taxes Receivable	3,738,504	-	3,738,504	3,684,871
Grants Receivable	103,300	-	103,300	-
Due from Other Funds	292,241	-	292,241	310,341
Prepaid Expenses	40,262	-	40,262	33,995
<b>TOTAL ASSETS</b>	<b>\$ 5,208,567</b>	<b>\$ 719,519</b>	<b>\$ 5,928,086</b>	<b>\$ 4,850,397</b>
<b>LIABILITIES DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 58,475	\$ -	\$ 58,475	\$ 54,033
Accrued Expenses	6,117	-	6,117	5,924
<b>TOTAL LIABILITIES</b>	<b>64,592</b>	<b>-</b>	<b>64,592</b>	<b>59,957</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Property Taxes	3,738,504	-	3,738,504	3,738,504
<b>FUND BALANCES</b>				
Nonspendable for Prepaid Expenses	40,262	-	40,262	33,995
Restricted for Park and Recreation	-	719,519	719,519	587,544
Restricted for Emergencies	219,000	-	219,000	191,000
Unassigned	1,146,209	-	1,146,209	293,030
<b>TOTAL FUND BALANCES</b>	<b>1,405,471</b>	<b>719,519</b>	<b>2,124,990</b>	<b>1,105,569</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 5,208,567</b>	<b>\$ 719,519</b>		
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.			15,018,744	15,213,509
Long-term liabilities and related deferred inflows and outflows are not due and payable in the current period and therefore, are not reported in the funds. This includes bonds payable (\$5,100,000), bond premium (\$234,661), accrued interest payable (\$17,500), net pension liability (\$3,383,657), net OPEB liability (\$306,882), deferred outflows related to pensions \$494,589, deferred outflows related to OPEB \$21,483, deferred inflows related to pensions (\$692,464), and deferred inflows related to OPEB (\$5,134).			(9,224,226)	(9,717,979)
Net position of governmental activities			<b>\$ 7,919,508</b>	<b>\$ 6,601,099</b>

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

## ARAPAHOE PARK AND RECREATION DISTRICT

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUNDS  
Year Ended December 31, 2018

	GENERAL FUND	CONSERVATION TRUST FUND	TOTALS	
			2018	2017
<b>REVENUES</b>				
Taxes	\$ 3,948,984	\$ -	\$ 3,948,984	3,686,359
Intergovernmental Revenue	121,456	290,150	411,606	367,488
Daily Admissions and Passes	63,669	-	63,669	68,911
Facilities Rentals	34,315	-	34,315	38,809
Interest Income	37,263	11,825	49,088	21,984
Miscellaneous Revenue	541,589	-	541,589	2,000
<b>TOTAL REVENUES</b>	<b>4,747,276</b>	<b>301,975</b>	<b>5,049,251</b>	<b>4,185,551</b>
<b>EXPENDITURES</b>				
General Government				
Salaries and Benefits	1,042,431	-	1,042,431	1,042,924
Operating Expenses	236,301	-	236,301	231,100
Utilities	417,600	-	417,600	424,504
Maintenance	693,094	-	693,094	693,796
Capital Outlays	201,147	-	201,147	154,580
Debt Service				
Principal	1,150,000	-	1,150,000	1,150,000
Interest and Other Fiscal Charges	241,625	-	241,625	270,375
<b>TOTAL EXPENDITURES</b>	<b>3,982,198</b>	<b>-</b>	<b>3,982,198</b>	<b>3,967,279</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>765,078</b>	<b>301,975</b>	<b>1,067,053</b>	<b>218,272</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	170,000	-	170,000	100,848
Transfers Out	(47,632)	(170,000)	(217,632)	(77,524)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>122,368</b>	<b>(170,000)</b>	<b>(47,632)</b>	<b>23,324</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>887,446</b>	<b>131,975</b>	<b>1,019,421</b>	<b>241,596</b>
FUND BALANCES, Beginning	518,025	587,544	1,105,569	863,973
FUND BALANCES, Ending	<u>\$ 1,405,471</u>	<u>\$ 719,519</u>	<u>\$ 2,124,990</u>	<u>\$ 1,105,569</u>

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

ARAPAHOE PARK AND RECREATION DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
Year Ended December 31, 2018

Amounts Reported for Governmental Activities in the Statement of Activities  
are Different Because:

Net Changes in Fund Balances - Total Governmental Funds	\$ 1,019,421
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$335,509), exceeded capital outlay \$140,744 during the period.	(194,765)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. These include bond principal payment \$1,150,000, amortization of bond premium \$58,665, and change in accrued interest payable \$2,636.	1,211,301
Deferred Charges related to pensions are not recognized in the governmental funds. However, for the government-wide funds that amount is capitalized and amortized.	<u>(431,124)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 1,604,833</u></u>

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

## ARAPAHOE PARK AND RECREATION DISTRICT

STATEMENT OF NET POSITION  
PROPRIETARY FUND TYPES  
December 31, 2018

	TRAILS RECREATION CENTER FUND	
	TOTALS	
	2018	2017
ASSETS		
Current Assets		
Cash and Investments	\$ 117,187	\$ 62,872
Accounts Receivable	16,706	23,364
Prepaid Expenses	34,088	39,836
Total Current Assets	167,981	126,072
Non-Current Assets		
Capital Assets, Net of Accumulated Depreciation	9,036,307	9,605,669
Total Non-Current Assets	9,036,307	9,605,669
TOTAL ASSETS	9,204,288	9,731,741
LIABILITIES		
Current Liabilities		
Accounts Payable	50,007	46,545
Accrued Expenses	1,522	409
Due To Other Funds	292,241	310,341
Unearned Revenue	291,307	273,614
Capital Lease Payable - Current Portion	34,647	33,005
Total Current Liabilities	669,724	663,914
Non-Current Liabilities		
Capital Lease Payable	111,103	145,750
TOTAL LIABILITIES	780,827	809,664
NET POSITION		
Net Investment in Capital Assets	8,890,557	9,426,914
Unrestricted	(467,096)	(504,837)
TOTAL NET POSITION	\$ 8,423,461	\$ 8,922,077

