

FOOTHILLS PARK & RECREATION DISTRICT
Jefferson County, Colorado

FINANCIAL STATEMENTS
December 31, 2016

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JOHN CUTLER & ASSOCIATES

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

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the Foothills Park and Recreation District, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements of the District, 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 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 expression an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluation 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 business-type activities and each major fund of the Foothills Park and Recreation District, as of December 31, 2016, 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 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 Foothills Park and Recreation District's basic financial statements. The supplementary 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 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 supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

John Cutler & Associates, LLC

May 4, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

- ◆ In 2016, the District continued work on a major capital improvement project at Clement Park. In the first phase, the District completed a project replacing a major portion of the aging irrigation system at the park. In addition, during 2016 the District launched the second phase of the project, which will include a rebuild of the concession and restroom building in the center of the softball fields, the replacement of the water fountain with a new interactive water feature, restoration of the restroom facilities on the east and west sides of the park and the installation of new energy efficient lighting. The project is partially funded by grants from Jefferson County Open Space and a grant from Great Outdoors Colorado and will continue throughout 2017.
- ◆ On June 30, 2016, as part of the bankruptcy proceedings of Rocky Mountain Roller Hockey League, Inc. ("RMRHL"), the District acquired the RMRHL facility, personal property and fixtures from RMRHL for \$1.4 million. The building is located on land owned by the District in the Schaefer Athletic Complex. The facility has been renamed to the Foothills Fieldhouse, and the District started offering programming in 2016 at the newly acquired location.
- ◆ On March 24, 2016, the District closed the sale of 4.65 acres of vacant land located at S. Wadsworth Blvd. and W. Coal Mine Ave., Jefferson County, Colorado to Cornerstone Capital Investments Inc. The District realized a gain of \$814,725, net of closing costs, from this sale.
- ◆ The District's cash and cash equivalents and total investments decreased \$1.8 million to \$12.0 million primarily due to the expenditure of funds on the Clement Park improvements mentioned above. Receivables increased by \$1.0 million due to the timing of payment from Jefferson County Open Space for grant funds associated with the completion of phase 1 of the Clement Park project.
- ◆ The District's total debt decreased \$2.9 million due to principal payments on outstanding debt.

- ◆ The District's net position (total assets plus deferred outflows of resources minus total liabilities and deferred inflows of resources) increased \$3.3 million. At December 31, 2016, the net position unrestricted balance was \$8.7 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

REQUIRED FINANCIAL STATEMENTS

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

Statement of Net Position

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

Statement of Revenues, Expenses, and Changes in Net Position

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

Statement of Cash Flows

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

FINANCIAL ANALYSIS OF THE DISTRICT

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District's activities in a way that can help understand the District's finances. The District's Net Position is another source to determine the financial health or financial position of the District. Over time, increases in the District's net position are an indicator that the District's financial health is improving. However, one should also consider

other non-financial factors such as changes in economic conditions, population growth, or changes in governmental legislation.

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

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

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

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

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

Statement of Revenues, Expenses and Changes in Net Position

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

Comparison of Revenue and Expenses – 2016 to 2015

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

Operating Expenses in 2016 were \$19,916,607 compared to \$18,702,064 in 2015, an increase of \$1,214,543, or 6.49%. Operating Expenses increased due to general inflationary trends in all major operating centers. The most significant increases occurred in Children's Programs, Parks and Regional Parks, and General and Administrative. Children's Programs increased by \$198,736,

or 10.65% primarily due to higher salaries and wages to support increased participation in day care and camp programs. Parks and Regional Parks increased \$609,265 or 15.57% mainly due to higher salaries and benefits and higher utilities, driven by higher water expenditures for the year, and higher levels of depreciation on park improvements. General and Administrative expenses increased \$139,369, or 8.61%, primarily due to higher election, professional services, salary and benefit expenses.

