MOUNT VERNON
COUNTRY CLUB

Mount Vernon Country Club
Metropolitan District

Financial Statements

December 31, 2011

Mount Vernon Country Club Metropolitan District

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Independent Auditors' Report

To the Board of Directors
Mount Vernon Country Club
Metropolitan District
Golden, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Mount Vernon Country Club Metropolitan District (the "District") as of and for the year ended December 31, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the District as of December 31, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information for the general fund on pages 2 through 5 and 27, respectively, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The budgetary comparison information for the conservation trust fund and proprietary funds and the notes to supplementary information on pages 28 through 30 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The budgetary comparison information for the conservation trust fund and proprietary funds and the notes to supplementary information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Brock and Company CPAs P.C.

Certified Public Accountants

Littleton, Colorado
April 13, 2012

Required Supplementary Information

Mount Vernon Country Club Metropolitan District

Management's Discussion and Analysis
December 31, 2011

As management of Mount Vernon Country Club Metropolitan District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2011.

Overview of the Financial Statements
This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of the following components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information of all the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include general government, roads and drainage, fire mitigation, and land management. The business-type activities of the District include the clubhouse recreational facilities and the water system.

The government-wide financial statements can be found on pages 6-7 of this report.

Fund Financial Statements A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the district's near-term financing decisions. Both the expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The basic governmental fund financial statements can be found on pages 8-10 of this report.

Proprietary Funds The District maintains proprietary funds commonly known as enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses enterprise funds to account for its recreational clubhouse facility and water system.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the business-type services provided by the District, each of which is considered to be a major fund of the District.

The basic proprietary fund financial statements can be found on pages 11-14 of this report.

Notes to the Financial Statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15-26 of this report.

Government-wide Financial Analysis

Mount Vernon Country Club Metropolitan District's Net Assets as of December 31

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Current and other assets	$ 118,490	$ 134,850	$ 1,402,774	$ 659,840	$ 1,521,264	$ 794,690
Capital assets, net	761,278	772,554	4,431,163	4,397,679	5,192,441	5,170,233
Total assets	879,768	907,404	5,833,937	5,057,519	6,713,705	5,964,923
Long-term liabilities outstanding	-	-	2,265,809	1,526,151	2,265,809	1,526,151
Other liabilities	75,546	84,113	842,454	804,462	918,000	888,575
Total liabilities	75,546	84,113	3,108,263	2,330,613	3,183,809	2,414,726
Net Assets:						
Invested in capital assets, net of related debt	761,278	772,554	2,084,239	2,799,144	2,845,517	3,571,698
Restricted	42,944	36,445	-	-	42,944	36,445
Unrestricted	-	14,292	641,435	(72,238)	641,435	(57,946)
Total net assets	$ 804,222	$ 823,291	$ 2,725,674	$ 2,726,906	$ 3,529,896	$ 3,550,197

The largest portion of the District's assets is reflected in the investment in capital assets (land; infrastructure; buildings and grounds; furniture, fixtures, and equipment; recreational facility; wastewater treatment facility; and the water system). Capital assets account for 77.3% and 86.7% of the total assets as of December 31, 2011 and 2010, respectively. The District uses these assets to provide services to its citizens and Clubhouse members. Accordingly, these assets are not an available source for payment of future spending. Of the remaining assets, 3.0% of the governmental activities annual budget is restricted for the use in the event of an emergency.

The District's net assets decreased by $20,301. The decrease can be attributed to a decrease in revenues and an increase in expenses which includes an approximate $30,000 write-off of the expenses incurred in connection with the refinancing of the recreational facility's capital lease obligation during 2008. Current and other assets increased by $726,574 mainly due to proceeds from the District's refinancing of the recreational facility's capital lease obligation in December 2011.

Mount Vernon Country Club Metropolitan District

Management's Discussion and Analysis

December 31, 2011

Governmental Activities Governmental activities before special items and transfers decreased the District's net assets by $48,843 compared to an increase before special items and transfers in 2010 of $17,927. Although the governmental revenues of the District typically support the governmental operating expenditures, capital additions are regularly subsidized by the business type (enterprise) activities of the District.

Mount Vernon Country Club Metropolitan District's Net Assets as of December 31

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
REVENUES:						
Program revenues						
Charges for services	$ -	$ -	$ 4,711,967	$ 4,764,069	$ 4,711,967	$ 4,764,069
Capital grants and contributions	45,476	34,188	-	-	45,476	34,188
General revenues						
Property taxes	84,087	81,432	-	-	84,087	81,432
Other taxes	5,432	5,560	-	-	5,432	5,560
Interest and other revenue	82	140	43	11	125	151
Total revenues	135,077	121,320	4,712,010	4,764,080	4,847,087	4,885,400
EXPENSES:						
General government	41,377	18,363	-	-	41,377	18,363
Roads and Drainage	80,588	54,725	-	-	80,588	54,725
Land Management	7,819	3,471	-	-	7,819	3,471
Fire mitigation	54,136	26,834	-	-	54,136	26,834
Parks and Recreation	-	-	-	-	-	-
Recreational Clubhouse Facility	-	-	4,600,021	4,653,004	4,600,021	4,653,004
Water	-	-	83,447	59,242	83,447	59,242
Total expenses	183,920	103,393	4,683,468	4,712,246	4,867,388	4,815,639
Increase (decrease) in net assets before special items and transfers	(48,843)	17,927	28,542	51,834	(20,301)	69,761
Special Item:						
Gain on sale of land	-	825	-	-	-	825
Transfers	29,774	(27,000)	(29,774)	27,000	-	-
Increase (decrease) in net assets	(19,069)	(8,248)	(1,232)	78,834	(20,301)	70,586
Net assets January 1	823,291	831,539	2,726,906	2,648,072	3,550,197	3,479,611
Net assets December 31	$ 804,222	$ 823,291	$ 2,725,674	$ 2,726,906	$ 3,529,896	$ 3,550,197

Business-type activities. The business-type activities (Recreational Clubhouse Facility and Water Fund) before special items and transfers increased net assets in 2011 by $28,542 compared to an increase of $51,834 in 2010. Total revenues of the business-type activities decreased in 2011 by $52,070 or 1% mainly because of a decrease in wedding and banquet food and beverage sales in the Recreational Clubhouse Facility.