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

## ARAPAHOE PARK AND RECREATION DISTRICT

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUND TYPES  
Year Ended December 31, 2018

	TRAILS RECREATION CENTER FUND	
	TOTALS	
	2018	2017
OPERATING REVENUES		
Daily Admissions and Passes	\$ 1,706,951	\$ 1,741,079
Program Revenue	853,935	761,047
Miscellaneous Revenue	26,067	31,822
TOTAL OPERATING REVENUES	<u>2,586,953</u>	<u>2,533,948</u>
OPERATING EXPENSES		
Salaries and Benefits	1,455,042	1,405,570
Operating Expenses	346,212	360,060
Utilities	347,538	385,389
Insurance	46,408	39,642
Maintenance	332,147	316,370
Depreciation Expense	597,939	622,614
TOTAL OPERATING EXPENSES	<u>3,125,286</u>	<u>3,129,645</u>
OPERATING INCOME (LOSS)	<u>(538,333)</u>	<u>(595,697)</u>
NON-OPERATING EXPENSES		
Interest Expense	<u>(7,915)</u>	<u>(731)</u>
TOTAL NON- OPERATING EXPENSES	<u>(7,915)</u>	<u>(731)</u>
NET INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>(546,248)</u>	<u>(596,428)</u>
Transfer (To) From General Fund	<u>47,632</u>	<u>(23,324)</u>
CHANGE IN NET POSITION	(498,616)	(619,752)
NET POSITION, Beginning	<u>8,922,077</u>	<u>9,541,829</u>
NET POSITION, Ending	<u>\$ 8,423,461</u>	<u>\$ 8,922,077</u>

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

## ARAPAHOE PARK AND RECREATION DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPES  
Year Ended December 31, 2018  
Increase (Decrease) in Cash

	TRAILS RECREATION CENTER FUND	
	TOTALS	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	\$ 2,611,304	\$ 2,546,646
Payments to Suppliers	(1,080,082)	(1,099,624)
Payments to employees	(1,455,042)	(1,405,161)
Net Cash Provided by Operating Activities	<u>76,180</u>	<u>41,861</u>
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES		
Transfer to General Fund	<u>47,632</u>	<u>(23,324)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets	(28,577)	(223,958)
Proceeds from Issuance of Debt	-	181,434
Interest Payments on Capital Lease	(7,915)	(731)
Principal Payments on Capital Lease	(33,005)	(2,679)
Net Cash Used by Financing Activities	<u>(69,497)</u>	<u>(45,934)</u>
NET INCREASE (DECREASE) IN CASH	54,315	(27,397)
CASH, Beginning	<u>62,872</u>	<u>90,269</u>
CASH, Ending	<u>\$ 117,187</u>	<u>\$ 62,872</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	<u>\$ (538,333)</u>	<u>\$ (595,697)</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation Expense	597,939	622,614
Loss on Disposal of Capital Assets	-	12,487
Changes in Assets and Liabilities		
Accounts Receivables	6,658	110,240
Prepaid Expenses	5,748	374
Accounts Payable	3,462	(78,294)
Accrued Expenses	1,113	409
Interfund Balances	(18,100)	67,270
Unearned Revenue	17,693	(97,542)
Total Adjustments	<u>614,513</u>	<u>637,558</u>
Net Cash Provided by Operating Activities	<u>\$ 76,180</u>	<u>\$ 41,861</u>

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

ARAPAHOE PARK AND RECREATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Arapahoe Park and Recreation District (the “District”) is a quasi-municipal corporation and political subdivision of the State organized in 1982 pursuant to the Special District Act for the purpose of providing open space development and recreational facilities and operations for its residents. The District encompasses approximately 10.5 square miles located in Arapahoe County, Colorado and includes within its boundaries the city of Centennial and portions of unincorporated Arapahoe County.

The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. Following is a summary of the more significant policies.

**Reporting Entity**

In accordance with governmental accounting standards, the District has considered the possibility of inclusion of additional entities in its basic financial statements.

The definition of the reporting entity is based primarily on financial accountability. The District is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if 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 specific financial 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.

Based on the application of these criteria, the District includes the following organization in its reporting entity:

Trails Recreation Center Enterprise

The Trails Recreation Center Enterprise (the “Enterprise”) was formed in 2004. The purpose of the Enterprise is to carry out certain recreation activities of the District, including, but not limited to, the operation and maintenance of the Trails Recreation Center. The Enterprise is considered part of the District’s financial reporting entity because its resources and obligations are entirely for the benefit of the District. The Enterprise is blended into the District’s financial statements as a proprietary fund. Separate financial statements for the Enterprise are not available.

ARAPAHOE PARK AND RECREATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current *financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

ARAPAHOE PARK AND RECREATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**  
(Continued)

Property taxes, specific ownership taxes, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

In the fund financial statements, the District reports the following major governmental fund:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund. This fund also includes the activities of funds that are maintained separately by the District for internal purposes but are combined in the basic financial statements for reporting purposes because the expenditures and/or revenues of these funds are dependent upon transfers to and from the General Fund. These funds include the grants fund, capital fund, and outdoor pool fund.

The *Conservation Trust Fund* – This fund is used to account for lottery proceeds from the State of Colorado that are legally restricted to expenditures for park and recreation purposes.