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

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

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

Cost Recovery Through Fees and Charges

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

Comparison of Revenue and Expenses – 2016 Actual to 2016 Budget

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

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2016, the District had invested \$70,423,215 in net capital assets, which represents a broad range of infrastructure including parks, recreation centers, golf courses, maintenance and administration facilities, vehicles, and equipment. The District's net capital assets increased by \$1,302,547 from net capital assets at the end of 2015 primarily due to the current year's additions, partially offset by current year depreciation of its capital assets. 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)

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

Long-Term Debt

The District paid \$2,917,800 in debt principal repayments during 2016 and at December 31, 2016 had \$27,191,779 in short and long-term debt. More detailed information about the District's long-term debt is presented in Note 5 to the financial statements. Below is a summary of changes in long-term debt:

Changes in Long-Term Debt

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

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

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

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

ECONOMIC FACTORS

The District has seen a significant increase in the number of patron visits to our facilities and to our various programs. Many of our facilities and programs are at or near capacity. The District anticipates fee revenue and other operational revenue sources to remain relatively flat for the foreseeable future. Any increase in revenue will be from fee increases or new programs. The need for fee increases will continue to be evaluated on an annual basis and be based on competitive rates for the markets we serve. The District’s golf rounds and related revenues are expected to remain flat for the near future, primarily due to the number of golf courses in our area competing for the same customers. Property valuations within the District are expected to increase in 2017, however the assessment rate for the calculation of residential assessed values is expected to decrease. As a result, property tax revenues are expected to increase moderately in 2017. Property tax revenue increases beyond 2017 are not expected to be significant. Little new development is expected to take 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 2.5% per year. We also expect utility and fuel costs to rise at rates much higher than inflation, more in the range of 5% per year.

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

Budgets will continue to be strained with the District's expectations that revenue streams will remain relatively flat and all major operating costs are expected to increase due to general inflationary trends in the foreseeable future. Funding for the repair and replacement of aging property and equipment is expected to be limited in future years.

REQUEST FOR INFORMATION

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

FOOTHILLS PARK & RECREATION DISTRICT
STATEMENTS OF NET POSITION
December 31, 2016 and 2015

	2016	2015
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 11,056,605	\$ 11,700,630
Receivables	1,517,149	547,224
Property Taxes Receivables	7,639,949	7,637,397
Inventories	275,268	261,103
Prepaid Expenses	439,777	379,767
Total Current Assets	20,928,748	20,526,121
Non-Current Assets		
Restricted Long-Term Investments	-	885,372
Nonrestricted Long-Term Investments	992,811	1,239,796
Capital Assets, Net of Accumulated Depreciation	70,423,215	69,120,668
Deposits	3,170	2,912
Investment in Bergen Ditch and Reservoir Co. and Bergen Land Co.	119,756	144,050
Total Non-Current Assets	71,538,952	71,392,798
Total Assets	92,467,700	91,918,919
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges	851,654	987,978
Total Assets and Deferred Outflows of Resources	93,319,354	92,906,897
LIABILITIES		
Current Liabilities		
Accounts Payables	905,761	918,853
Interest Payable	97,273	104,608
Accrued Payroll Payable	271,760	189,011
Long-Term Debt Payable (Current Portion)	2,975,800	2,917,800
Unearned Revenue	487,538	458,559
Total Current Liabilities	4,738,132	4,588,831
Non-Current Liabilities		
Compensated Absences Payable	484,994	432,310
Long-Term Debt Payable	25,067,633	28,188,489
Total Non-Current Liabilities	25,552,627	28,620,799
Total Liabilities	30,290,759	33,209,630
DEFERRED INFLOWS OF RESOURCES		
Deferred Property Taxes	7,639,949	7,637,397
Total Liabilities and Deferred Inflows of Resources	37,930,708	40,847,027
NET POSITION		
Net Investment in Capital Assets	46,068,205	42,002,357
Restricted	649,000	629,000
Unrestricted	8,671,441	9,428,513
Total Net Position	55,388,646	52,059,870
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 93,319,354	\$ 92,906,897