Financial analysis of the District's funds As mentioned earlier, the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental funds The focus of the District's governmental funds is to provide information on near-term inflows and outflows and balances of spendable resources.

As of the end of the current fiscal year, the District's governmental funds reported combined fund balances of $42,944 compared to $50,737 in 2010. Of the District's $42,944 combined governmental fund balance as of December 31, 2011, $32,129 is restricted for emergency under the Taxpayer's Bill of Rights ("TABOR") and $10,815 is restricted to capital projects that would only be allowed as Conservation Trust Fund type projects.

The general fund had an increase of $106,500 between its original and final budgeted amount to provide for a land purchase and for fire mitigation expenditures incurred in connection with a Colorado State Forest Service fire mitigation matching grant.

Proprietary funds Unrestricted net assets for the current fiscal year were $641,435 compared to $(72,238) for 2010.

Capital assets The District's government-wide investments in capital assets increased from $5,170,233 in 2010 to $5,192,441 in 2011 (net of accumulated depreciation), while the net investment in capital assets (net of related debt) decreased from $3,571,698 in 2010 to $2,845,517 in 2011. This was caused by capital asset additions outpacing depreciation along with the refinancing of the capital lease obligations during the year. Additional information on the District's net capital assets can be found in the Notes on page 23 of this report.

Short term and long term debt As of the end of the current fiscal year, the District had long term debt obligations (capital leases) in the amount of $2,346,924, of which $158,528 is classified as current.

See Notes 6, 7 and 8 on pages 23-25 of this report for more detailed information on the District's financial debt obligations.

Next year's budget The mill levy for the district is 21.110, and will decrease revenues in the General Fund by approximately $12,600 over the previous year. The Recreational Clubhouse Facility budget calls for a slight increase in revenues. It also provides for an increase of approximately $1 million in expenses mainly related to the planned capital outlay for the Canyon Trail Room. Management believes this budget allows for sufficient revenue to support timely repayment of debt and make projected capital improvements in 2012.

Request for information This financial report is designed to provide a general overview of the Mount Vernon Country Club Metropolitan District's finances for all those with an interest in the District's finances. Questions concerning any of the information in this report or requests for additional financial information should be addressed to the District's Executive Manager, 24933 Clubhouse Circle, Golden, Colorado 80401.

Government-Wide Financial Statements

Mount Vernon Country Club
Metropolitan District

Statement of Net Assets
As of December 31, 2011

	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 46,577	$ 93,022	$ 139,599
Cash - land conservation	-	44,684	44,684
Cash - capital improvements escrow account	-	850,581	850,581
Accounts receivable	-	272,120	272,120
Inventories	-	82,986	82,986
Property taxes assessed but not collected until subsequent year	71,489	-	71,489
Prepaid expenses and other current deferred charges	-	30,758	30,758
Taxes receivable	424	-	424
Fire mitigation grant receivable	-	-	-
Total current assets	118,490	1,374,151	1,492,641
Non-current assets:			
Other deferred charges	-	28,623	28,623
Capital assets, net	761,278	4,431,163	5,192,441
Total non-current assets	761,278	4,459,786	5,221,064
Total assets	879,768	5,833,937	6,713,705
LIABILITIES			
Current liabilities:			
Accounts payable	-	127,507	127,507
Accrued expenses	-	151,837	151,837
Deposits	-	184,698	184,698
Deferred revenues - unearned dues	-	219,884	219,884
Property taxes assessed but not collected until subsequent year	71,489	-	71,489
Property tax on acquired land payable	4,057	-	4,057
Capital leases, current portion	-	158,528	158,528
Total current liabilities	75,546	842,454	918,000
Non-current liabilities:			
Compensated absences	-	77,413	77,413
Capital leases, non-current portion	-	2,188,396	2,188,396
Total non-current liabilities	-	2,265,809	2,265,809
Total liabilities	75,546	3,108,263	3,183,809
NET ASSETS			
Invested in capital assets, net of related debt	761,278	2,084,239	2,845,517
Restricted	42,944	-	42,944
Unrestricted	-	641,435	641,435
Total net assets	$ 804,222	$ 2,725,674	$ 3,529,896

The accompanying Notes are an integral part of these financial statements

Mount Vernon Country Club Metropolitan District

Statement of Activities

Year ended December 31, 2011

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets – Primary Government: Governmental Activities	Primary Government: Business Type Activities	Primary Government: Total
Primary Government:						
Governmental activities:						
General government	$ 41,377	$ -	$ -	$ (41,377)	$ -	$ (41,377)
Roads and drainage	80,588	-	-	(80,588)	-	(80,588)
Land management	7,819	-	-	(7,819)	-	(7,819)
Fire mitigation	54,136	-	43,981	(10,155)	-	(10,155)
Parks and recreation	-	-	1,495	1,495	-	1,495
Total government activities	183,920	-	45,476	(138,444)	-	(138,444)
Business-type activities:						
Recreational Clubhouse	4,600,021	4,622,093	-	-	22,072	22,072
Water	83,447	89,874	-	-	6,427	6,427
Total business-type activities	4,683,468	4,711,967	-	-	28,499	28,499
Total primary government	$ 4,867,388	$ 4,711,967	$ 45,476	(138,444)	28,499	(109,945)
General Revenues:						
Taxes:						
Property taxes				84,087	-	84,087
Ownership tax				5,432	-	5,432
Investment earnings				82	43	125
Net Transfers				29,774	(29,774)	-
Total general revenues and transfers				119,375	(29,731)	89,644
Change in net assets				(19,069)	(1,232)	(20,301)
Net assets-beginning				823,291	2,726,906	3,550,197
Net assets-ending				$ 804,222	$ 2,725,674	$ 3,529,896

