

FOOTHILLS PARK & RECREATION DISTRICT
Jefferson County, Colorado

FINANCIAL STATEMENTS
December 31, 2010

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**JOHN CUTLER
& ASSOCIATES**

To the Board of Directors
Foothills Park and Recreation District
Jefferson County, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the business-type activities and each major fund of Foothills Park and Recreation District, as of and for the year ended December 31, 2010, which collectively comprise the basic financial statements of the District, as listed in the table of contents. These financial statements are the responsibility of Foothills Park and Recreation District's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of Foothills Park and Recreation District, as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Foothills Park and Recreation District's financial statements. The supplemental information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

John Cutler & Associates, LLC

May 17, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the District's annual financial report presents our analysis of the District's financial performance during the Fiscal Year ended December 31, 2010. Comparative total data for the prior year has been presented in the accompanying management discussion and analysis and financial statements in order to provide an understanding of changes in the District's financial position and operations. However, complete comparative data in accordance with generally accepted accounting principles has not been presented. Please read the management's discussion and analysis in conjunction with the financial statements and notes to the financial statements.

FINANCIAL HIGHLIGHTS

- ◆ On February 23, 2010, the District successfully completed the sale of \$15.31 million General Obligation Refunding Bonds, Series 2010. Proceeds from the sale of the bonds were used to refund a portion of the District's General Obligation Bonds, Series 2001, and to pay the costs of issuance of the Bonds. The bond refunding will save a majority of the District taxpayers approximately \$1.335 million in gross tax dollars over the next ten years as a result of the lower interest on the refunded bonds.
- ◆ On August 19, 2010, the Building Authority successfully completed the sale of \$1.90 million of Certificates of Participation Series 2010A and \$1.0 million of Certificates of Participation Taxable QECB Series 2010B. The District applied and was awarded by the State Governor's Energy Office \$1.0 million of "qualified energy conservation bonds" which enabled a portion of the interest paid on the Taxable QECB 2010B certificates to be eligible for an annual cash subsidy payment from the United States Treasury. The certificates were issued for the purpose of financing energy conservation projects as set forth in the Energy Performance Contract the District entered into in 2010.
- ◆ The District's Total Assets of \$91.39 million increased \$1.96 million, or 2.19%, due to an increase in Cash and Cash Equivalents of \$2.50 million mostly due to \$1.84 million of unspent energy conservations monies funded by new COP debt.
- ◆ The District's Total Liabilities of \$51.45 million increased \$2.11 million, or 4.27%, due to \$2.90 million of new COP debt issued to finance energy conservation projects which will be repaid with anticipated annual energy cost savings realized by the District under the Energy Performance Contracts entered into in 2010.
- ◆ The District's Net Assets (Total Assets minus Total Liabilities) of \$39.95 million decreased \$0.14 million, or 0.04%.

FINANCIAL HIGHLIGHTS (Continued)

- ◆ The District's Operating Revenues increased \$0.30 million, or 2.47%, to \$12.42 million in 2010 compared to \$12.12 million in 2009. Operating Expenses increased \$0.46 million, or 2.72%, to \$17.35 million in 2010 compared to \$16.89 million in 2009.
- ◆ Many of the District's facilities and programs experienced growth in 2010 as a result of increased participation, in particular, Children's Programs and Recreation Programs which had significant growth in operating revenues of \$0.16 million, or 9.01%, and \$0.14 million, or 6.77%, respectively. Note: In 2010 a significant portion of field rental revenue was allocated to Regional Parks. Therefore, to calculate 2010 growth in Recreation Programs, Parks Revenues must be included in the calculation.
- ◆ During the fiscal year ending December 31, 2010, the District completed the following capital projects funded by Jefferson County Open Space and District Funds.

New playgrounds at Dewey Park, Wingate South Park, and Alpers Farm Park

Kipling trail repairs

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts:

- ◆ Management's Discussion and Analysis
- ◆ Financial Statements
- ◆ Supplementary Information

The financial statements also include notes that explain in more detail some of the information in the financial statements.

REQUIRED FINANCIAL STATEMENTS

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

Statement of Net Assets

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

Statement of Revenues, Expenses, and Changes in Fund Net Assets

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

Statement of Cash Flows

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

FINANCIAL ANALYSIS OF THE DISTRICT

The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Fund Net Assets report information about the District's activities in a way that can help answer the question about the District's finances. The District's Net Assets (difference between assets and liabilities) is one number that measures the financial health or financial position of the District. Over time, increases in the District's net assets are one indicator that the District's financial health is improving. However, one should consider other non-financial factors such as changes in economic conditions, population growth, or changes in governmental legislation.

STATEMENT OF NET ASSETS

A summary of the District's Statements of Net Assets as presented below:

	Net Assets		2009 to 2010	
	2010	2009	\$ Change	% Change
Current and Other Assets	\$ 16,346,788	\$ 13,891,607	\$ 2,455,181	17.67%
Capital Assets	75,043,807	75,537,183	(493,376)	-0.65%
Total Assets	<u>91,390,595</u>	<u>89,428,790</u>	<u>1,961,805</u>	<u>2.19%</u>
Current Liabilities	12,432,242	10,218,896	2,213,346	21.66%
Long Term Liabilities	39,012,778	39,120,789	(108,011)	-0.28%
Total Liabilities	<u>51,445,020</u>	<u>49,339,685</u>	<u>2,105,335</u>	<u>4.27%</u>
Invested in Capital Net Assets, Net of Related Debt	34,315,696	35,579,312	(1,263,616)	-3.55%
Emergency Reserves	566,000	541,000	25,000	4.62%
Restricted Net Assets	194,500	208,500	(14,000)	-6.71%
Unrestricted Net Assets	4,869,379	3,760,293	1,109,086	29.49%
Net Assets	<u>\$ 39,945,575</u>	<u>\$ 40,089,105</u>	<u>\$ (143,530)</u>	<u>-0.36%</u>

As can be seen from the chart above, Net Assets decreased \$0.14 million in 2010. The chart also shows a change in Invested in Capital Assets Net of Related Debt, Emergency Reserves, Restricted and Unrestricted Net Assets. The Emergency Reserves reflects net assets restricted for TABOR reserves. Restricted Net Assets represents annual debt service requirements on our Golf Revenue Bonds.