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

FOOTHILLS PARK & RECREATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>	<u>Change</u>	<u>% Change</u>
OPERATING REVENUES				
Fees and Charges:				
Aquatics	\$ 978,308	\$ 999,782	\$ (21,474)	-2.15%
Children's Programs	2,707,726	2,494,329	213,397	8.56%
Golf (Pledged for Payment of Revenue Bonds)	4,753,569	4,590,898	162,671	3.54%
Ice Arena	2,147,027	2,113,098	33,929	1.61%
Recreation Centers	1,462,339	1,315,775	146,564	11.14%
Recreation Programs	2,201,465	2,256,982	(55,517)	-2.46%
Parks and Regional Parks	472,062	512,301	(40,239)	-7.85%
General and Administrative	37,845	45,783	(7,938)	-17.34%
Total Operating Revenues	<u>14,760,341</u>	<u>14,328,948</u>	<u>431,393</u>	<u>3.01%</u>
OPERATING EXPENSES				
Aquatics	1,614,719	1,602,792	11,927	0.74%
Children's Programs	2,064,584	1,865,848	198,736	10.65%
Golf	3,734,611	3,693,687	40,924	1.11%
Ice Arena	1,658,983	1,603,469	55,514	3.46%
Recreation Centers	2,903,741	2,808,548	95,193	3.39%
Recreation Programs	1,661,167	1,597,552	63,615	3.98%
Parks and Regional Parks	4,521,573	3,912,308	609,265	15.57%
General and Administrative	1,757,229	1,617,860	139,369	8.61%
Total Operating Expenses	<u>19,916,607</u>	<u>18,702,064</u>	<u>1,214,543</u>	<u>6.49%</u>
NET LOSS FROM OPERATIONS	<u>(5,156,266)</u>	<u>(4,373,116)</u>		
NON-OPERATING REVENUES (EXPENSES)				
Property and Specific Ownership Taxes	8,241,228	7,414,990	826,238	11.14%
Conservation Trust	524,545	450,289	74,256	16.49%
Grants	1,003,809	613,385	390,424	63.65%
Grants Expenditures	(76,575)	(68,675)	(7,900)	11.50%
Facilities & Equipment Repairs and Replacements	(1,004,001)	(626,017)	(377,984)	60.38%
Investment Income	69,752	36,030	33,722	93.59%
Interest Expense	(1,038,801)	(1,055,460)	16,659	-1.58%
Interest Expense Subsidy	33,338	33,159	179	0.54%
Bond Issuance Cost	-	(257,670)	257,670	-100.00%
Gain (Loss) on Investment in Bergen Ditch and Reservoir Co. and Bergen Land Co.	(24,294)	13,389	(37,683)	-281.45%
Gain on Sale of Capital Assets	728,753	49,707	679,046	1366.10%
Gain on the Sale of Assets	44,726	48,040	(3,314)	-6.90%
Proceeds from Insurance	102,421	14,238	88,183	619.35%
Other Expense	(119,859)	(110,697)	(9,162)	8.28%
Total Net Non-Operating Revenues (Expenses)	<u>8,485,042</u>	<u>6,554,708</u>	<u>1,930,334</u>	<u>29.45%</u>
CHANGE IN NET POSITION	3,328,776	2,181,592	1,147,184	52.58%
NET POSITION, Beginning of Year	52,059,870	49,878,278	2,181,592	4.37%
NET POSITION, End of Year	<u>\$ 55,388,646</u>	<u>\$ 52,059,870</u>	<u>\$ 3,328,776</u>	<u>6.39%</u>