ARAPAHOE PARK AND RECREATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**  
(Continued)

The District reports the following major proprietary fund:

The *Trails Recreation Center Fund* accounts for the financial activities associated with the operations and maintenance of the District's recreation center. The intent of the District is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges, similar to a business; or where the District has decided that periodic determination of revenue earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**Cash and Investments**

Cash equivalents include investments with original maturities of three months or less.

Investments are recorded at fair value.

**Receivables**

Receivables are reported net of an allowance for uncollectible amounts, where applicable.

**Prepaid Expenses**

Certain payments to vendors reflect costs applicable to future years and are recorded as prepaid expenses using the consumption method.

**Capital Assets**

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

ARAPAHOE PARK AND RECREATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Capital Assets** (Continued)

Property and equipment of the District is depreciated using the straight-line method over the following estimated useful lives:

Buildings and Improvements	30 years
Park and Trail Improvements	40 years
Machinery and Equipment	5 - 20 years

**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 of resources. This separate financial statement element, deferred outflows 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 the liabilities, the statement of financial position and balance sheets will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows 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.

**Compensated Absences**

Employees of the District accrue vacation time based on years of service. Employees are allowed to accumulate unused vacation time up a maximum of 160. Upon termination of employment from the District, employees will be compensated for all accrued vacation time at their current pay rate. Employees are not compensated for any of their accrued sick time.

These compensated absences are recognized as current salary costs when earned in the proprietary fund types and when due in the governmental fund types. The District has not recorded a liability for compensated absences in its government-wide statement of position as the amounts are immaterial.

**Long-Term Obligations**

In the government-wide financial statements, and proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

ARAPAHOE PARK AND RECREATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Long-Term Obligations** (Continued)

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

**Net Position**

The government-wide and business-type fund financial statements utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted.

Investment in Capital Assets is intended to reflect the portion of net position which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.

Restricted Net Position are liquid assets, which have third party limitations on their use.

Unrestricted Net Position represent assets that do not have any third-party limitation on their use. While District management may have categorized and segmented portion for various purposes, the District Board has the unrestricted authority to revisit or alter these managerial decisions.

**Fund Balance Classification**

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable – This classification includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. The District has classified Prepaid Items as nonspendable as of December 31, 2018.

ARAPAHOE PARK AND RECREATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Fund Balance Classification** (Continued)

- **Restricted** – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The District has classified the following amounts as restricted as of December 31, 2018:

Emergency Reserves	\$	219,000
Park and Recreation		<u>719,519</u>
Total		<u><b>\$ 938,519</b></u>

- **Committed** – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District did not report any committed fund balances as of December 31, 2018.
- **Assigned** – Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. The District does not report any assigned fund balances as of December 31, 2018.
- **Unassigned** – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The District would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources.

ARAPAHOE PARK AND RECREATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Property Taxes**

Property taxes are levied on November 1 and attach as an enforceable lien on property on January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The County Treasurer's office collects property taxes and remits to the District on a monthly basis.

Since property tax revenues are collected in arrears during the succeeding year, a receivable and corresponding deferred inflow of resources are recorded at December 31. As the tax is collected in the succeeding year, the deferred inflow is recognized as revenue and the receivable is reduced.

**Comparative Data**

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, comparative data has not been presented in all statements because such inclusion would make certain statements unduly complex and difficult to understand. Also, certain amounts presented in the prior year data have been reclassified to be consistent with current year's presentation.

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgets and Budgetary Accounting**

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to September 30, the District Administration submits to the District's Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to December 31, the budget is legally enacted through passage of an ordinance.
- The District Administration is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.

ARAPAHOE PARK AND RECREATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY** (Continued)

**Budgets and Budgetary Accounting** (Continued)

- Budgets are legally adopted for all funds of the District. Budgets for the governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). The Budgetary comparisons presented for the Trails Recreation Center Fund is presented on a non-GAAP budgetary basis. Depreciation is not budgeted.
- Budgeted amounts in the financial statements are as originally adopted or as amended by the Board of Directors. All appropriations lapse at year end. Colorado governments may not exceed budgeted appropriations by fund.

**State Compliance**

For the year ended December 31, 2018, actual expenditures in the Conservation Trust Fund and the Trails Recreation Center Fund exceeded budgeted amounts by \$170,000 and \$6,968, respectively. This may be a violation of state statute.

**NOTE 3: DEPOSITS AND INVESTMENTS**

A summary of deposits and investments as of December 31, 2018 follows:

Petty Cash	\$ 973
Deposits	220,734
Investments	<u>1,649,259</u>
Total	<u>\$ 1,870,966</u>

The above amounts are classified in the statement of Net Position as follows:

Governmental Activities	\$ 1,753,779
Business-Type Activities	<u>117,187</u>
Total	<u>\$ 1,870,966</u>

ARAPAHOE PARK AND RECREATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE 3: DEPOSITS AND INVESTMENTS** (Continued)

**Deposits**

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At December 31, 2018, State regulatory commissioners have indicated that all financial institutions holding deposits for the District are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

The District has no policy regarding custodial credit risk for deposits.

At December 31, 2018, the District had deposits with financial institutions with a carrying amount of \$220,734. The bank balances with the financial institutions were \$236,117. All of these balances were covered by federal depository insurance.

**Investments**

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Colorado statutes specify in which instruments the units of local government may invest which include:

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

ARAPAHOE PARK AND RECREATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE 3: DEPOSITS AND INVESTMENTS** (Continued)

**Investments** (Continued)

The above investments are authorized for all funds and fund types used by Colorado municipalities.

Local Government Investment Pools

The District had invested \$1,649,259 in the Colorado Government Liquid Asset Trust (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 custodian's internal records identify the investments owned by the entities.

ColoTrust is not a 2a7-like external investment pool. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. The government-investor does not "look through" the pool to report a pro rata share of the pool's investments, receivables, and payables.