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

As part of our analysis, we provide a summary of the District's Statement of Revenues, Expenses and Changes in Fund Net Assets as presented below:

Statement of Revenues, Expenses and Changes in Fund Net Assets

	<u>2010</u>	<u>2009</u>	<u>2009 to 2010</u>	
			<u>\$ Change</u>	<u>% Change</u>
Revenues				
Fees and Charges for Services	\$ 12,264,359	\$ 11,938,541	\$ 325,818	2.73%
Conservation Trust	397,258	423,130	(25,872)	-6.11%
Property and Specific Ownership Taxes	7,545,992	7,659,969	(113,977)	-1.49%
Grants and Contributions	247,187	485,702	(238,515)	-49.11%
Insurance Proceeds	207,322	411,506	(204,184)	-49.62%
Other	244,983	242,325	2,658	1.10%
Total Revenues	<u>20,907,101</u>	<u>21,161,173</u>	<u>(254,072)</u>	<u>-1.20%</u>
Expenses				
Operating Expenditures	17,345,217	16,886,265	458,952	2.72%
Grants and Contributions Expenditures	134,578	234,652	(100,074)	-42.65%
Facilities & Equipment Repair and Replacements	1,612,317	208,694	1,403,623	672.57%
Interest Expense	1,798,469	2,035,361	(236,892)	-11.64%
Other Expenditures	159,950	149,208	10,742	7.20%
Total Expenses	<u>21,050,531</u>	<u>19,514,180</u>	<u>1,536,351</u>	<u>7.87%</u>
Change in Net Assets	(143,530)	1,646,993	(1,790,523)	-108.71%
NET ASSETS, Beginning of Year	<u>40,089,105</u>	<u>38,442,112</u>	<u>1,646,993</u>	<u>4.28%</u>
NET ASSETS, End of Year	<u>\$ 39,945,575</u>	<u>\$ 40,089,105</u>	<u>\$ (143,530)</u>	<u>-0.36%</u>

Comparison of Revenue and Expenses – 2010 to 2009

Total Revenues in 2010 were \$20.91 million compared to \$21.16 million in 2009, a decrease of \$0.25 million, or negative 1.20%. Although Total Revenues were down in 2010, Revenue derived from Fees and Charges for Services increased \$0.33 million, or 2.73%, versus 2009 due to increased participation in many of the District's programs. In particular, Children's Programs, Wellness Programs and Athletic Programs which all experienced significant growth in operating revenues of \$0.16 million, or 9.01%, \$0.07 million, or 17.73%, and \$0.09, or 5.83%, respectively. Property and Specific Ownership Taxes decreased \$0.11 million in part due to

falling debt service mill levy and decreased assessed property values in 2010. Grants and Contributions decreased \$0.24 million due to completion of smaller Joint Venture grant projects in 2010 versus projects completed in 2009. Insurance Proceeds decreased \$0.20 million as a result of smaller insurance claims in 2010 as compared to 2009.

Total Expenses in 2010 were \$21.05 million compared to \$19.51 million in 2009, an increase of \$1.54 million or 7.87%. \$1.40 million of this increase was for the repair or replacement of various equipment and infrastructure throughout the District, including \$1.09 million expended for equipment and infrastructure on energy conservation projects under the Energy Performance Contracts the District entered into in 2010. Operating Expenditures increased \$0.46 million, or 2.72%, due to higher wages, employee benefits and utility costs. Salaries, wages and benefits increased \$0.30 million, or 3.27%, due to increased wages as a result of increased participation in Children’s and Recreation Programs and due to raises given to all staff at the beginning of 2010. Utilities increased \$0.25 million, or 16.75%, due to increased rates for electricity and potable water. The District’s need to reduce the amount of energy and water it utilizes is why the District contracted with an energy performance engineering firm and acquired additional debt to fund various energy conservation projects that made financial sense. The District expects annual utility costs savings to equal or exceed the annual debt service payments on this new debt.

The following table shows the amount and percent that operating costs are recovered through operating revenues including fees and charges:

Cost Recovery Through Fees and Charges

	<u>2010</u>	<u>2009</u>	2009 to 2010	
			<u>\$ Change</u>	<u>% Change</u>
Operating Revenues	\$ 12,416,874	\$ 12,117,807	\$ 299,067	2.47%
Operating Expenses	\$ 17,345,217	\$ 16,886,265	\$ 458,952	2.72%
% Cost Recovery Through Operating Fees and Charges	<u>71.59%</u>	<u>71.76%</u>		

The District’s operations are also subsidized by property taxes to the extent that fees and charges paid by the users of the facilities and programs do not cover the expenses of the District’s operations. At the present time, approximately 58% of the District’s total operations and debt expenses are covered by fees and charges for programs and facilities and the remaining 42% come from property and specific ownership taxes and other sources. The operating loss of \$4.93 million was offset by \$7.55 million collected in taxes in 2010. Of the taxes collected \$2.17 million was designated to make principal and interest payments on General Obligation Debt and \$4.93 million to offset the operating loss. Taxes collected in 2010 as compared to 2009 decreased by approximately \$0.11 million due to falling debt service mill levy and less taxes collected due to decreased assessed property values in 2010.

Comparison of Revenue and Expenses – 2010 Actual to 2010 Budget

Total Revenues were \$39.86 million compared to budgeted Total Revenues of \$40.62 million or \$0.76 million lower than planned. Revenues derived from Fees and Charges for Services were \$12.34 million or \$0.32 million less than planned due to fewer rounds of golf played at the District's golf courses and decreased rentals at the District's ice arena, which the District believes is due to the economic downturn that began in 2008. Intergovernmental revenue was unfavorable to plan by \$0.22 million due to the delay in replacing ballfield lights at the Schaefer Athletic Complex which were funded by Jefferson County Open Space. This grant money will be available to complete the projects in 2011. Unplanned Insurance Proceeds of \$0.21 million was received in 2010 to pay for wind damage sustained at the ice arena and several other District buildings. Other revenue was \$0.39 million less than planned mostly due to insurance proceeds received at the end of 2009 being carried-over in our 2010 budget to fund the repairs made in 2010.

Total Expenditures were \$38.74 million compared to budgeted Total Expenditures of \$40.62 million or \$1.87 million lower than planned. Operating Expenditures related to services were \$15.28 million or \$0.55 million less than planned. Most of these savings were achieved by reduced spending on supplies and purchased services as a result of the District initiating spending cutbacks to help offset decreased revenues received from fees and charges for services. Grants and Contributions Expenditures were \$0.24 million or \$0.19 million less than planned due to the delay in replacing ballfield lights at Schaefer Athletic Complex. Capital Repair and Replacement expenditures were \$0.61 million less than planned mostly the result of not completing the energy conservation projects funded by new COP debt issued in 2010. Contingency of \$0.50 million was not expended and will be returned to the District's Net Assets for future needs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2010, the District had invested \$75.04 million in net capital assets, which represents a broad range of infrastructure including parks, recreation centers, golf courses, maintenance and administration facilities, vehicles, and equipment, as shown in the table below. The District's net capital assets decreased by \$0.49 million from net capital assets at the end of 2009 primarily due to the current year's depreciation of its capital assets and due to capital expenditures on energy conservation projects throughout the District under the Energy Performance Contracts the District entered into in 2010. More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