The accompanying Notes are an integral part of these financial statements

Fund Financial Statements

Mount Vernon Country Club Metropolitan District

Balance Sheet – Governmental Funds

As of December 31, 2011

	General Fund	Conservation Trust Fund	Total Governmental Funds
Assets:			
Cash and cash equivalents	$ 35,762	$ 10,815	$ 46,577
Property taxes assessed but not collected until subsequent year	71,489	-	71,489
Taxes receivable	424	-	424
Fire mitigation grant receivable	-	-	-
Total assets	107,675	10,815	118,490
Liabilities:			
Property taxes assessed but not collected until subsequent year	71,489	-	71,489
Property taxes on acquired land payable	4,057	-	4,057
Total liabilities	75,546	-	75,546
Fund Balances:			
Restricted	32,129	10,815	42,944
Total fund balances	32,129	10,815	42,944
Total liabilities and fund balances	$ 107,675	$ 10,815	
Amount reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			761,278
Net assets of governmental activities			$ 804,222

The accompanying Notes are an integral part of these financial statements

Mount Vernon Country Club
Metropolitan District

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Year ended December 31, 2011

	General Fund	Conservation Trust Fund	Total
Revenues:			
Property taxes	$ 84,087	$ -	$ 84,087
Ownership taxes	5,432	-	5,432
Lottery proceeds	-	1,495	1,495
Fire mitigation grant and contributions	43,981	-	43,981
Interest	81	1	82
Total revenues	133,581	1,496	135,077
Expenditures:			
General government	41,377	-	41,377
Roads and drainage	54,637	-	54,637
Land management	7,819	-	7,819
Fire mitigation	54,136	-	54,136
Debt service:			
Principal	-	-	-
Interest	-	-	-
Capital outlay	14,675	-	14,675
Total expenditures	172,644	-	172,644
Excess (deficiency) of revenues over expenditures	(39,063)	1,496	(37,567)
Other financing sources and uses, including transfers:			
Operating transfers in (out)	29,774	-	29,774
Net change in fund balance	(9,289)	1,496	(7,793)
Fund balances (both restricted and unassigned) December 31, 2010	41,418	9,319	50,737
Fund balances, restricted December 31, 2011	$ 32,129	$ 10,815	$ 42,944

The accompanying Notes are an integral part of these financial statements

Mount Vernon Country Club Metropolitan District

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year ended December 31, 2011

Net Change in Fund Balances of Governmental Funds	**$ (7,793)**
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays during the year.	**(11,276)**
Change in Net Assets of Governmental Activities	**$ (19,069)**

The accompanying Notes are an integral part of these financial statements

Mount Vernon Country Club
Metropolitan District

Statement of Net Assets – Proprietary Funds
As of December 31, 2011

	Recreational Clubhouse Facility	Water Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 45,449	$ 47,573	$ 93,022
Cash and cash equivalents - land conservation	44,684	-	44,684
Cash and cash equivalents - capital improvements escrow account	850,581	-	850,581
Accounts receivable	264,144	7,976	272,120
Inventories	82,986	-	82,986
Prepaid expenses and other current deferred charges	30,758	-	30,758
Total current assets	1,318,602	55,549	1,374,151
Non-current assets:			
Other deferred charges	28,623	-	28,623
Capital assets, net	4,282,068	149,095	4,431,163
Total non-current assets	4,310,691	149,095	4,459,786
Total assets	5,629,293	204,644	5,833,937
LIABILITIES			
Current liabilities:			
Accounts payable	127,507	-	127,507
Accrued expenses	151,837	-	151,837
Deposits	184,698	-	184,698
Deferred revenues - unearned dues	219,884	-	219,884
Capital leases, current portion	158,528	-	158,528
Total current liabilities	842,454	-	842,454
Non-current liabilities:			
Compensated absences	77,413	-	77,413
Capital leases, non-current portion	2,188,396	-	2,188,396
Total non-current liabilities	2,265,809	-	2,265,809
Total liabilities	3,108,263	-	3,108,263
NET ASSETS			
Invested in capital assets, net of related debt	1,935,144	149,095	2,084,239
Restricted	-	-	-
Unrestricted	585,886	55,549	641,435
Total Net Assets	$ 2,521,030	$ 204,644	$ 2,725,674