**NOTE 4: CAPITAL ASSETS**

Capital assets activity for the year ended December 31, 2018 is summarized below:

	Balances <u>12/31/17</u>	<u>Additions</u>	<u>Deletions</u>	Balances <u>12/31/18</u>
<b>Governmental Activities</b>				
Capital Assets, not depreciated				
Land	\$ 7,433,359	\$ -	\$ -	\$ 7,433,359
Capital Assets, depreciated				
Park Improvements	9,533,119	140,744	-	9,673,863
Outdoor Pool Improvements	1,261,636	-	-	1,261,636
Buildings and Improvements				
Pool	648,486	-	-	648,486
Machinery and Equipment	18,448	-	-	18,448
Machinery and Equipment - Pool	534,779	-	-	534,779
Total Capital Assets, depreciated	<u>11,996,468</u>	<u>140,744</u>	<u>-</u>	<u>12,137,212</u>

ARAPAHOE PARK AND RECREATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE 4: CAPITAL ASSETS (Continued)**

	<u>Balances</u> <u>12/31/17</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>12/31/18</u>
<b>Governmental Activities</b>				
Less Accumulated Depreciation				
Park Improvements	2,836,384	241,848	-	3,078,232
Outdoor Pool Improvements	681,429	42,055	-	723,484
Buildings and Improvements				
Pool	324,243	21,616	-	345,859
Machinery and Equipment	15,862	1,293	-	17,155
Machinery and Equipment - Pool	<u>358,400</u>	<u>28,697</u>	-	<u>387,097</u>
Total Accumulated Depreciation	<u>4,216,318</u>	<u>335,509</u>	-	<u>4,551,827</u>
Total Capital Assets, depreciated, Net	<u>7,780,150</u>	<u>(194,765)</u>	-	<u>7,585,385</u>
Governmental Activities, Capital Assets, Net	<u>\$ 15,213,509</u>	<u>\$ (194,765)</u>	<u>\$ -</u>	<u>\$ 15,018,744</u>

Depreciation expense was charged to the park and recreation program of the District.

	<u>Balances</u> <u>12/31/17</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>12/31/18</u>
<b>Business-Type Activities</b>				
Capital Assets, depreciated				
Buildings and Improvements	\$ 16,992,020	\$ 28,577	\$ -	\$ 17,020,597
Machinery and Equipment	<u>638,434</u>	<u>-</u>	<u>-</u>	<u>638,434</u>
Total Capital Assets, depreciated	<u>17,630,454</u>	<u>28,577</u>	-	<u>17,659,031</u>
Less: Accumulated Depreciation				
Buildings and Improvements	7,519,905	573,244	-	8,093,149
Machinery and Equipment	<u>504,880</u>	<u>24,695</u>	-	<u>529,575</u>
Total Accumulated Depreciation	<u>8,024,785</u>	<u>597,939</u>	-	<u>8,622,724</u>
Business-Type Activities, Capital Assets, Net	<u>\$ 9,605,669</u>	<u>\$ (569,362)</u>	<u>\$ -</u>	<u>\$ 9,036,307</u>

ARAPAHOE PARK AND RECREATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE 5: LONG-TERM DEBT**

**Governmental Activities**

Following is a summary of long-term debt transactions for the governmental activities for the year ended December 31, 2018.

	<u>Balance</u> <u>12/31/17</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>12/31/18</u>	<u>Due In</u> <u>One Year</u>
2011 Bonds Payable	\$ 6,250,000	\$ -	\$ 1,150,000	\$ 5,100,000	\$ 1,200,000
Bond Premium	<u>293,326</u>	<u>-</u>	<u>58,665</u>	<u>234,661</u>	<u>-</u>
Total	<b><u>\$ 6,543,326</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,208,665</u></b>	<b><u>\$ 5,334,661</u></b>	<b><u>\$ 1,200,000</u></b>

**2011 Bonds Payable**

During the year ended December 31, 2011, the District issued \$9,500,000 in General Obligation Refunding Bonds, Series 2011. Proceeds of the bonds were used to advance refund the District's Series 2002 bonds. The 2011 bonds carry interest rates ranging from 2.00 % to 4.50%. Interest payments are due semi-annually on June 1 and December 1 and principal payments are due annually on December 1 through 2022.

The 2011 bonds maturing on or after December 1, 2019 are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$5,000, in any order of maturity and in whole or partial maturities as determined by the District, on December 1, 2018, and on any date thereafter, upon payment of the principal amount of the Series 2011 bonds so redeemed plus accrued interest to the redemption date, without redemption premium.

Future debt service requirements are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,200,000	\$ 210,000	\$ 1,410,000
2020	1,250,000	156,000	1,406,000
2021	1,300,000	106,000	1,406,000
2022	<u>1,350,000</u>	<u>54,000</u>	<u>1,404,000</u>
Total	<b><u>\$ 5,100,000</u></b>	<b><u>\$ 526,000</u></b>	<b><u>\$ 5,626,000</u></b>

ARAPAHOE PARK AND RECREATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE 5: LONG-TERM DEBT** (Continued)

**Business-Type Activities**

Following is a summary of long-term debt transactions for the business-type activities for the year ended December 31, 2018.

	<u>Balance</u> <u>12/31/17</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>12/31/18</u>	<u>Due In</u> <u>One Year</u>
Capital Lease	\$ 178,755	\$ -	\$ 33,005	\$ 145,750	\$ 34,647

**Capital Lease**

The District has entered into a capital lease agreement to purchase exercise equipment which will be paid from revenues of the Trails Recreation Center Fund. The lease requires a monthly payment of \$3,410 including interest of 4.83%. The lease matures in November 2022.