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

FOOTHILLS PARK & RECREATION DISTRICT
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	\$ 13,819,137	\$ 14,395,720
Payments to Suppliers	(6,469,700)	(6,015,367)
Payments to Employees	(10,650,557)	(10,178,863)
Net Cash Used by Operating Activities	(3,301,120)	(1,798,510)
CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES		
Property and Specific Ownership Taxes	8,241,228	7,414,990
Receipts from Conservation Trust Fund	524,545	450,289
Grants and Contributions Received, Net of Expenditures	927,234	544,709
Facilities & Equipment Repairs and Replacements	(1,004,001)	(626,016)
Other Expenditures	(119,859)	(110,697)
Net Cash Provided by Non-Capital Financing Activities	8,569,147	7,673,275
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest Expense Paid on Bonds and Leases	(1,021,530)	(1,033,047)
Acquisition of Capital Assets	(4,161,035)	(1,748,997)
Proceeds from the Sale of Assets	44,726	48,040
Proceeds from the Sale of Capital Assets	839,057	66,396
Proceeds from Insurance	102,421	14,238
Principal Payments on Long-Term Debt	(2,917,800)	(3,009,600)
Proceeds from Issuance of Refunded Bond Debt	-	12,042,479
Payment to Refunded Bond Escrow Agent	-	(8,790,000)
Bond Issuance Costs	-	(257,670)
Net Cash Used by Capital and Related Financing Activities	(7,114,161)	(2,668,161)
CASH FLOW FROM INVESTING ACTIVITIES		
Maturity (Purchase) of Investments	1,132,357	(495,108)
Interest on Investments	69,752	36,030
Net Cash Provided (Used) by Investing Activities	1,202,109	(459,078)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(644,025)	2,747,526
CASH AND CASH EQUIVALENTS, Beginning of Year	11,700,630	8,953,104
CASH AND CASH EQUIVALENTS, End of Year	\$ 11,056,605	\$ 11,700,630

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

(Continued)

FOOTHILLS PARK & RECREATION DISTRICT
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2016 and 2015
(Continued)

	2016	2015
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating Loss	\$ (5,156,266)	\$ (4,373,116)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation	2,748,184	2,281,513
Effect of changes in operating assets and liabilities:		
Receivables	(969,925)	(83,260)
Inventories	(14,165)	(17,589)
Prepaid Expense	(60,010)	(57,700)
Deposits	(258)	7,000
Accounts Payable	(13,092)	265,658
Accrued Payroll Payable	82,749	21,734
Compensated Absences Payable	52,684	14,218
Unearned Revenue	28,979	143,032
Total Adjustments	1,855,146	2,574,606
NET CASH USED IN OPERATING ACTIVITIES	\$ (3,301,120)	\$ (1,798,510)

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, 2016**

NOTE 1: DEFINITION OF REPORTING ENTITY

Financial Reporting Entity

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

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

Component Unit

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

Joint Venture

The Bergen Ditch and Reservoir Company (Bergen Ditch) and Bergen Ditch Land Company (Bergen Land) are corporations owned and controlled by various governmental entities and private individuals. The purpose of Bergen Ditch is to own and operate a water ditch system known as the Bergen Ditch. The District has a 23.8% ownership interest in Bergen Ditch and a 26.3% ownership interest in Bergen Land. In addition, the District leases another 60.5% of shares with voting interests in Bergen Ditch from Jefferson County. The District's Executive Director and Director of Parks, Planning and Construction served on the Board of Directors of Bergen Ditch in 2016. 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, 2016**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Measurement Focus

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

Basis of Accounting

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

Proprietary Fund

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal 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.

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.

**FOOTHILLS PARK & RECREATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

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

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

Restricted Assets

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

Property Taxes

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

The levy is normally set by December 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 lien sales are in November.

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

Capital Assets

Capital Assets include property, improvements to property, buildings, equipment, and water rights with an initial individual value of \$5,000 or greater. All capital assets are valued at historical cost

**FOOTHILLS PARK & RECREATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

or at an estimated historical cost if actual historical cost was not available. Donated assets are valued at their estimated fair values on the date donated.

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

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

Compensated Absences

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

Amortization

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

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

Deferred Cost on Bond and Certificate of Participation Refunding

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

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

**FOOTHILLS PARK & RECREATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

At December 31, 2016, the District's cash deposits had a carrying balance of \$1,362,612. The District's cash deposits were not exposed to custodial credit risk, as all deposits were insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized in accordance with PDPA. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned.

Investments and Credit Risk

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

**FOOTHILLS PARK & RECREATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

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

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

Interest Rate Risk

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

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

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

At December 31, 2016, the District had \$2,201,953 and \$3,327 invested in Firstbank Colorado and Sigma Financial Corporation money market investment accounts, respectively.