The accompanying Notes are an integral part of these financial statements

Mount Vernon Country Club
Metropolitan District

Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds

Year ended December 31, 2011

	Recreational Clubhouse Facility	Water Fund	Total
Operating Revenues:			
Membership social dues	$ 1,106,457	$ -	$ 1,106,457
Initiation fees	126,359	-	126,359
Food and beverage sales	2,616,275	-	2,616,275
Food related other income	103,019	-	103,019
Swimming pool and exercise	337,730	-	337,730
Tennis courts	143,925	-	143,925
Service charges	-	89,874	89,874
Insurance proceeds and other income	188,328	-	188,328
Total Operating Revenues	4,622,093	89,874	4,711,967
Operating Expenses:			
Food and beverage	2,589,285	-	2,589,285
Swimming pool and exercise	163,156	-	163,156
Tennis courts	113,408	-	113,408
Water	-	71,378	71,378
Clubhouse	387,011	-	387,011
Marketing	173,954	-	173,954
Administrative	552,331	-	552,331
General services	158,722	-	158,722
Depreciation	335,800	12,069	347,869
Total Operating Expenses	4,473,667	83,447	4,557,114
Operating Income (Loss)	148,426	6,427	154,853
Non Operating Revenues (Expenses)			
Interest income	43	-	43
Interest expense	(126,354)	-	(126,354)
Income Before Operating Transfers	22,115	6,427	28,542
Operating transfers (out)	(29,774)	-	(29,774)
Increase (Decrease) in Net Assets	(7,659)	6,427	(1,232)
Net Assets - December 31, 2010	2,528,689	198,217	2,726,906
Net Assets - December 31, 2011	$ 2,521,030	$ 204,644	$ 2,725,674

The accompanying Notes are an integral part of these financial statements

Mount Vernon Country Club
Metropolitan District

Statement of Cash Flows – Proprietary Funds
Year ended December 31, 2011

	Recreational Clubhouse Facility	Water Fund	Total
Cash Flows From Operating Activities			
Cash from customers	$ 4,637,765	$ 89,512	$ 4,727,277
Cash paid for goods and services	(1,973,610)	(48,218)	(2,021,828)
Cash paid to employees for services	(2,170,988)	(26,460)	(2,197,448)
Net cash provided by operating activities	493,167	14,834	508,001
Cash Flows From Non-Capital Financing Activities			
Operating transfers in from other fund	-	-	-
Operating transfers (out) to other funds	(29,774)	-	(29,774)
Net cash provided (used) by non-capital financing activities	(29,774)	-	(29,774)
Cash Flows From Capital and Related Financing Activities			
Debt service			
Proceeds	2,346,924	-	2,346,924
Principal payments	(1,598,535)	-	(1,598,535)
Interest	(126,354)	-	(126,354)
Acquisition of capital assets	(342,712)	(38,641)	(381,353)
Net cash used by capital and related financing activities	279,323	(38,641)	240,682
Cash Flows From Investing Activities			
Interest on investments	43	-	43
Net cash provided by investing activities	43	-	43
Net increase (decrease) in cash	742,759	(23,807)	718,952
Cash and Cash Equivalents at Beginning of Year	197,955	71,380	269,335
Cash and Cash Equivalents at End of Year	$ 940,714	$ 47,573	$ 988,287

The accompanying Notes are an integral part of these financial statements

Mount Vernon Country Club
Metropolitan District

Reconciliation of Operating Income to Net Cash Provided by Operating Activities – Proprietary Funds

Year ended December 31, 2011

	Recreational Clubhouse Facility	Water Fund	Total
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income	$ 148,426	$ 6,427	$ 154,853
Adjustments			
Depreciation	335,800	12,069	347,869
(Increase) Decrease in accounts receivable	(18,111)	(362)	(18,473)
(Increase) Decrease in inventories	(4,895)	-	(4,895)
(Increase) Decrease in prepaid expenses	(614)	-	(614)
Increase (Decrease) in accounts payable	(13,802)	(3,300)	(17,102)
Increase (Decrease) in accrued expenses	12,580	-	12,580
Increase (Decrease) in deposits	35,778	-	35,778
Increase (Decrease) in deferred revenues	(1,995)	-	(1,995)
Total adjustments	344,741	8,407	353,148
Net cash provided by operating activities	$ 493,167	$ 14,834	$ 508,001

The accompanying Notes are an integral part of these financial statements

Note 1 – Summary of Significant Accounting Policies

Organization Mount Vernon Country Club Metropolitan District (the "District") is a political subdivision incorporated under the laws of the State of Colorado. The District was organized pursuant to a court order on February 1, 1992, following an election of the property owners in the Mount Vernon Country Club area, and began operations in February 1992. The main functions of the District include water, roads and drainage, land management, fire mitigation, and parks and recreation services.

Substantially all of the assets and liabilities of Mount Vernon Country Club, a non-profit corporation (the "Corporation"), were conveyed to the District in 1992. The assets included a recreational clubhouse facility consisting of a restaurant, bar, tennis courts, pro shop, swimming pool, and snack bar, along with meeting rooms and three residential units owned by the Corporation as housing for employees. Other assets conveyed by the Corporation include 1,000 acres of open space within the District, the water supply system serving the District residents, roads, rights of way and easements appurtenant to the water system. The liabilities transferred included outstanding loans associated with the water system and land as well as normal obligations incurred in the operation of the assets conveyed to the District. All assets and liabilities transferred were recorded on the books and records of the District at the net book value recorded on the Corporation's books and records at the date of transfer.

Due to the obligations of the Corporation to its proprietary members (who are also, for the most part, constituents of the District), certain restrictions exist in the conveyances by the Corporation to the District regarding the sale of real property, the water tap moratorium and enforcement of the Corporation's governing documents. A reversionary interest is provided for in the event conditions are violated.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

During 1989, proprietary type entities were given the option under accounting standards to elect reporting under the standards of the Financial Accounting Standards Board ("FASB") or GASB for all accounting standards issued after November 1989. The entities are required, however, to follow GASB standards if the related FASB standard is in conflict with regard to presentation or accounting treatment. The Board elected to report under standards established by the FASB.

The more significant of the District's accounting policies are described below.

Financial Reporting Entity The District follows GASB accounting standards which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB standards set forth the financial accountability of a governmental organization's elected governing body as the basic criteria for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the body to provide specific financial benefits or burdens and fiscal dependency.