Following is a schedule of the future minimum lease payments required under the capital lease obligation at December 31, 2018:

Year Ended December 31,

2019	\$ 40,920
2020	40,920
2021	40,920
2022	37,510
Less: Interest	<u>(14,520)</u>
Present Value of Minimum Lease Payments	<b><u>\$ 145,750</u></b>

**NOTE 6: INTERFUND BALANCES AND TRANSFERS**

Interfund balances and transfers for the year ended December 31, 2017, were comprised of the following:

**Interfund Balances**

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>
Trails Recreation Center Fund	General Fund	<b><u>\$ 292,241</u></b>

ARAPAHOE PARK AND RECREATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE 6: INTERFUND BALANCES AND TRANSFERS** (Continued)

**Interfund Balances** (Continued)

At December 31, 2018, the amounts owed between the Trails Recreation Center Fund and the General Fund are due to timing differences related to receipts and disbursements into and out of the General Fund not being transferred in the same accounting period.

**Transfers**

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Conservation Trust Fund	\$ 170,000
Trails Recreation Center Fund	General Fund	<u>47,632</u>
<b>Total</b>		<b><u>\$ 217,632</u></b>

The Conservation Trust Fund transferred funds to the General Fund to reimburse the General Fund for capital expenditures and administrative costs. The General Fund transferred funds to the Trails Recreation Center Fund to cover capital expenditures.

**NOTE 7: DEFINED BENEFIT PENSION PLAN**

**Summary of Significant Accounting Policies**

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

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. Governmental accounting standards require the net pension liability and related amounts of the LGDTF for financial reporting purposes be measured using the plan provisions in effect as of the LGDTF's measurement date of December 31, 2017. As such, the following disclosures do not include the changes to plan provisions required by SB 18-200 with the exception of the section titled *Changes between the measurement date of the net pension liability and December 31, 2018*.

ARAPAHOE PARK AND RECREATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE 7: DEFINED BENEFIT PENSION PLAN** (Continued)

**General Information about the Pension Plan**

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

*Benefits provided as of December 31, 2017.* PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

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

The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools (DPS) benefit structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- \$15 times the first 10 years of service credit plus \$20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

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

ARAPAHOE PARK AND RECREATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE 7: DEFINED BENEFIT PENSION PLAN** (Continued)

**General Information about the Pension Plan** (Continued)

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

As of December 31, 2017, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the LGDTF.

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

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

*Contributions provisions as of December 31, 2018* Eligible employees and District are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

ARAPAHOE PARK AND RECREATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE 7: DEFINED BENEFIT PENSION PLAN** (Continued)

**General Information about the Pension Plan** (Continued)

	Rates
Employer contribution rate <sup>1</sup>	10.00%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) <sup>1</sup>	(1.02)%
Amount apportioned to the LGDTF <sup>1</sup>	8.98%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	1.50%
<b>Total employer contribution rate to the LGDTF<sup>1</sup></b>	<b>12.68%</b>

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

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from District were \$247,167 for the year ended December 31, 2018.

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

At December 31, 2018, the District reported a liability of \$3,383,657 for its proportionate share of the net pension liability. The net pension liability for the LGDTF was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total pension liability to December 31, 2017. The District proportion of the net pension liability was based on District contributions to the LGDTF for the calendar year 2017 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2017, the District proportion was 0.30389%, which was a decrease of 0.00354% from its proportion measured as of December 31, 2016.

ARAPAHOE PARK AND RECREATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE 7: DEFINED BENEFIT PENSION PLAN** (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (Continued)

For the year ended December 31, 2018, the District recognized pension expense of \$674,182. At December 31, 2018., the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$211,678	N/A
Changes of assumptions or other inputs	\$35,744	N/A
Net difference between projected and actual earnings on pension plan investments	N/A	\$657,701
Changes in proportion and differences between contributions recognized and proportionate share of contributions	N/A	\$34,763
Contributions subsequent to the measurement date	\$247,167	N/A
Total	\$494,589	\$692,464

\$247,167 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended :</b>	
2019	\$121,970
2020	(\$83,948)
2021	(\$239,188)
2022	(\$243,876)

ARAPAHOE PARK AND RECREATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE 7: DEFINED BENEFIT PENSION PLAN** (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (Continued)

*Actuarial assumptions.* The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 10.45 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic)	2.00 percent
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions reflect the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

ARAPAHOE PARK AND RECREATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE 7: DEFINED BENEFIT PENSION PLAN** (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (Continued)

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2016 valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012 through December 31, 2015 as well as the October 28, 2016 actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016 Board meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016. Several factors were considered in evaluating the long-term rate of return assumption for the LGDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

ARAPAHOE PARK AND RECREATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE 7: DEFINED BENEFIT PENSION PLAN** (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (Continued)

<b>Asset Class</b>	<b>Target Allocation</b>	<b>30 Year Expected Geometric Real Rate of Return</b>
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income – Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
<b>Total</b>	<b>100.00%</b>	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

*Discount rate.* The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

ARAPAHOE PARK AND RECREATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE 7: DEFINED BENEFIT PENSION PLAN** (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (Continued)

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, LGDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

ARAPAHOE PARK AND RECREATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE 7: DEFINED BENEFIT PENSION PLAN** (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (Continued)

*Sensitivity of the District proportionate share of the net pension liability to changes in the discount rate.* The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$3,395,518	\$3,383,657	\$1,711,858

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

**Changes between the measurement date of the net pension liability and December 31, 2018**

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through SB 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to the plans administered by PERA with the goal of eliminating the unfunded actuarial accrued liability of the Division Trust Funds and thereby reach a 100 percent funded ratio for each division within the next 30 years.

A brief description of some of the major changes to plan provisions required by SB 18-200 are listed below. A full copy of the bill can be found online at [www.leg.colorado.gov](http://www.leg.colorado.gov).