Change in Capital Assets (Net of Depreciation)

	<u>2010</u>	<u>2009</u>	2009 to 2010	
			<u>\$ Change</u>	<u>%Change</u>
Land	\$ 20,560,890	\$ 20,560,890	\$ -	0.00%
Water Rights	276,784	276,784	-	0.00%
Buildings	34,291,388	35,228,404	(937,016)	-2.66%
Improvements	17,267,323	17,944,619	(677,296)	-3.77%
Furniture, Fixtures and Equipment	1,199,186	1,189,233	9,953	0.84%
Vehicles	203,038	218,108	(15,070)	-6.91%
Construction in Progress	1,245,198	119,145	1,126,053	945.11%
Total Capital Assets	<u>\$ 75,043,807</u>	<u>\$ 75,537,183</u>	<u>\$ (493,376)</u>	<u>-0.65%</u>

Long-Term Debt

The District paid \$2.39 million in debt principal repayments during 2010 and at December 31, 2010 had \$41.52 million in short and long-term debt. More detailed information about the District's long-term debt is presented in Notes 5 and 6 to the financial statements. Below is a summary of changes in long term debt:

	Changes in Long-Term Debt			
	<u>2010</u>	<u>2009</u>	<u>\$ Change</u>	<u>% Change</u>
General Obligation Bonds:				
District	\$ 17,190,000	\$ 18,075,000	\$ (885,000)	-4.90%
Certificates of Participation:				
Building Authority	22,600,000	20,185,000	2,415,000	11.96%
Golf Course Revenue Bonds:				
District	1,945,000	2,085,000	(140,000)	-6.71%
Capital Leases				
District	668,505	791,728	(123,223)	-15.56%
Unamortized Deferred Cost of Refunding	(1,702,606)	(592,901)	(1,109,705)	187.17%
Unamortized Bond Premium (Discount)	822,772	218,673	604,099	276.26%
Total Long Term Debt	<u>\$ 41,523,671</u>	<u>\$ 40,762,500</u>	<u>\$ 761,171</u>	<u>1.87%</u>

The District was able to maintain an adequate debt coverage ratio on the Golf Course Revenue Bonds outstanding as shown below:

Debt Coverage Ratio-Golf Revenue Bonds

	<u>2010</u>	<u>2009</u>	2009 to 2010	
			<u>\$ Change</u>	<u>% Change</u>
Golf Operating Revenue	\$ 4,479,820	\$ 4,523,801	\$ (43,981)	-0.97%
Golf Non-Operating Revenue	3,443	31,829	(28,386)	-89.18%
Total Revenue	<u>4,483,263</u>	<u>4,555,630</u>	<u>(72,367)</u>	<u>-1.59%</u>
Golf Operating Expenses (Excluding (Depreciation and Debt Payments and Debt Payments)	<u>3,290,868</u>	<u>3,312,849</u>	<u>(21,981)</u>	<u>-0.66%</u>
Total Expenses	<u>3,290,868</u>	<u>3,312,849</u>	<u>(21,981)</u>	<u>-0.66%</u>
Golf Net Earning Before Depreciation, and Debt Payments	<u>\$ 1,192,395</u>	<u>\$ 1,242,781</u>	<u>\$ (50,386)</u>	<u>-4.05%</u>
Golf Revenue Bonds Annual Debt Service Requirements for the Respective Fiscal year	<u>\$ 194,500</u>	<u>\$ 208,500</u>	<u>\$ (14,000)</u>	<u>-6.71%</u>
Debt Coverage Ratio	<u>6.13</u>	<u>5.96</u>		

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

ECONOMIC FACTORS

The District anticipates fee revenue and other revenue sources to remain relatively flat for the foreseeable future. Any increase in revenue will be from fee increases. The need for fee increases will continue to be evaluated on an annual basis and be based on competitive rates for the markets we serve. The District's golf rounds and related revenues are expected to remain flat for the near future, primarily due to the number of golf courses in our area competing for the same customers. Golf revenues are expected to meet future golf operating expenditures. It is expected that property taxes will decline somewhat due to declining property values as a result of the recession. Very little new development is taking place in the District resulting in minimal potential for increases in the assessed valuation due to growth related to new construction.

Costs for facility and program operations are expected to increase at historical inflation rates of 3% per year. We expect salary and benefit costs to increase 2% to 3% per year in the future as well. We also expect utility and fuel costs to rise at rates much higher than inflation, more in the range of 6% to 10% per year.

Historically, the District has experienced significant increases in utility costs and as indicated above, this trend of increasing utility cost is expected to continue in to the future. In an attempt to

control the increases in utility costs and improve the performance of older facility operating system infrastructure, the District entered in to Energy Performance Contracts. The Energy Performance Contracts' energy conservation projects were funded by new debt issued in 2010. The annual debt service payments on this new debt will be funded through annual guaranteed utility savings in excess of \$280,000 a year.

Budgets will continue to be strained with the District's expectations that revenue streams will remain relatively flat and all major operating costs are expected to increase due to general inflationary trends in the foreseeable future. Few funds are available to replace and repair aging property and equipment. Currently, the District is funding only 10% of what is needed annually for equipment repairs and replacement.

FOOTHILLS PARK AND RECREATION DISTRICT
STATEMENTS OF NET ASSETS
December 31, 2010 and 2009

	2010	2009
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 7,504,581	\$ 5,004,877
Receivables	223,027	469,591
Property Taxes Receivable	7,042,342	7,060,459
Inventories	223,347	216,024
Prepaid Expenses	243,934	22,019
Total Current Assets	15,237,231	12,772,970
Capital Assets		
Non-Depreciable	22,082,872	20,956,819
Depreciable (Net of Accumulated Depreciation)	52,960,935	54,580,364
Total Capital Assets (Net of Accumulated Depreciation)	75,043,807	75,537,183
Other Assets		
Restricted Investments	194,500	208,500
Investment in Bergen Ditch and Reservoir Co. and Bergen Land Co.	112,497	105,508
Deposits	7,000	-
Deferred Charges- Bond Issuance	795,560	804,629
Total Other Assets	1,109,557	1,118,637
Total Assets	91,390,595	89,428,790
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payables	2,005,351	612,430
Interest Payable	153,920	164,174
Accrued Payroll Payable	70,245	40,373
Capital Leases Payable (Current Portion)	121,725	123,223
Long-Term Debt Payable (Current Portion)	2,770,000	1,870,000
Deferred Revenue	268,659	348,237
Deferred Property Taxes Receivable	7,042,342	7,060,459
Total Current Liabilities	12,432,242	10,218,896
Other Liabilities		
Compensated Absences Payable	380,832	351,512
Capital Leases Payable	546,780	668,505
Long-Term Debt Payable	38,085,166	38,100,772
Total Other Liabilities	39,012,778	39,120,789
Total Liabilities	51,445,020	49,339,685
 NET ASSETS		
Invested in Capital Assets, Net of Related Debt	34,315,696	35,579,312
Emergency Reserves	566,000	541,000
Restricted Net Assets	194,500	208,500
Unrestricted Net Assets	4,869,379	3,760,293
Total Net Assets	39,945,575	40,089,105
Total Liabilities and Net Assets	\$ 91,390,595	\$ 89,428,790