Note 1 – Summary of Significant Accounting Policies (continued)

Financial Reporting Entity (continued)

The District is the lowest level of government having financial accountability and responsibility for all governmental activities within the District. The District receives local and state funding and must comply with the requirements of these entities. However, the District is not included in any other governmental reporting entity as defined in GASB standards. The Board of Directors are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

As required by accounting principles generally accepted in the United States of America, these financial statements present the District (primary government). There are no fiduciary funds nor component units that are fiduciary in nature to be included in the District's financial statements.

Government-Wide and Fund Financial Statements The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The District's general government, roads and drainage, land management, fire mitigation, and parks and recreation are classified as governmental activities. The District's recreational clubhouse facility and water system are classified as business activities.

Government-Wide Financial Statements: In the government-wide statement of net assets, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column, and (b) reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts—invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions and business-type activities. The functions are also supported by general government revenues (property and ownership tax, investment earnings, etc). The statement of activities reduces gross expenses (including depreciation) by related program revenues and capital grants. Program revenues must be directly associated with the function (i.e., parks and recreation) or a business-type activity. Capital grants reflect capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property and ownership tax, investment earnings, etc.).

The government-wide focus is on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Fund Financial Statements: The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

The fund focus is on current available resources and budget compliance.

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

Fund Financial Statements (continued):

The District reports the following governmental funds:

The *General Fund* is the general operating fund of the District. It is used to account for all activities of the District not accounted for in some other fund.

The *Conservation Trust Fund* is a special revenue fund used to account for the District's share of lottery proceeds received from the State of Colorado.

The District reports the following proprietary or business-type funds:

The *Recreational Clubhouse Facility* is used to charge District residents and club members for social and recreational activities provided to them. All revenues and expenses related to these activities are accounted for in this fund. All revenues of the Recreational Clubhouse Facility are considered operating revenues except for interest income and gains on disposals of capital assets which are considered non-operating revenues.

The *Water Fund* is used to charge District residents monthly fees for services not paid for with property taxes. All service charges and related expenses and assets are accounted for in this fund.

Measurement Focus and Basis of Accounting Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements.

Long-term Economic Focus and Accrual Basis: Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

Current Financial Focus and Modified Accrual Basis: The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

Financial Statement Accounts

Cash and Cash Equivalents: Cash is pooled for all funds to maximize earnings. All interest earned on cash and investments are allocated to each fund based on its respective pooled cash balances. Cash equivalents are assumed to consist of cash and investments with original maturities of less than three months.

Note 1 – Summary of Significant Accounting Policies (continued)

Financial Statement Accounts (continued)

Receivables: Receivables are reported net of an allowance for uncollectible accounts. The net receivables at December 31, 2011 of $272,120 are amounts due the District for dues and services from the recreational clubhouse facility and monthly District residents fees. All existing bad debts have been expensed. The District has reserved $36,236 for potential bad debts as of December 31, 2011.

Inventories: Inventories consist of food, beverage and other items used in the clubhouse recreational facility. Inventories are carried at the lower of cost or market, using the first in, first out method.

Capital Assets: Capital assets which include land; buildings and grounds; furniture, fixtures, and equipment; recreational facilities; the wastewater treatment facility; and infrastructure assets (only infrastructure assets acquired after January 1, 2004), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Infrastructure assets consist of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems.

The District's intangible assets include land use rights, water rights, rights of way and easements appurtenant to the water system. Such intangible assets have an indefinite useful life, are not amortized, and are classified as capital assets in accordance with GASB 51, *Accounting and Financial Reporting for Intangible Assets*. Land use rights are included in Land in the governmental activities section of capital assets in Note 5. Purchased water rights in connection with the Robert Lewis Ditch and rights of way and easements appurtenant to the water system are included in Water Fund: Water System in the business activities section of capital assets in Note 5.

Capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

Capital assets are depreciated, as applicable, over their estimated useful lives using the straight line method.

Capital outlay for projects is capitalized as projects are constructed. Interest incurred during the construction phase is capitalized as part of the value of the assets constructed in the business-type activities.

The costs of normal maintenance and repairs that do not add value to capital assets or materially extend capital asset life are expensed as incurred.

Property Taxes: Property taxes in the State of Colorado are assessed in one year as a lien on the property, but not collected by the government units until the subsequent year. In accordance with accounting principles generally accepted in the United States of America, property taxes assessed, but not collected, have been recorded in the accompanying financial statements as a receivable and a deferred revenue.

Note 1 – Summary of Significant Accounting Policies (continued)

Financial Statement Accounts (continued)

Prepaid expenses and other deferred charges: Prepaid expenses and other deferred charges are amounts paid in the current year for expenses related to subsequent years. Included in other deferred charges in the Recreational Clubhouse Facility Fund are capitalized expenses of $30,911 incurred in connection with the refinancing of the Recreational Clubhouse Facility's capital lease obligations in December 2011. Such expenses are being amortized over 15 years and 5.5 years, the terms of the capital lease obligations.

Deferred revenues: The District reports deferred revenue in the government-wide statement of net assets and in the fund financial statements. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the statement of net assets and revenue is recognized.

The deferred revenues recognized at December 31, 2011 represents: (a) property taxes assessed in 2011 to be collected in 2012; and (b) membership dues that have been collected for the recreational clubhouse facility which are billed in advance of the time period for which they are due.

Compensated absences: Full-time district employees receive two weeks of vacation after one year of employment, three weeks after five years of employment and four weeks of vacation after ten years. The employees are granted sick leave absences after one year of employment. The sick leave does not vest and is not payable upon termination of employment.

Capital leases: The District has entered into two capital leases as follows: (i) a recreational facility lease for the pool and recreational facilities that expires in 2026; and (ii) a wastewater treatment facility lease that expires in 2017. The assets and liabilities under the capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the assets. Both the assets are being depreciated over their estimated economic useful lives. Both the assets and the related liabilities are recorded in the proprietary fund in which the assets are being used and from which the liabilities will be paid. The leases are subject to annual appropriations.