- Increases employee contribution rates by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, modifying the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.

ARAPAHOE PARK AND RECREATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE 7: DEFINED BENEFIT PENSION PLAN** (Continued)

- Member contributions, employer contributions, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.
- Expands eligibility to participate in the PERA DC Plan to new members hired on or after January 1, 2019, in the Local Government Division. Beginning January 1, 2021, and every year thereafter, employer contribution rates for the LGDTF will be adjusted to include a defined contribution supplement based on the employer contribution amount paid to defined contribution plan participant accounts that would have otherwise gone to the defined benefit trusts to pay down the unfunded liability plus any defined benefit investment earnings thereon.

At December 31, 2018, the District reported a liability of \$3,383,657 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan's year-end based on a discount rate of 7.25%. For comparative purposes, the following schedule presents an estimate of what the District proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the LGDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the LGDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
7.25%	\$ 2,393,318

ARAPAHOE PARK AND RECREATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE 8: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**

**Summary of Significant Accounting Policies**

*OPEB.* The District participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

**General Information about the OPEB Plan**

*Plan description.* Eligible employees of the District are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Benefits provided.* The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

ARAPAHOE PARK AND RECREATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE 8: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**  
(Continued)

**General Information about the OPEB Plan** (Continued)

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

Enrollment in the PERACare is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

*PERA Benefit Structure*

The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

ARAPAHOE PARK AND RECREATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE 8: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**  
(Continued)

**General Information about the OPEB Plan** (Continued)

*DPS Benefit Structure*

The maximum service-based premium subsidy is \$230 per month for retirees who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for retirees who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum subsidy, in each case, is for retirees with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The retiree pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For retirees who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, the HCTF or the DPS HCTF pays an alternate service-based premium subsidy. Each individual retiree meeting these conditions receives the maximum \$230 per month subsidy reduced appropriately for service less than 20 years, as described above. Retirees who do not have Medicare Part A pay the difference between the total premium and the monthly subsidy.

*Contributions.* Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District were \$19,882 for the year ended December 31, 2018.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At December 31, 2018, the District reported a liability of \$306,882 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. The District's proportion of the net OPEB liability was based on District's contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, the District's proportion was 0.02361%, which was an increase of 0.0000139% from its proportion measured as of December 31, 2016.

ARAPAHOE PARK AND RECREATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE 8: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**  
(Continued)

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** (Continued)

For the year ended December 31, 2018, the District recognized OPEB expense of \$23,991. At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$1,451	N/A
Net difference between projected and actual earnings on OPEB plan investments	N/A	\$5,134
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$150	N/A
Contributions subsequent to the measurement date	\$19,882	N/A
<b>Total</b>	<b>\$21,483</b>	<b>\$5,134</b>

\$19,882 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year ended December 31:</b>	
2019	(\$969)
2020	(\$969)
2021	(\$969)
2022	(\$967)
2023	\$315
Thereafter	\$26

ARAPAHOE PARK AND RECREATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE 8: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**  
(Continued)

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** (Continued)

*Actuarial assumptions.* The total OPEB liability in the December 31, 2016 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.00 percent
Medicare Part A premiums	3.00 percent for 2017, gradually rising to 4.25 percent in 2023
DPS benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

ARAPAHOE PARK AND RECREATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE 8: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**  
(Continued)

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** (Continued)

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2016, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability are summarized in the table below:

Year	PERACare Medicare Plans	Medicare Part A Premiums
2017	5.00%	3.00%
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.00%
2023	5.00%	4.25%
2024+	5.00%	4.25%

Mortality assumptions for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

ARAPAHOE PARK AND RECREATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE 8: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**  
(Continued)

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** (Continued)

Healthy, post-retirement mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

Healthy, post-retirement mortality assumptions for the School and Judicial Divisions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The following economic and demographic assumptions were specifically developed for, and used in, the measurement of the obligations for the HCTF:

- The assumed rates of PERACare participation were revised to reflect more closely actual experience.
- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2017 plan year.

ARAPAHOE PARK AND RECREATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE 8: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**  
(Continued)

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** (Continued)

- The percentages of PERACare enrollees who will attain age 65 and older ages and are assumed to not qualify for premium-free Medicare Part A coverage were revised to more closely reflect actual experience.
- The percentage of disabled PERACare enrollees who are assumed to not qualify for premium-free Medicare Part A coverage were revised to reflect more closely actual experience.
- Assumed election rates for the PERACare coverage options that would be available to future PERACare enrollees who will qualify for the “No Part A Subsidy” when they retire were revised to more closely reflect actual experience.
- Assumed election rates for the PERACare coverage options that will be available to those current PERACare enrollees, who qualify for the “No Part A Subsidy” but have not reached age 65, were revised to more closely reflect actual experience.
  - The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.
  - The rates of PERACare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience.
  - The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience.

The actuarial assumptions used in the December 31, 2016 valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012 through December 31, 2015 as well as the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016 Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA’s actuary, as needed.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA’s Board on October 28, 2016.

ARAPAHOE PARK AND RECREATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE 8: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**  
(Continued)

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** (Continued)

Several factors were considered in evaluating the long-term rate of return assumption for the HCTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>30 Year Expected Geometric Real Rate of Return</b>
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income – Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
<b>Total</b>	<b>100.00%</b>	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

ARAPAHOE PARK AND RECREATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE 8: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**  
(Continued)

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** (Continued)

*Sensitivity of the District's proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates.* The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate	3.25%	4.25%	5.25%
Net OPEB Liability	\$298,438	\$306,882	\$317,051

*Discount rate.* The discount rate used to measure the total OPEB liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2017, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.