Fair Value

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

**FOOTHILLS PARK & RECREATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

At December 31, 2016, the District had \$992,811 invested in Federal Home Loan Bank Bonds and bank certificates of deposit. These investments are valued with Level 1 inputs.

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

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. This investment is valued using Level 2 inputs.

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, 2016.

Summary of District Cash, Cash Equivalents and Investments

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

	<u>2016</u>
Petty Cash	\$ 8,345
Cash Deposits	1,362,612
Investments	<u>10,678,459</u>
Total Cash Deposits and Investments	<u>\$ 12,049,416</u>

**FOOTHILLS PARK & RECREATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

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

	2016
Cash and Cash Equivalents	\$ 11,056,605
Non-Restricted Investments	992,811
Total Cash Deposits and Investments	\$ 12,049,416

NOTE 4: CAPITAL ASSETS AND DEPRECIATION

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

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

**FOOTHILLS PARK & RECREATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 4: CAPITAL ASSETS AND DEPRECIATION (CONTINUED)

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

Aquatics	\$	142,349
Children's Programs		10,130
Golf Courses		317,071
Ice Arena		272,184
Recreation Centers		789,572
Recreation Programs		5,473
Parks and Regional Parks		1,159,067
General and Administration		52,338
Total	<u>\$</u>	<u>2,748,184</u>

NOTE 5: LONG TERM DEBT

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

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

General Obligation Bonds

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

**FOOTHILLS PARK & RECREATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 5: LONG TERM DEBT (CONTINUED)

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

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

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

Year Ending December 31,	Principal	Interest	Total
2017	\$ 1,750,800	\$ 273,903	\$ 2,024,703
2018	1,803,900	225,744	2,029,644
2019	1,851,300	171,856	2,023,156
2020	1,928,600	99,003	2,027,603
2021	105,700	4,738	110,438
2022	107,300	1,837	109,137
Total	<u>\$ 7,547,600</u>	<u>\$ 777,081</u>	<u>\$ 8,324,681</u>

Revenue Bonds

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

Revenue Bond Series 2011 - In 2011, the District issued a total of \$1,815,000 of Revenue Refunding Bonds, Series 2011, dated June 28, 2011. Proceeds from the sale of the bonds along

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

**FOOTHILLS PARK & RECREATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 5: LONG TERM DEBT (CONTINUED)

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

Year Ending December 31,	Principal	Interest	Total
2017	\$ 190,000	\$ 27,808	\$ 217,808
2018	190,000	21,120	211,120
2019	200,000	14,432	214,432
2020	210,000	7,392	217,392
Total	<u>\$ 790,000</u>	<u>\$ 70,752</u>	<u>\$ 860,752</u>

Certificates of Participation (COPs)

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

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 refund 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. These Bonds were refunded in 2015 with proceeds from the issuance of the 2015 Certificates of Participation.

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

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

Foothills Park & Recreation COP Lease Purchase 2013 - In 2013, the District issued \$9,300,000 of Certificates of Participation dated May 15, 2013. Proceeds from the sale of the bond were used to refund a portion of the District’s Certificates of Participation Bonds, Series 2002 and 2004, and to pay the costs of issuance of the Bonds. These certificates mature between 2013 and 2028 and carry interest rates between 2.00% to 3.15% due semiannually.

**FOOTHILLS PARK & RECREATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 5: LONG TERM DEBT (CONTINUED)

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

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

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

Year Ending December 31,	Principal	Interest	Total
2017	\$ 1,035,000	\$ 682,080	\$ 1,717,080
2018	1,060,000	659,788	1,719,788
2019	1,080,000	636,713	1,716,713
2020	1,110,000	602,913	1,712,913
2021	1,130,000	569,588	1,699,588
2022 - 2026	5,035,000	2,283,575	7,318,575
2027 - 2031	6,545,000	1,163,263	7,708,263
2032	1,340,000	67,000	1,407,000
Total	<u>\$ 18,335,000</u>	<u>\$ 6,664,919</u>	<u>\$ 24,999,919</u>