Interfund transfers: Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Restricted net assets and governmental fund balances: Under the Taxpayer's Bill of Rights, at least 3% of General Fund expenditures are required to be reserved for emergencies. As of December 31, 2011, $32,129 of the District's net assets/General Fund balance have been restricted for this purpose. When an emergency arises, it is the District's policy to first apply unrestricted resources prior to using the District's restricted resources from the Emergency Reserve Fund.

Note 1 – Summary of Significant Accounting Policies (continued)

Financial Statement Accounts (continued)

Restricted net assets and governmental fund balances (continued):
As of December 31, 2011, $10,815 of the District's net assets/Conservation Trust Fund balance is restricted to capital projects that would only be allowed as Conservation Trust Fund type projects, in accordance with Colorado Revised Statute ("CRS") 29-21-101. For Conservation Trust Fund type projects, it is the District's policy to first apply unrestricted resources prior to using the District's restricted resources.

Use of Estimates The District's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The preparation of the District's basic financial statements requires the District's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the related disclosure of contingent assets and liabilities at the date of the District's basic financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from these estimates.

New Accounting Pronouncement On January 1, 2011, the District adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* GASB 54 establishes new fund balance classifications for governmental fund types and clarifies the definitions of the governmental fund types. In accordance with GASB 54, certain General Fund and Conservation Trust Fund beginning of the year fund balance classifications in the accompanying financial statements have been reclassified.

Subsequent Events District management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through April 13, 2012, which is the date the financial statements were available to be issued.

Note 2 – Stewardship, Compliance and Accountability

Budgetary Information Each year the District's Board of Directors formally adopts a budget with appropriations by fund for the ensuing year pursuant to the Colorado Local Budget Statutes. The budgets of the governmental funds are adopted on a basis consistent with GAAP.

As required by Colorado statutes, the District follows the following timetable in approving and enacting a budget for the ensuing year:

a. For the 2012 budget year, prior to August 25, 2011, the County Assessor sent the District the final certified assessed valuation of all taxable property within the District's boundaries.
b. On or before October 15, 2011, the District's manager submitted to the District's Board of Directors a recommended budget which detailed the necessary property taxes needed along with other available revenues to meet the District's operating requirements.
c. A public hearing on the proposed budget and capital program was held no later than 45 days prior to the close of the fiscal year.
d. For the 2012 budget year, prior to December 15, 2011, the District computed and certified to the County Commissioners a rate of levy that derived the necessary property taxes as computed in the proposed budget.
e. After adoption of the budget resolution, the District may make the following changes: (a) supplemental appropriations to the extent of revenues in excess of the estimated revenues in the budget; (b) emergency appropriations; and (c) reduction of appropriations for which originally estimated revenues are insufficient.

Note 2 – Stewardship, Compliance and Accountability

Budgetary Information (continued)

Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2011 will be collected in 2012. Taxes are due on January 1st in the year of collection; however, they may be paid in either one installment (no later than April 30th) or two equal installments (not later than February 28th and June 15th) without interest or penalty. Taxes which are not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 16th.

The level of control in the budget at which expenditures exceed appropriations is at the fund level. All appropriations lapse at year-end.

TABOR Amendment In November 1992, the voters of Colorado approved Amendment 1, referred to as the Taxpayer's Bill of Rights ("TABOR"), which adds a new Section 20 to Article X of the Colorado Constitution. TABOR contains a tax, spending, revenue and debt limitation which applies to the State of Colorado and all local governments.

On May 4, 2004, the registered voters of the District authorized the District to collect, retain and spend all revenue and other funds collected from any source effective January 1, 2004 and continuing thereafter without regard to any expenditure, revenue raising or other limitation contained within Article X, Section 20 of the Colorado Constitution. The voters also authorized the District to continue to levy 21.110 mills each year for operations regardless of any revenue limitation in Section 29-1-301, C.R.S., or other State Law.

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

Note 3 – Deposits and Investments

Cash Deposits The Colorado Public Deposit Protection Act ("PDPA") requires that all units of local government deposit cash in eligible public depositories; eligibility is determined by state regulators. Amounts on deposit in excess of federal depository insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by Statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. There is no custodial credit risk for public deposits collateralized under the PDPA.

At December 31, 2011, the District's cash deposits had a bank balance of $889,687, all of which were entirely covered by federal depository insurance and/or collateralized under PDPA in accordance with state statute.

Note 3 – Deposits and Investments (continued)

Investments The District follows Colorado State Statutes that specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include the following:

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

At December 31, 2011, the District had invested $87,070 in the Wells Fargo Advantage Government Money Market Fund ("WF Adv Gov't MMF"). The District's investment in this money market fund is included in cash and cash equivalents in the accompanying financial statements. Additional information regarding this investment is as follows:

Investment	Fair Value	Credit Rating	Rating Agency
WF Adv Gov't MMF	$ 87,070	AAAm	Standard & Poor's

The District's Board of Directors has established a savings account to be used for land conservation or land related expenditures. The $44,684 balance in this account at December 31, 2011 is restricted for this purpose.

In connection with the refinancing of the recreational facility's capital lease obligation, $850,581 in cash and cash equivalents is being held in escrow at Colorado Business Bank. Such amount is restricted for future capital improvements to the recreational facility.

Note 4 – Risk Financing 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, employment matters, torts, and injury to persons or damage to property resulting from a construction project. The District manages risks of loss through purchase of insurance and participation in the Colorado Special District Property and Liability Pool that includes commercial reinsurance.