ARAPAHOE PARK AND RECREATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE 8: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**  
(Continued)

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** (Continued)

- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the projection test indicates the HCTF's fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

*Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate.* The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$345,032	\$306,882	\$274,320

*OPEB plan fiduciary net position.* Detailed information about the HCTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

ARAPAHOE PARK AND RECREATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE 9: DEFINED CONTRIBUTION PLAN**

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

*Funding Policy* – The Voluntary Investment Program is funded by member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. In addition, the District matches employee contributions up to 2 percent. Employees are immediately vested in their own contributions, employer contributions, and investment earnings. For the year ended December 31, 2018, employees contributed \$44,521 and the District contributed \$9,685 to the Plan.

**NOTE 10: RISK MANAGEMENT**

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

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

The District pays annual premiums to the Pool for property, general, workers’ compensation, and officials’ liability. In the event aggregate losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool, may be returned to the members pursuant to a distribution formula.

ARAPAHOE PARK AND RECREATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE 11: COMMITMENTS AND CONTINGENCIES**

**Joint Use Agreement**

In January 2007, the District entered into a Joint Use Agreement with the Cherry Creek School District No. 5. The agreement covers the use of nine school-park sites that were created as part of the initial service plan for the District. The Cherry Creek School District No. 5 acquired, primarily through the public open space dedication process, various school-park sites. The District's role is to provide supplemental park and recreational amenities.

The agreement is perpetual and may be terminated in whole or in part by mutual agreement of the parties at any time when necessary to comply with requirements or restrictions imposed by the State of Colorado or any of its agencies or departments or if necessary to comply with any judicial decree or order.

Under the terms of the agreement, each party is responsible for and pays costs of the development of the property, maintenance and repairs, equipment, and insurance coverage. In addition, the District paid \$18,000 to the Cherry Creek School District No.5 for the year ended December 31, 2018 under the terms of the agreement.

**Tabor Amendment**

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government. On November 1994, voters within the District approved the collection, retention and expenditure of State grants, all sales and use taxes and all other revenue generated by the District in 1995 and subsequent years without limitation, notwithstanding the provisions of the Amendment.

The District has established an emergency reserve, representing 3% of qualifying expenditures, as required by the Amendment. At December 31, 2018, a reserve of \$219,000 was recorded as a restriction of fund balance in the General Fund.

**NOTE 12: RESTATEMENT OF NET POSITION**

The beginning net position of the governmental activities was decreased by \$286,424 to \$6,314,675 as the District implemented Governmental Accounting Standards Board (GASB) Statement 75.

**REQUIRED SUPPLEMENTARY INFORMATION**

## ARAPAHOE PARK AND RECREATION DISTRICT

## BUDGETARY COMPARISON SCHEDULE

## GENERAL FUND

Year Ended December 31, 2018

	2018		VARIANCE Positive (Negative)	2017 ACTUAL
	FINAL BUDGET	ACTUAL		
REVENUES				
Taxes	\$ 3,944,941	\$ 3,948,984	\$ 4,043	\$ 3,686,359
Intergovernmental	-	121,456	121,456	87,981
Daily Admissions and Passes	70,250	63,669	(6,581)	68,911
Facilities Rentals	44,000	34,315	(9,685)	38,809
Interest Income	12,000	37,263	25,263	17,043
Miscellaneous Revenue	10,650	541,589	530,939	2,000
TOTAL REVENUES	<u>4,081,841</u>	<u>4,747,276</u>	<u>665,435</u>	<u>3,901,103</u>
EXPENDITURES				
Current				
Salaries and Benefits	1,171,250	1,042,431	128,819	1,042,924
Operating Expenses	335,625	236,301	99,324	231,100
Utilities	436,625	417,600	19,025	424,504
Maintenance	647,950	693,094	(45,144)	693,796
Capital Outlay	43,567	201,147	(157,580)	154,580
Debt Service				
Principal	1,150,000	1,150,000	-	1,150,000
Interest and Other Fiscal Charges	241,625	241,625	-	270,375
TOTAL EXPENDITURES	<u>4,026,642</u>	<u>3,982,198</u>	<u>44,444</u>	<u>3,967,279</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>55,199</u>	<u>765,078</u>	<u>709,879</u>	<u>(66,176)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	170,000	170,000	100,848
Transfer Out	-	(47,632)	(47,632)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>122,368</u>	<u>122,368</u>	<u>100,848</u>
NET CHANGE IN FUND BALANCES	55,199	887,446	832,247	34,672
FUND BALANCE, Beginning	<u>233,604</u>	<u>518,025</u>	<u>284,421</u>	<u>483,353</u>
FUND BALANCE, Ending	<u>\$ 288,803</u>	<u>\$ 1,405,471</u>	<u>\$ 1,116,668</u>	<u>\$ 518,025</u>

See the accompanying independent auditors' report.

## ARAPAHOE PARK AND RECREATION DISTRICT

BUDGETARY COMPARISON SCHEDULE  
 CONSERVATION TRUST FUND  
 Year Ended December 31, 2018

	2018		VARIANCE Positive (Negative)	2017 ACTUAL
	ORIGINAL AND FINAL BUDGET	ACTUAL		
REVENUES				
Intergovernmental	\$ 260,000	\$ 290,150	\$ 30,150	\$ 279,507
Interest Income	3,000	11,825	8,825	4,941
TOTAL REVENUES	<u>263,000</u>	<u>301,975</u>	<u>38,975</u>	<u>284,448</u>
EXPENDITURES				
Current				
Park and Recreation	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>263,000</u>	<u>301,975</u>	<u>38,975</u>	<u>284,448</u>
OTHER FINANCING USES				
Transfers Out	-	(170,000)	(170,000)	(77,524)
NET CHANGE IN FUND BALANCES	263,000	131,975	(131,025)	206,924
FUND BALANCE, Beginning	<u>587,544</u>	<u>587,544</u>	<u>-</u>	<u>380,620</u>
FUND BALANCE, Ending	<u>\$ 850,544</u>	<u>\$ 719,519</u>	<u>\$ (131,025)</u>	<u>\$ 587,544</u>

See the accompanying independent auditors' report.