NOTE 6: RISK MANAGEMENT AND RELATED INSURANCE ISSUES

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

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

The District pays annual premiums to the Pool for liability, property, public official's liability and workers compensation coverage. In the event aggregated losses incurred by the Pool exceeded amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool

**FOOTHILLS PARK & RECREATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 6: RISK MANAGEMENT AND RELATED INSURANCE ISSUES (CONTINUED)

determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

For 2016 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 7: SALARY DEFERRAL PLAN

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

The District has the authority to determine the amount, if any, of discretionary contributions to the Plan. The District's discretionary contribution made in 2016 was \$225,216.

NOTE 8: NET POSITION

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

Net Investment in Capital Assets

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

**FOOTHILLS PARK & RECREATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 8: NET POSITION (CONTINUED)

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

	2016
Capital Assets	\$ 70,423,215
Outstanding Debt	(26,672,600)
Unamortized Bond Debt Premium	(1,370,833)
Unamortized Deferred Charges	851,654
Unspent Debt Proceeds	2,836,769
Net Investment in Capital Assets	<u>\$ 46,068,205</u>

Restricted Net Position

Tax, Spending and Debt Limitations

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

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

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

Unrestricted Net Position

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

**FOOTHILLS PARK & RECREATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 9: FOOTHILLS ARTS & EVENTS AGENCY

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

NOTE 10: RELATED PARTY TRANSACTIONS

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

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

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

SUPPLEMENTARY INFORMATION

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

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

**FOOTHILLS PARK & RECREATION DISTRICT
RECONCILIATION OF NON GAAP BUDGETARY BASIS (ACTUAL) TO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
ENTERPRISE FUND
For the Year Ended December 31, 2016**

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

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

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

History of District Assessed Valuation

Levy/Collection Year	Regular District Property (1)	Subdistrict A	Subdistrict B	Entire District Total (2)	Percent Change
2011/2012	93,539,782	838,722,343	14,826,438	932,262,125	-2.60%
2012/2013	93,763,873	837,044,119	14,856,668	930,807,992	-0.20%
2013/2014	97,435,372	833,567,974	14,442,015	931,003,346	0.02%
2014/2015	97,518,919	833,516,391	14,448,217	931,035,310	0.00%
2015/2016	105,317,577	969,963,337	17,666,714	1,075,280,914	15.49%

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

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

History of Mill Levies

Levy/Collection Year	District		Subdistrict A		Subdistrict B	
	General	Bond	General (1) (2)	Bond	General (1) (2)	Bond
2011/2012	4.081	0.000	1.134	2.331	4.300	8.329
2012/2013	4.079	0.000	1.125	2.323	4.302	7.331
2013/2014	4.080	0.000	1.140	2.339	4.300	7.634
2014/2015	4.085	0.000	1.119	2.347	4.300	7.717
2015/2016	4.079	0.000	1.136	2.022	4.300	6.352

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

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

History of Property Tax Collections

Levy/Collection Year	Total Taxes Levied	Current Tax Collections (1)	Percent of Levy Collected
2011/2012	6,897,978	6,868,293	99.6%
2012/2013	6,855,722	6,837,868	99.7%
2013/2014	6,870,828	6,830,117	99.4%
2014/2015	6,865,867	6,837,702	99.6%
2015/2016	7,637,397	7,629,505	99.9%

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

FOOTHILLS PARK AND RECREATION DISTRICT
History of Revenues, Expenses and Changes in Net Position