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

FOOTHILLS PARK AND RECREATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Years Ended December 31, 2010 and 2009

	2010	2009
OPERATING REVENUES		
Fees and Charges:		
Aquatics	\$ 917,794	\$ 907,408
Children's Programs	1,940,625	1,780,200
Golf (Pledged for Payment of Revenue Bonds)	4,479,820	4,523,801
Ice Arena	1,418,601	1,376,871
Recreation Centers	1,254,838	1,235,738
Recreation Programs	1,758,824	2,087,946
Parks and Regional Parks	484,032	12,737
General and Administrative	9,825	13,840
Other	152,515	179,266
Total Operating Revenues	12,416,874	12,117,807
OPERATING EXPENSES		
Aquatics	1,486,068	1,453,911
Children's Programs	1,533,341	1,334,335
Golf	3,687,123	3,727,144
Ice Arena	1,153,805	1,141,516
Recreation Centers	2,783,686	2,506,126
Recreation Programs	1,405,193	1,364,636
Parks and Regional Parks	3,556,475	3,465,028
General and Administrative	1,739,526	1,893,569
Total Operating Expenses	17,345,217	16,886,265
NET LOSS FROM OPERATIONS	(4,928,343)	(4,768,458)
NON-OPERATING REVENUES (EXPENSES)		
Property and Specific Ownership Taxes	7,545,992	7,659,969
Conservation Trust	397,258	423,130
Grants and Contributions, Net of Expenditures	112,609	251,050
Facilities & Equipment Repairs and Replacements	(1,612,317)	(208,694)
Investment Income	26,471	25,442
Interest Expense	(1,798,469)	(2,035,361)
Bond Issuance Cost/Amortization	(54,085)	(57,304)
Gain on Investment in Bergen Ditch and Reservoir Co. and Bergen Land Co.	6,989	6,063
Gain on Sale of Capital Assets	28,410	31,554
Proceeds from Insurance	207,322	411,506
Other Expenses	(75,367)	(91,904)
Total Non-Operating Revenues (Expenses)	4,784,813	6,415,451
CHANGE IN NET ASSETS	(143,530)	1,646,993
NET ASSETS, Beginning of Year	40,089,105	38,442,112
NET ASSETS, End of Year	\$ 39,945,575	\$ 40,089,105

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

FOOTHILLS PARK AND RECREATION DISTRICT
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	\$ 12,576,860	\$ 11,769,282
Payments to Suppliers	(4,542,601)	(5,293,141)
Payments to Employees	(9,318,999)	(9,034,487)
Net Cash Used by Operating Activities	(1,284,740)	(2,558,346)
CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES		
Property and Specific Ownership Taxes	7,545,992	7,659,969
Receipts from Conservation Trust Fund	397,258	423,130
Grants and Contributions Received, Net of Expenditures	112,609	251,050
Facilities & Equipment Repairs and Replacements	(1,612,317)	(208,694)
Other Payments	(75,367)	(91,904)
Net Cash Provided by Noncapital Financing Activities	6,368,175	8,033,551
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest Expense Paid on Bonds and Leases	(1,734,771)	(2,022,765)
Acquisition of Capital Assets	(1,773,739)	(484,146)
Proceeds from the Sale of Assets	34,783	31,554
Proceeds from Insurance	207,322	411,506
Principal Payments on Capital Leases	(123,223)	(185,323)
Principal Payments on Long-Term Debt	(2,270,000)	(1,795,000)
Proceeds from Issuance of Refunded GO Debt	16,047,691	-
Proceeds from Issuance of COP Debt	2,910,210	-
Payment to Refunded Bond Escrow Agent	(15,651,837)	-
Bond Issuance Costs	(270,638)	-
Net Cash Used by Capital and Related Financing Activities	(2,624,202)	(4,044,174)
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	208,500	222,000
Purchase of Investments	(194,500)	(208,500)
Interest on Investments	26,471	25,442
Net Cash Provided (Used) by Investing Activities	40,471	38,942
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,499,704	1,469,973
CASH AND CASH EQUIVALENTS, Beginning of Year	5,004,877	3,534,904
CASH AND CASH EQUIVALENTS, End of Year	\$ 7,504,581	\$ 5,004,877

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

(Continued)

FOOTHILLS PARK AND RECREATION DISTRICT
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2010 and 2009
(Continued)

	2010	2009
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating Loss	\$ (4,928,343)	\$ (4,768,458)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation	2,260,742	2,341,450
Effect of changes in operating assets and liabilities:		
Receivables	246,564	(417,152)
Inventories	(7,323)	(41,505)
Prepaid Expense	(221,915)	122,841
Deposits	(7,000)	-
Accounts Payable	1,392,921	132,002
Accrued Payroll Payable	29,872	6,119
Compensated Absences Payable	29,320	36,669
Medical Claims Payable	-	(38,939)
Deferred Revenue	(79,578)	68,627
Total Adjustments	3,643,603	2,210,112
NET CASH USED IN OPERATING ACTIVITIES	\$ (1,284,740)	\$ (2,558,346)

NONCASH ACTIVITY

The District impaired \$31,096 of energy savings equipment originally purchased in 2005 which resulted in a non-cash loss \$6,373. This equipment was identified to be replaced under the Energy Performance Contracts the District entered into in 2010.

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

FOOTHILLS PARK & RECREATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010

NOTE 1: DEFINITION OF REPORTING ENTITY

Financial Reporting Entity

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

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

Component Unit

The Foothills Park & Recreation District Building Authority (the Authority) is governed by a board that consists of a voting majority appointed by the governing board of the District. In addition, the District is financially accountable for the Authority, and the Authority is financially dependent upon the District. The Authority is consolidated into the financial statements of the District. The Authority does not issue separate financial statements.

Joint Venture

The Bergen Ditch and Reservoir Company (Bergen Ditch) and Bergen Ditch Land Company (Bergen Land) are corporations controlled by various governmental entities and private individuals. The purpose of Bergen Ditch is to own and operate a water ditch system known as the Bergen Ditch. The District has a 23.8% ownership interest in both companies. In addition, the District leases another 24.8% of shares with voting interests in Bergen Ditch from Jefferson County. The District's share in this joint venture is included as an investment on the financial statements. The financial statements for Bergen Ditch and Bergen Land are available at 9329 Lark Sparrow Trail, Highlands Ranch, CO 80126.