For 2011, 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 5 – Capital Assets

The following are summaries of the changes in capital assets for the year ending December 31, 2011:

Governmental Activities:

	Balance January 1, 2011	Additions	Retirements	Transfers	Balance December 31, 2011	Accumulated Depreciation
Land	$ 479,646	$ 8,577	$ -	$ -	$ 488,223	$ -
Infrastructure	423,554	6,098	-	-	429,652	156,597
Total	$ 903,200	$ 14,675	$ -	$ -	$ 917,875	$ 156,597

Business Type Activities:

	Balance January 1, 2011	Additions	Retirements	Transfers	Balance December 31, 2011	Accumulated Depreciation
Recreational Clubhouse Facility:						
Buildings and grounds	$ 4,150,913	$ 226,453	$ 111,039	$ -	$ 4,266,327	$ 2,717,570
Furniture, fixtures and equipment	1,506,927	78,789	104,447	-	1,481,269	1,207,990
Capitalized leases - Recreational Facility	2,473,262	37,470	-	-	2,510,732	691,686
Wastewater Treatment Facility	739,507	-	-	-	739,507	98,521
Total	$ 8,870,609	$ 342,712	$ 215,486	$ -	$ 8,997,835	$ 4,715,767
Water Fund:						
Water System	$ 860,801	$ 38,641	$ 2,672	$ -	$ 896,770	$ 747,675

2011 depreciation expense for governmental activities amounted to $25,951 and is included in Roads and Drainage in the accompanying Statement of Activities. Depreciation expense for 2011 for the Recreational Clubhouse Facility amounted to $335,800 and is included in Recreational Clubhouse in the accompanying Statement of Activities. Depreciation expense for 2011 for the Water Fund amounted to $12,069 and is included in Water in the accompanying Statement of Activities.

Note 6 – Capital Leases – Recreational Clubhouse Facility

The following is an analysis of the leased property under capital lease by major class:

	2011
Recreational Clubhouse Facility:	
Recreational Facility	$ 2,510,732
Wastewater Treatment Facility	739,507
Less: Accumulated depreciation	(790,207)
	$ 2,460,032

Note 6 – Capital Leases – Recreational Clubhouse Facility (continued)

The recreational facility lease, which was refinanced on December 28, 2011, represents a lease purchase agreement for purposes of financing the pool and recreational facilities. The refinanced lease agreement provides for an interest rate of 3.40% and a maturity date of December 30, 2026. Amortization expense of the capital lease amounted to $62,881 for the year ended December 31, 2011, and such amount is included in depreciation expense in the accompanying financial statements.

The wastewater treatment facility lease, which was refinanced on December 28, 2011, represents a lease purchase agreement for purposes of financing the District's wastewater treatment facility. The refinanced lease agreement provides for an interest rate of 2.95% and a maturity date of June 30, 2017. Amortization expense of the capital lease amounted to $24,630 for the year ended December 31, 2011, and such amount is included in depreciation expense in the accompanying financial statements.

The following is a schedule by years of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of December 31, 2011:

Year ending December 31:	
2012	$ 235,443
2013	235,443
2014	235,443
2015	235,443
2016	235,443
2017 - 2021	899,756
2022 - 2026	868,928
Total minimum lease payments	2,945,899
Less: amount representing interest	(598,975)
Present value of net minimum lease payments	$ 2,346,924

Interest expense on the capital lease obligations, prior to refinancing, amounted to $81,138 for the year ended December 31, 2011.

For budgetary purposes, principal payments on capital type leases are considered operating expenditures, primarily due to annual renewal options and required annual appropriations; consequently, all payments will be classified, for budgetary purposes, as operating expenses in the year the payments are made.

Note 7 – Long Term Liabilities

The following is an analysis of long term liabilities for the year ending December 31, 2011:

	Balance January 1, 2011	Net Increase	Net Decrease	Balance December 31, 2011	Current	Non Current
Recreational Clubhouse Facility:						
Capital lease obligations	**$ 1,598,535**	$ 748,389	$ -	**$ 2,346,924**	$ 158,528	$ 2,188,396
Compensated absences	**67,400**	10,013	-	**77,413**	-	77,413
Total	**$ 1,665,935**	$ 758,402	$ -	**$ 2,424,337**	$ 158,528	$ 2,265,809

Note 8 – Line of Credit

The District has an available line of credit of $400,000 with a bank. There was no outstanding principal balance as of December 31, 2011. The line of credit matures May 30, 2012. Interest is calculated as the greater of (i) 5% or (ii) the Prime Rate (3.25% as of December 31, 2011) plus 1.75%. The line of credit is secured by the District's inventory, accounts receivable, equipment, and various other assets.

Note 9 – Fire Mitigation Grant

In June 2010, the District, as the Grant Cooperator, and certain surrounding communities were awarded a Fire Mitigation Grant (the "Grant") by the Colorado State Forest Service. The Grant provides funding up to $116,910, requires at least a 50/50 match, and expires September 1, 2012.

Note 10 – Commitments and Contingencies

Executive Manager Employment Agreement The District has entered into a 24 month Executive Manager Employment Agreement (the "Agreement") commencing May 1, 2010 and ending April 30, 2012 with the District's Executive Manager. The Agreement automatically renews on May 1, 2012 for another 2 year period provided neither party provides notification of intent to terminate the Agreement prior to January 31, 2012. The Agreement provides for an annual salary of $131,964 (subject to review annually during the term of the Agreement), plus $6,000 in deferred compensation for 2012 and $6,500 for 2013. The Agreement provides for a bonus of 3.0% of the Cash Operating Income, as defined in the Agreement, if certain criteria are met. In addition, the Board of Directors, in their sole discretion, may grant the Executive Manager an additional bonus amount not to exceed 1.5% of the Bonus Base Amount as defined in the Agreement.