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Operating Revenues					
Fees and Charges:					
Aquatics	\$ 964,514	\$ 1,012,901	\$ 1,020,960	\$ 999,782	\$ 978,308
Children's Programs	2,186,117	2,280,055	2,369,324	2,494,329	2,707,726
Golf (Pledged for Payment of Revenue Bonds)	4,658,815	4,393,913	4,639,679	4,590,898	4,753,569
Ice Arena	1,911,060	1,918,878	2,050,242	2,113,098	2,147,027
Recreation Centers	1,321,881	1,299,379	1,295,362	1,315,775	1,462,339
Recreation Programs	1,988,966	2,047,138	2,164,498	2,256,982	2,201,465
Parks and Regional Parks	540,007	532,816	542,649	512,301	472,062
General and Administrative	44,149	33,694	35,653	45,783	37,845
Total	<u>13,615,509</u>	<u>13,518,774</u>	<u>14,118,367</u>	<u>14,328,948</u>	<u>14,760,341</u>
Operating Expenses					
Aquatics	1,470,965	1,575,089	1,604,340	1,602,792	1,614,719
Children's Programs	1,631,792	1,705,202	1,729,857	1,865,848	2,064,584
Golf	3,408,494	3,360,454	3,476,536	3,693,687	3,734,611
Ice Arena	1,473,262	1,504,539	1,586,235	1,603,469	1,658,983
Recreation Centers	2,703,666	2,668,440	2,728,358	2,808,548	2,903,741
Recreation Programs	1,486,679	1,513,197	1,566,254	1,597,552	1,661,167
Parks and Regional Parks	3,675,792	3,831,762	3,801,791	3,912,308	4,521,573
General and Administrative	1,604,709	1,611,026	1,717,200	1,617,860	1,757,229
Total	<u>17,455,359</u>	<u>17,769,709</u>	<u>18,210,571</u>	<u>18,702,064</u>	<u>19,916,607</u>
Net Loss from Operations	(3,839,850)	(4,250,935)	(4,092,204)	(4,373,116)	(5,156,266)
Non-Operating Revenues (Expenses)					
Property and Specific Ownership Taxes	7,357,732	7,341,775	7,372,506	7,414,990	8,241,228
Conservation Trust	454,812	494,934	448,217	450,289	524,545
Grants	543,519	275,826	330,882	613,385	1,003,809
Grants Expenditures	(83,834)	(93,490)	(115,122)	(68,675)	(76,575)
Facilities & Equipment Repairs and Replacements	(196,069)	(688,274)	(680,947)	(626,017)	(1,004,001)
Investment Income	23,567	20,877	29,514	36,030	69,752
Interest Expense	(1,500,471)	(1,291,961)	(1,171,894)	(1,055,460)	(1,038,801)
Interest Expense Subsidy	35,770	34,214	33,195	33,159	33,338
Bond Issuance Cost	(21,003)	(226,291)	-	(257,670)	-
Gain (Loss) on Investment	(1,353)	8,857	6,416	13,389	(24,294)
Gain on Sale of Assets	39,227	1,757,009	1,140,074	97,747	773,479
Proceeds from Insurance	66,550	-	17,325	14,238	102,421
Other Expense	(103,453)	(113,929)	(105,680)	(110,697)	(119,859)
Total	<u>6,614,994</u>	<u>7,519,547</u>	<u>7,304,486</u>	<u>6,554,708</u>	<u>8,485,042</u>
Change in Net Position	2,775,144	3,268,612	3,212,282	2,181,592	3,328,776
Beginning Net Position	41,571,183	43,397,384	46,665,996	49,878,278	52,059,870
Prior Period Adjustment	(948,943)	-	-	-	-
Ending Net Position	<u>\$ 43,397,384</u>	<u>\$ 46,665,996</u>	<u>\$ 49,878,278</u>	<u>\$ 52,059,870</u>	<u>\$ 55,388,646</u>

FOOTHILLS PARK AND RECREATION DISTRICT
Historical Net Position

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Net Investment in Capital Assets	\$ 36,741,581	\$ 38,018,204	\$ 39,785,709	\$ 42,002,357	\$ 46,068,205
Restricted	584,000	581,000	589,000	629,000	649,000
Unrestricted	<u>6,071,803</u>	<u>8,066,792</u>	<u>9,503,569</u>	<u>9,428,513</u>	<u>8,671,441</u>
Total Net Position	<u>\$ 43,397,384</u>	<u>\$ 46,665,996</u>	<u>\$ 49,878,278</u>	<u>\$ 52,059,870</u>	<u>\$ 55,388,646</u>