ARAPAHOE PARK AND RECREATION DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE  
LOCAL GOVERNMENT DIVISION TRUST FUND

Years Ended December 31,

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
District's proportionate share of the Net Pension Liability	0.352%	0.338%	0.320%	0.307%	0.304%
District's proportionate share of the Net Pension Liability	\$ 2,894,169	\$ 3,030,472	\$ 3,528,551	\$ 4,151,451	\$ 3,383,657
District's covered-employee payroll	\$ 1,876,325	\$ 1,852,666	\$ 1,819,148	\$ 1,863,454	\$ 1,917,100
District's proportionate share of the Net Pension Liability as a percentage of its covered-employee payroll	154.2%	163.6%	194.0%	222.8%	176.5%
Plan fiduciary net position as a percentage of the total pension liability	77.70%	80.70%	76.90%	73.60%	79.37%

Notes:

This schedule is reported as of December 31, as that is the plan year end.

This schedule will report ten years of data when it is available

See the accompanying independent auditors' report.

ARAPAHOE PARK AND RECREATION DISTRICT

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS  
LOCAL GOVERNMENT DIVISION TRUST FUND

Year Ended December 31, 2018

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Statutorily required contributions	\$ 237,918	\$ 234,918	\$ 230,668	\$ 236,286	\$ 262,643	\$ 247,167
Contributions in relation to the Statutorily required contributions	<u>237,918</u>	<u>234,918</u>	<u>230,668</u>	<u>236,286</u>	<u>262,643</u>	<u>247,167</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,876,325	\$ 1,852,666	\$ 1,819,148	\$ 1,863,454	\$ 1,917,100	\$ 1,949,234
Contributions as a percentage of covered-employee payroll	12.68%	12.68%	12.68%	12.68%	13.70%	12.68%

Notes:

This schedule will report ten years of data when it is available

See the accompanying independent auditors' report.

ARAPAHOE PARK AND RECREATION DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE  
 HEALTH CARE TRUST FUND

Years Ended December 31,

	2016	2017
District's proportionate share of the Net OPEB Liability	0.02360%	0.02361%
District's proportionate share of the Net OPEB Liability	\$ 305,978	\$ 306,882
District's employee payroll	\$ 1,863,454	\$ 1,917,100
District's proportionate share of the Net OPEB Liability as a percentage of its employee payroll	16.4%	16.0%
Plan fiduciary net position as a percentage of the total pension liability	16.72%	17.53%

Notes:

This schedule is reported as of December 31, as that is the plan year end.  
 This schedule will report ten years of data when it is available

See the accompanying independent auditors' report.

ARAPAHOE PARK AND RECREATION DISTRICT

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS  
HEALTH CARE TRUST FUND

Years Ended December 31, 2018

	<u>2017</u>	<u>2018</u>
Statutorily required contributions	\$ 19,554	\$ 19,882
Contributions in relation to the Statutorily required contributions	<u>19,554</u>	<u>19,882</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,917,100	\$ 1,949,234
Contributions as a percentage of covered-employee payroll	1.02%	1.02%

Notes:

This schedule will report ten years of data when it is available

See the accompanying independent auditors' report.

**INDIVIDUAL FUND SCHEDULE**

## ARAPAHOE PARK AND RECREATION DISTRICT

BUDGETARY COMPARISON SCHEDULE  
TRAILS RECREATION CENTER FUND  
Year Ended December 31, 2018

	2018		VARIANCE Positive (Negative)	2017 ACTUAL
	ORIGINAL AND FINAL BUDGET	ACTUAL		
<b>REVENUES</b>				
Daily Admissions and Passes	\$ 1,701,599	\$ 1,706,951	\$ 5,352	\$ 1,741,079
Program Revenue	837,700	853,935	16,235	761,047
Miscellaneous Revenue	22,000	26,067	4,067	31,822
Transfer from General Fund	-	47,632	47,632	-
<b>TOTAL REVENUES</b>	<b>2,561,299</b>	<b>2,634,585</b>	<b>73,286</b>	<b>2,533,948</b>
<b>EXPENDITURES</b>				
Salaries and Benefits	1,432,593	1,455,042	(22,449)	1,405,570
Operating Expenses	381,477	346,212	35,265	360,060
Utilities	385,000	347,538	37,462	385,389
Insurance	42,229	46,408	(4,179)	39,642
Maintenance	279,080	332,147	(53,067)	316,370
Debt Service Expense	40,920	40,920	-	731
Transfer to General Fund	-	-	-	23,324
<b>TOTAL EXPENDITURES</b>	<b>2,561,299</b>	<b>2,568,267</b>	<b>(6,968)</b>	<b>2,531,086</b>
<b>NET INCOME, Budget Basis</b>	<b>\$ -</b>	<b>66,318</b>	<b>\$ 66,318</b>	<b>2,862</b>
<b>GAAP BASIS ADJUSTMENTS</b>				
Debt Principal Payment		33,005		-
Depreciation Expense		(597,939)		(622,614)
<b>NET INCOME, GAAP Basis</b>		<b>(498,616)</b>		<b>(619,752)</b>
<b>NET POSITION, Beginning</b>		<b>8,922,077</b>		<b>9,541,829</b>
<b>NET POSITION, Ending</b>		<b>\$ 8,423,461</b>		<b>\$ 8,922,077</b>

See the accompanying independent auditors' report.