FOOTHILLS PARK & RECREATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The District applies all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the committee on accounting procedures issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Measurement Focus

The proprietary fund type is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of net assets.

Basis of Accounting

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

Proprietary Fund

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

Cash and Investments

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

FOOTHILLS PARK & RECREATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments are recorded at fair value.

Inventory and Prepaid Expenses

Merchandise inventory held for resale is recorded at cost using the average cost method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Restricted Assets

Certain proceeds from the District's revenue bonds are classified as restricted assets on the balance sheet because their use is limited by provisions in the applicable bond documents.

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

Property Taxes

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

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

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

The Treasurer remits the taxes collected monthly to the District. Property taxes receivable not collected within 60 days of year-end have been recorded as deferred revenue. Since property taxes are levied in December for the next calendar year's operations, the total levy is reported as taxes receivable and deferred revenue.

Capital Assets

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

FOOTHILLS PARK & RECREATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Compensated Absences

Accumulated unpaid vacation amounts are accrued. District employees with 1-4 years of full-time service can accumulate up to 120 vacation hours, 5-14 years of full time service can accumulate up to 180 vacation hours, and 15 or more years of full-time service can accumulate up to 240 vacation hours. Accrued vacation is paid to employees upon termination of employment.

Amortization

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

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

Deferred Cost on Bond and Certificate of Participation Refunding

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

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

Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. The amortization amount related to the issuance costs is reported separately as bond issuance cost amortization and the unamortized balances are reflected as deferred charges-bond issuance in other assets.

FOOTHILLS PARK & RECREATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

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

The District had supplementary appropriations approved by the District's Board of Director which modified the appropriation from \$21.66 million to \$40.62 million, or an increase of \$18.96 million, as a result of long-term debt refunding of \$16.05 million and new debt issued for energy conservation projects of \$2.91 million.

Estimates

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

Reclassifications and Comparative Data

Certain prior year amounts have been reclassified to conform to the current year presentation. 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, complete comparative data in accordance with generally accepted accounting principles has not been presented in all statements because such inclusion would make certain statements unduly complex and difficult to understand.

NOTE 3: CASH AND INVESTMENTS

Cash Deposits

Colorado statutes require that the District use eligible public depositories, as defined by the Public Deposit Protection Act (PDPA) of 1975. Under the Act, the depository is required to pledge collateral having a market value at all times equal to at least 102% of the aggregate public deposits held by the depository not insured by federal deposit insurance. Eligible collateral, as defined by the Act, primarily includes obligations or guarantees by the U.S. Government, the State of Colorado, or any political subdivision thereof, and obligations evidenced by notes secured first by

FOOTHILLS PARK & RECREATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

lien mortgages or deeds of trust on real property. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. At December 31, 2010, the District's cash deposits had a carrying balance of \$2,824,873. The District's cash deposits were not exposed to custodial credit risk, as all deposits were insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized in accordance with PDPA.

Investments

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

- Certain money market funds
- Written repurchase agreements collateralized by certain authorized securities
- Certain reverse repurchase agreements
- Guaranteed investment contracts
- Banker's acceptances of certain banks
- Certain corporate bonds
- General obligation and revenue bonds of U.S. local government entities
- Obligations of the United States and certain U.S. government agency securities
- Local government investment pools
- Certain securities lending agreements

Interest Rate Risk

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

**FOOTHILLS PARK & RECREATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010**

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

At December 31, 2010, the District had the following investments and maturities:

<u>Investment Type</u>	2010	
	<u>Fair Value</u>	<u>Maturities</u>
Money Market Mutual Funds	\$ 1,838	Less than 12 Months
Certificate of Deposit	250,489	Less than 12 Months
Government Agency Bond	218,643	More than 12 Months
Local Government Investment Pools	<u>4,393,963</u>	Less than 12 Months
Total	<u>\$ 4,864,933</u>	

Credit Risk

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

At December 31, 2010, the District had \$4,393,963 invested in Colorado Liquid Asset Trust Fund (COLOTRUST).

COLOTRUST are investment trust/joint ventures established for local government entities in Colorado to pool surplus funds. The trusts operate similarly to a money market fund with each share maintaining a value of \$1.00. Investments consist of U.S. Treasury bills, notes and repurchase agreements collateralized by U.S. Treasury securities. Designated custodian banks provide safekeeping and depository services to the trusts. Substantially all securities owned by the trusts are held in the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians' internal records identify the investments owned by COLOTRUST. The investments in COLOTRUST are rated AAAM by Standard and Poor's.

Concentration of Credit Risk

The District had no investment in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represents 5% or more of total District investments at December 31, 2010.

**FOOTHILLS PARK & RECREATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010**

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

Cash, cash equivalents and investments are restricted for the following purposes:

Reserve Fund

Series 2001 Golf Course Revenue Refunding and Improvement Bonds require that the District maintain a reserve amount equal to the least of 10% of the principal amount of the outstanding bonds, the maximum annual debt service in any calendar year on the outstanding bonds, or 125% of the average annual debt service on the outstanding bonds. For this purpose, the District had restricted investments of \$194,500 at December 31, 2010.

Summary of District Cash, Cash Equivalents and Investments

Cash deposits and investments at December 31, 2010 are summarized as follows:

	<u>2010</u>
Petty Cash	\$ 9,275
Cash Deposits	2,824,873
Investments	<u>4,864,933</u>
Total Cash Deposits and Investments	<u>\$ 7,699,081</u>

Cash deposits and investments are reflected on the December 31, 2010 statement of cash flows as follows:

	<u>2010</u>
Cash and Cash Equivalents	\$ 7,504,581
Restricted Investments	<u>194,500</u>
Total Cash Deposits and Investments	<u>\$ 7,699,081</u>

FOOTHILLS PARK & RECREATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010

NOTE 4: CAPITAL ASSETS AND DEPRECIATION

A summary of changes in Capital Assets for 2010 is as follows:

	JANUARY 1, 2010 BALANCE	INCREASES	DECREASES	DECEMBER 31, 2010 BALANCE
Capital Assets, Not Being Depreciated				
Land:				
District	\$ 19,810,890	\$ -	\$ -	\$ 19,810,890
Building Authority	750,000	-	-	750,000
Water Rights	276,784	-	-	276,784
Construction in Progress:				
District	119,145	1,245,198	(119,145)	1,245,198
Total Capital Assets, Not Being Depreciated	20,956,819	1,245,198	(119,145)	22,082,872
Capital Assets, Being Depreciated				
Buildings:				
District	26,767,007	9,332	-	26,776,339
Building Authority	16,292,285	-	-	16,292,285
Improvements				
District	31,215,232	218,093	-	31,433,325
Furniture, Fixtures and Equipment:				
District	5,892,628	385,106	(214,191)	6,063,543
Building Authority	290,208	-	-	290,208
Vehicles				
District	1,311,102	35,155	(27,052)	1,319,205
Total Capital Assets, Being Depreciated	81,768,462	647,686	(241,243)	82,174,905
Less Accumulated Depreciation for:				
Buildings:				
District	(5,122,610)	(534,016)	-	(5,656,626)
Building Authority	(2,708,279)	(412,331)	-	(3,120,610)
Improvements:				
District	(13,270,612)	(895,389)	-	(14,166,001)
Furniture, Fixtures and Equipment:				
District	(4,855,767)	(337,965)	207,818	(4,985,914)
Building Authority	(137,835)	(30,816)	-	(168,651)
Vehicles:				
District	(1,092,995)	(50,225)	27,052	(1,116,168)
Total Accumulated Depreciation	(27,188,098)	(2,260,742)	234,870	(29,213,970)
Capital Assets, Being Depreciated, Net	54,580,364	(1,613,056)	(6,373)	52,960,935
Net Capital Assets	\$ 75,537,183	\$ (367,858)	\$ (125,518)	\$ 75,043,807

**FOOTHILLS PARK & RECREATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010**

NOTE 4: CAPITAL ASSETS AND DEPRECIATION (CONTINUED)

For the year ended December 31, 2010 depreciation expense was charged to programs as follows:

Aquatics	\$ 139,039
Children's Programs	4,821
Golf Courses	396,255
Ice Arena	247,035
Recreation Centers	737,697
Recreation Programs	33,903
Parks and Regional Parks	617,646
General and Administration	84,346
Total	<u><u>\$ 2,260,742</u></u>

NOTE 5: CAPITAL LEASES

The following is an analysis of changes in the capital leases for the year ended December 31, 2010:

<u>Capital Leases</u>	January 1, 2010 <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	December 31, 2010 <u>Balance</u>	Current <u>Portion</u>
2005 B Lease Purchase	\$ 784,772	\$ -	\$ 116,267	\$ 668,505	\$ 121,725
2006 Lease Purchase	<u>6,956</u>	<u>-</u>	<u>6,956</u>	<u>-</u>	<u>-</u>
Total Lease Purchases	<u><u>\$ 791,728</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 123,223</u></u>	<u><u>\$ 668,505</u></u>	<u><u>\$ 121,725</u></u>

The detail of the District's capital leases is as follows:

In December 2005, the District entered into a leasing agreement for capital improvements in the amount of \$1,200,000, all of which was capitalized. As of December 31, 2010, the accumulated depreciation associated with the capitalized assets was \$144,000. The lease calls for semi-annual payments of \$75,674, including 4.64% interest, from June 2006 through December 2015.

In April 2006, the District entered into a leasing agreement for an additional 28 golf carts in an aggregate financed amount of \$105,005 which were not capitalized as assets since individually a golf cart is below our \$5,000 capitalization policy threshold. The lease calls for quarterly payments of \$7,019, including 3.65% interest, from April 2006 through January 2010. The lease was fully repaid in 2010.

FOOTHILLS PARK & RECREATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010

NOTE 5: CAPITAL LEASES (CONTINUED)

The following is a summary of the minimum payments under all leasing agreements:

Year Ending December 31,	Principal	Interest	Total
2011	\$ 121,725	\$ 29,623	\$ 151,348
2012	127,438	23,909	151,347
2013	133,420	17,928	151,348
2014	139,683	11,665	151,348
2015	146,239	5,109	151,348
Total Payments	<u>\$ 668,505</u>	<u>\$ 88,234</u>	<u>\$ 756,739</u>

NOTE 6: LONG TERM DEBT

The following is an analysis of the changes in long-term debt for the year ended December 31, 2010:

	January 1, 2009 Balance	Additions	Deletions	December 31, 2009 Balance	Current Portion
2001 General Obligation Bonds	\$ 16,975,000	\$ -	\$ 15,735,000	\$ 1,240,000	\$ 1,240,000
2002 General Obligation Bonds	1,100,000	-	60,000	1,040,000	65,000
2010 General Obligation Bonds	-	15,310,000	400,000	14,910,000	175,000
2001 Revenue Bonds	2,085,000	-	140,000	1,945,000	150,000
2002 Certificates of Participation	7,200,000	-	250,000	6,950,000	710,000
2004 Certificates of Participation	4,070,000	-	200,000	3,870,000	205,000
2006 Certificates of Participation	8,915,000	-	30,000	8,885,000	20,000
2010 Certificates of Participation, Series 2010A	-	1,895,000	-	1,895,000	205,000
2010 Certificates of Participation, Taxable QECB Series 2010B	-	1,000,000	-	1,000,000	-
Compensated Absences	351,512	29,320	-	380,832	-
	<u>40,696,512</u>	<u>18,234,320</u>	<u>16,815,000</u>	<u>42,115,832</u>	<u>2,770,000</u>
Less deferred cost of refunding	(592,901)	(1,259,039)	(149,334)	(1,702,606)	-
Plus net unamortized original issue premium (discount)	218,673	752,902	148,803	822,772	-
	<u>\$ 40,322,284</u>	<u>\$ 17,728,183</u>	<u>\$ 16,814,469</u>	<u>\$ 41,235,998</u>	<u>\$ 2,770,000</u>

FOOTHILLS PARK & RECREATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010

NOTE 6: LONG TERM DEBT (CONTINUED)

General Obligation Bonds

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

GO Series 2001 - In 2001, the District issued a total of \$22,000,000 of General Obligation bonds dated February 1, 2001. The bonds carry interest rates from 4.0% to 5.5% due semiannually. The bonds mature serially beginning in 2005 and continue through 2020. Bond projects include two new outdoor pools that opened in June 2002, an 80,000 square foot Recreation Center that opened in the summer of 2003, acquisition of open space, construction of a new park, replacement of asphalt trails with concrete trails, renovation of the Lilley Gulch Recreation Center, construction of a skate park that opened in the spring of 2002, replacement of baseball field backstops at the Schaefer Athletic Complex, and construction of new baseball/softball fields and soccer fields at the Easton Regional Park.

GO Series 2002 - In 2002, the District issued a total of \$1,360,000 of General Obligation Bonds dated June 26, 2002. The bonds carry interest rates from 3.25% to 5.70% due semiannually. The bonds mature serially beginning in 2005 and continue through 2022. Bond proceeds are for the landscaping and irrigation of greenbelt areas in the Kipling Villas subdivision.