Note 10 – Commitments and Contingencies (continued)

Construction Contracts As of December 31, 2011, the District had three short-term construction contracts with third parties in progress.

The first construction contract is for the renovation of the Canyon Trail Room and deck, main entrance, and pool deck expansion. The estimated cost of this Recreational Clubhouse Facility project is approximately $1,060,000, of which approximately $37,000 had been incurred in December 2011. The remaining $1,023,000 of work on this project is expected to be completed by the end of the second quarter of 2012.

The second construction contract is for the tennis courts project. The estimated cost of this Recreational Clubhouse Facility project is approximately $155,000, of which approximately $127,000 had been completed in 2011. The remaining $28,000 of work on the tennis courts project is expected to be completed by the end of the second quarter of 2012.

The third construction contract is for the water well project. The estimated cost of this Water Fund project is approximately $65,000, of which approximately $37,000 had been completed in 2011. The remaining $28,000 of work on the water well project is expected to be completed by the end of the second quarter of 2012.

Gain Contingency During 2011, the District filed a property insurance claim for damages incurred to the Recreational Clubhouse Facility as a result of a frozen pipe line and received a preliminary claim payment from their insurance carrier. District management is estimating that a final claim payment of approximately $41,000 will be received from their insurance carrier in 2012.

Note 11 – Defined Contribution Money Purchase Plan - IRC 401(a)

The District has adopted an employees' qualified money purchase plan (the "Plan") in accordance with Internal Revenue Code Section 401(a). The Plan is administered by American United Life Insurance Company. The Plan is a defined contribution plan with the District contributing an amount equal to 4% of each participant's compensation for the year. Each full-time employee, minimum age of 21, is eligible to become a participant. The District is not liable for further pension benefits in excess of the contributions made to the Plan. Each participant is required to match the District's contribution. The Plan has a vesting schedule for employer contributions that vests 20% at the end of three years service and then vests at an additional 20% per year until at the end of seven years service the employees are fully vested. The employee contributions fully vest at the date of contributions. Contributions are tax deferred until withdrawn. The required contributions to the Plan for the year ending December 31, 2011 were $70,920.

Required Supplementary Information Other Than Management's Discussion and Analysis

Mount Vernon Country Club
Metropolitan District

Budgetary Comparison Information – Governmental Funds
Year ended December 31, 2011

	General Fund		
	Final Appropriated Budget	Actual	Variance-Favorable (Unfavorable)
Revenues			
Property taxes	$ 84,113	$ 84,087	$ (26)
Ownership taxes	3,267	5,432	2,165
Fire mitigation grant and contributions	26,000	43,981	17,981
Interest	120	81	(39)
Total revenues	113,500	133,581	20,081
Expenditures			
General government	56,400	41,377	15,023
Roads and drainage/land management/ fire mitigation	158,600	116,592	42,008
Capital outlay	5,000	14,675	(9,675)
Total expenditures	220,000 *	172,644	47,356
Excess of revenues over (under) expenditures	(106,500)	(39,063)	67,437
Other financing sources (uses):			
Operating transfers in (out)	- *	29,774	29,774
Excess of revenues and other financing sources (uses), over (under) expenditures and other financing uses	$ (106,500)	$ (9,289)	$ 97,211

* Original appropriated budget amount for total expenditures and operating transfers out was $113,500.

Supplementary Information

Mount Vernon Country Club
Metropolitan District

Budgetary Comparison Information – Governmental Fund
Year ended December 31, 2011

	Conservation Trust Fund		
	Original and Final Appropriated Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Lottery proceeds	$ 2,000	$ 1,495	$ (505)
Interest	-	1	1
Total revenues	2,000	1,496	(504)
Expenditures and other financing sources (uses):			
Operating transfer in (out)	-	-	-
Excess of revenues and other financing sources (uses) over (under) expenditures and other financing sources	$ 2,000	$ 1,496	$ (504)

See accompanying
independent auditors' report

Mount Vernon Country Club Metropolitan District

Budgetary Comparison Information – Proprietary Funds

Year ended December 31, 2011

	Recreational Clubhouse Facility		Water Fund		Total
Total revenues (including interest income and operating transfers in) - GAAP basis	$ 4,622,136		$ 89,874		$ 4,712,010
Proceeds from borrowings	2,346,924		-		2,346,924
Total revenues budget basis	6,969,060		89,874		7,058,934
Total budget - final appropriated	4,639,700		89,874		4,729,574
Variance - favorable (unfavorable)	$ 2,329,360		$ -		$ 2,329,360
Total expenses (including interest expense and operating transfers out) - GAAP basis	$ 4,629,795		$ 83,447		$ 4,713,242
Less depreciation expenses	(335,800)		(12,069)		(347,869)
Add capital outlay	342,712		38,641		381,353
Add loan principal paid	1,598,535		-		1,598,535
Total expenses budget basis	6,235,242		110,019		6,345,261
Total budget - final appropriated	6,200,000	(a)	135,000	(b)	6,335,000
Variance - favorable (unfavorable)	$ (35,242)		$ 24,981		$ (10,261)

(a) Original appropriated budget amount for total expenditures and operating transfers out for the Recreational Clubhouse Facility Fund was $4,668,183.

(b) Original appropriated budget amount for total expenditures and operating transfers out for the Water Fund was $96,200.

Note 1 – Recreational Clubhouse Facility Proprietary Fund

The actual expenses on a budgetary basis of accounting in the Recreational Clubhouse Facility Proprietary Fund exceeded the final appropriated amount by $35,242. During the year, capital outlay was larger than expected. District management does not believe this to be a material violation of finance-related legal provisions.