GO Series 2010 - In 2010, the District issued a total of \$15,310,000 of General Obligation Refunding Bonds Series 2010 dated February 23, 2010. Proceeds from the sale of the bonds were used to refund a portion of the District's General Obligation Bonds, Series 2001, and to pay the costs of issuance of the Bonds. The bonds carry interest rates from 2.0% to 5.0% due semiannually and mature serially beginning in 2010 and continue through 2020. The bond refunding will save a majority of the District taxpayers approximately \$1.335 million in gross tax dollars over the next ten years as a result of the lower interest on the refunded bonds.

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

Year Ending December 31,	Principal	Interest	Total
2011	\$ 1,480,000	\$ 554,168	\$ 2,034,168
2012	1,570,000	479,445	2,049,445
2013	1,590,000	446,120	2,036,120
2014	1,630,000	412,045	2,042,045
2015	1,665,000	377,008	2,042,008
2016 - 2020	9,030,000	1,167,062	10,197,062
2021 - 2022	225,000	19,380	244,380
Total	<u>\$ 17,190,000</u>	<u>\$ 3,455,228</u>	<u>\$ 20,645,228</u>

**FOOTHILLS PARK & RECREATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010**

NOTE 6: LONG TERM DEBT (CONTINUED)

Revenue Bonds

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

Revenue Bond Series 2001 - In 2001, the District issued a total of \$2,220,000 of Revenue Refunding and Improvement Bonds dated February 15, 2001. The bonds carry interest rates from 4.0% to 6.0% due semi-annually. The bonds mature serially beginning in 2009 and continue through 2020. The bonds require a reserve amount equal to the least of 10% of the principal amount of the outstanding bonds, the maximum annual debt service in any calendar year on the outstanding bonds, or 125% of the average annual debt service on the outstanding bonds. The bond proceeds were for replacement of the irrigation system at the Meadows Golf Course.

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

Year Ending December 31,	Principal	Interest	Total
2011	\$ 150,000	\$ 114,720	\$ 264,720
2012	155,000	106,770	261,770
2013	165,000	98,400	263,400
2014	175,000	88,500	263,500
2015	185,000	78,000	263,000
2016 - 2020	1,115,000	208,200	1,323,200
Total	<u>\$ 1,945,000</u>	<u>\$ 694,590</u>	<u>\$ 2,639,590</u>

Certificates of Participation (COPs)

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

Building Authority COP Lease Purchase 2002 - In 2002, The Building Authority issued a total of \$17,435,000 of Certificates of Participation dated October 1, 2002. These certificates carry interest rates from 3.0% to 5.0% due semi-annually. The certificates mature beginning in 2003 and continue through 2026. The proceeds from these certificates have been used to refund the 1999 COPs and to construct an ice arena.

FOOTHILLS PARK & RECREATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010

NOTE 6: LONG TERM DEBT (CONTINUED)

Building Authority COP Lease Purchase 2004 - In 2004, the Building Authority issued a total of \$4,975,000 of Certificates of Participation dated June 1, 2004. These certificates carry interest rates from 2.75% to 4.875% due semi-annually. The certificates mature beginning in 2005 and continue through 2024. The proceeds from these certificates were used to remodel a recreation center and construct an indoor sports facility.

The Ice Arena, Ridge Recreation Center, and the Peak administrative building are collateral for the 2002 and 2004 COPs.

Building Authority COP Lease Purchase 2006 - In 2006, the Building Authority, issued \$9,135,000 of Certificates of Participation dated March 1, 2006. The certificates were issued to re-finance a portion of the 2002 COPs and relieve the payment demands until revenue from the facilities were able to establish themselves. These certificates mature between 2006 and 2026 and carry interest rates between 3.75% and 4.375% due semiannually.

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

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

**FOOTHILLS PARK & RECREATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010**

NOTE 6: LONG TERM DEBT (CONTINUED)

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

Year Ending December 31,	Principal	Interest	Total
2011	1,140,000	954,508	2,094,508
2012	1,185,000	906,747	2,091,747
2013	1,230,000	865,952	2,095,952
2014	1,270,000	825,207	2,095,207
2015	1,310,000	780,892	2,090,892
2016 - 2020	7,365,000	3,096,768	10,461,768
2021 - 2025	7,765,000	1,332,130	9,097,130
2026	1,335,000	60,281	1,395,281
Total	<u>\$ 22,600,000</u>	<u>\$ 8,822,485</u>	<u>\$ 31,422,485</u>

Defeased Debt

The District and the Building Authority have at various times entered into advance refunding transactions related to certain issues of their debt. A portion of the proceeds of the refunding bond issue were placed in trusts and used to purchase securities to meet all debt service requirements of the refunded debt. The liability for the refunded debt and the related securities and escrow accounts are not included in the accompanying financial statements, as the District defeased its obligations for payment of the refunded debt upon completion of the refunding transactions.

At December 31, 2010, the District had \$2,880,000 in defeased debt related to the 1999 Certificates of Participation, \$6,335,000 related to the 2002 Certificates of Participation, and \$14,545,000 related to the General Obligation Series 2001 Bonds.

NOTE 7: COMMITMENTS

As of December 31, 2010, the District had signed Energy Performance Contracts totaling \$2,982,180 for the installation of energy conservation projects throughout the District. As of December 31, 2010, \$2,334,658 had been completed on the contracts.

NOTE 8: RISK MANAGEMENT AND RELATED INSURANCE ISSUES

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

FOOTHILLS PARK & RECREATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010

NOTE 8: RISK MANAGEMENT AND RELATED INSURANCE ISSUES (CONTINUED)

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public official's liability, boiler and machinery and workers compensation coverage to its members.

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

For 2010 there were no significant reductions in insurance coverage from the prior year for any major category of risk. The amount of settlements did not exceed the insurance coverage for each of the past three fiscal years. The amount of risk retained by the District through deductibles on the insurance policies was not material to the District.

NOTE 9: SALARY DEFERRAL PLAN

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

The District has the authority to determine the amount, if any, of discretionary contributions to the Plan. The District's discretionary contribution made in 2010 was \$141,533.

FOOTHILLS PARK & RECREATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010

NOTE 10: NET ASSETS

The District has net assets consisting of four components – invested in capital assets, net of related debt, emergency reserve, restricted, and unrestricted.

Invested in capital assets, net of related debt

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

The District’s invested in capital assets, net of related debt as of December 31, 2010 was calculated as follows:

	2010
Capital Assets	\$ 75,043,807
Unamortized Debt Issue Costs	795,560
Unamortized Loss on Refundings	1,702,606
Unamortized Bond Debt (Premium) Discount	(822,772)
Outstanding Debt	(41,735,000)
Outstanding Capital Leases	(668,505)
Invested in Capital Asset, Net of Related Debt	\$ 34,315,696

Restricted Net Assets

Tax, Spending and Debt Limitations

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations including revenue increases, taxation, spending abilities, and debt limitations of state and local governments.

Spending and revenue limits are determined based on the prior year’s Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue. In May 2002, the District voters approved a ballot question to remove the revenue and spending limitations of the TABOR Amendment from the entire District.

The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment based on the interpretations of the amendment's language. At December 31, 2010 the District had an emergency reserve of \$566,000.

FOOTHILLS PARK & RECREATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010

NOTE 11: RELATED PARTY TRANSACTIONS

The District's Director of Parks served on the Board of Directors of Bergen Ditch in 2010. The District owns a 23.8% interest in both the Bergen Ditch and the Bergen Land, which are valued at \$112,497 as of December 31, 2010.

A newly elected Board Member of the District is married to the owner of a vendor that the District has done business with since the early 1990s. In 2010, the District purchased \$339,693 of equipment repair parts and certain Toro brand equipment from the vendor. This particular vendor is the sole local distributor of Toro equipment. The District is a member of the National IPA Purchasing Co-Operative and due to this relationship the District receives the same national discounts given by the Toro Corporate Office to members of the National IPA Purchasing Co-Operative.

NOTE 12: SUBSEQUENT EVENT

In December 2009, the District was sued in Jefferson County District Court by the Sixth Avenue West Estates Master Association, Andrew Burt, James McKinney and Debbie Zucker (collectively, the "Plaintiffs"). The Plaintiffs brought claims for declaratory judgment and injunctive relief in an effort to reverse the District's determination to convert to representation by "wards." In February 2010, the district court issued a ruling denying the Plaintiffs a preliminary injunction. On January 26, 2011, upon stipulation of the parties, the district court dismissed all of the Plaintiffs' claims, with prejudice.

NOTE 13: RECONCILIATION OF REVENUES AND EXPENSES GAAP TO BUDGETARY BASIS

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

SUPPLEMENTARY INFORMATION

FOOTHILLS PARK & RECREATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUNDS AVAILABLE
ACTUAL AND BUDGET (NON GAAP BUDGETARY BASIS)
ENTERPRISE FUND
For the Year Ended December 31, 2010

	Actual	Original Budget	Final Budget	Variance Favorable (Unfavorable)
REVENUE				
Aquatics	\$ 918,839	\$ 923,285	\$ 923,285	\$ (4,446)
Children's Programs	1,941,762	1,845,768	1,845,768	95,994
Golf Courses	4,443,896	4,916,234	4,916,234	(472,338)
Ice Arena	1,478,900	1,608,749	1,608,749	(129,849)
Recreation Centers	1,227,032	1,215,777	1,215,777	11,255
Recreation Programs	1,764,091	1,628,705	1,628,705	135,386
Parks and Regional Parks	507,277	466,972	466,972	40,305
General and Administrative	56,343	50,247	50,247	6,096
Property and Specific Ownership Taxes	7,545,992	7,588,001	7,588,001	(42,009)
Conservation Trust	397,258	435,000	435,000	(37,742)
Intergovernmental Grants	176,064	399,508	399,508	(223,444)
Grants and Contributions	71,123	46,000	46,000	25,123
Investment Income	26,471	37,392	37,392	(10,921)
Insurance Proceeds	207,322	-	-	207,322
Proceeds from the Sale of Capital Assets	28,410	-	-	28,410
Long-term Debt Proceeds	18,957,901	-	18,957,901	-
Other	109,332	499,913	499,913	(390,581)
Total Revenue	<u>39,858,013</u>	<u>21,661,551</u>	<u>40,619,452</u>	<u>(761,439)</u>
EXPENDITURES				
Aquatics	1,347,029	1,395,410	1,395,410	48,381
Children's Programs	1,528,520	1,484,875	1,484,875	(43,645)
Golf Courses	3,460,333	3,751,120	3,751,120	290,787
Ice Arena	906,770	947,104	947,104	40,334
Recreation Centers	2,045,989	2,066,625	2,066,625	20,636
Recreation Programs	1,379,915	1,317,935	1,317,935	(61,980)
Parks and Regional Parks	2,958,315	2,961,901	2,961,901	3,586
General and Administrative	1,655,180	1,904,031	1,904,031	248,851
Grants and Contributions Expenditures	242,859	432,866	432,866	190,007
Capital Repair and Replacement	3,080,200	858,443	3,688,203	608,003
Debt Service:				
Long-Term Debt Principal and Interest	3,959,472	3,774,836	3,973,640	14,168
Capital Lease Principal and Interest	158,268	158,367	158,367	99
Payment to Escrow Agent	15,651,837	-	15,651,837	-
Bond Issuance Costs	270,638	-	277,500	6,862
Other	99,591	108,038	108,038	8,447
Contingency	-	500,000	500,000	500,000
Total Expenditures	<u>38,744,916</u>	<u>21,661,551</u>	<u>40,619,452</u>	<u>1,874,536</u>
NET CHANGE IN FUNDS AVAILABLE	<u>1,113,097</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,113,097</u>
FUNDS AVAILABLE - Beginning of year	4,404,285			
FUNDS AVAILABLE - End of year	<u>\$ 5,517,382</u>			
Funds available is computed as follows:				
Current Assets	\$ 15,237,231			
Restricted Cash and Investments	194,500			
Deposits	7,000			
Current Liabilities	(12,432,242)			
Compensated Absences Payable	(380,832)			
Current Portion of Long-term Debt	2,891,725			
	<u>\$ 5,517,382</u>			

FOOTHILLS PARK & RECREATION DISTRICT
RECONCILIATION OF NON GAAP BUDGETARY BASIS (ACTUAL) TO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUND
For the Year Ended December 31, 2010

Revenues (Budgetary Basis)	\$ 39,858,013
Gain on Investment in Bergen Ditch LLC and Bergen Land LLC	6,989
Long-term Debt Proceeds	<u>(18,957,901)</u>
Revenues (GAAP)	<u>20,907,101</u>
Expenditures (Budgetary Basis)	38,744,916
Depreciation	2,260,742
Long-Term Debt and Capital Lease Principal Payments	(2,393,223)
Amortization of Long-Term Debt Issuance Costs	54,085
Amortization of Bond Premiums, Discounts and Losses on	
Long-term Debt Refundings	73,952
Payment to Escrow Agent	(15,651,837)
Bond Issuance Costs	(270,638)
Loss on Impairment of Asset	6,373
Capital Outlay	<u>(1,773,739)</u>
Expenditures (GAAP)	<u>21,050,631</u>
Changes in Net Assets per Statement of Revenue, Expenses and	
Changes in Net Assets	<u><u>\$ (143,530)</u></u>