

**Mount Vernon Country Club Metropolitan District
(Jefferson County, Colorado)**

FINANCIAL STATEMENTS

with Independent Auditor's Report

December 31, 2015



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Mount Vernon Country Club Metropolitan District

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Certified Public Accountants and Business Consultants

INDEPENDENT AUDITOR'S 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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the District, as of December 31, 2015, 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 and budgetary comparison information on pages III-VII and 25-26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and legal requirements, and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Lakewood, Colorado
March 8, 2016

**Mount Vernon Country Club Metropolitan District
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2015**

The discussion and analysis of Mount Vernon Country Club Metropolitan District's financial performance provides an overall review of the District's financial activities for the year ended December 31, 2015. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should review the information presented here in conjunction with the basic financial statements and the notes to financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

- Assets of the District exceeded its liabilities and deferred inflows at the close of the fiscal year by \$3,721,459 (net position).
- The District's total net position increased by \$37,625 over the prior fiscal year.
- Operating revenues increased \$342,364 from the prior year. This is primarily due to an increase in water fund fees and increases in food, beverage and tennis revenues. Governmental fund revenues increased \$1,862.

Overview of the Financial Statements

The Mount Vernon Country Club Metropolitan District basic financial statements included in this report are those of a special-purpose government engaged in a business-type activity, providing water, roads and drainage, land management, fire mitigation, and parks and recreation services. The statements are comprised of two components: 1) basic financial statements and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Basic 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 Position* presents information on all of the District's assets, deferred inflows of resources, liabilities and deferred outflows of resources, with the net difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the 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 (e.g., earned compensation).

The statement reports the District's operating and nonoperating revenue by source along with operating and nonoperating expenses.

The *Statement of Cash Flows* reports the District's business-type cash flows from operating activities, investing, capital and noncapital activities.

The *Notes to the financial statements* provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

**Mount Vernon Country Club Metropolitan District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)**

Statements of revenues, expenditures, and changes in fund balances – budget and actual - have been provided in the *required supplemental information* and *supplemental information* sections to demonstrate actual results compared with the budget.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Mount Vernon Country Club Metropolitan District, assets exceeded liabilities and deferred inflows by \$3,721,459 at the close of the most recent fiscal year.

**Statement of Net Position
December 31,**

	Total	
	2015	2014
Current and other assets	\$ 712,046	\$ 667,224
Capital assets, net	6,564,612	6,789,468
Total assets	7,276,658	7,456,692
Long-term liabilities		
outstanding	2,566,113	2,808,376
Other liabilities	858,577	834,612
Total liabilities	3,424,690	3,642,988
Deferred inflows of resources	130,509	129,870
Net position		
Net investment in capital assets	3,998,499	3,981,092
Restricted	12,797	11,696
Unrestricted	(289,837)	(308,954)
Net position	\$ 3,721,459	\$ 3,683,834

Net investment in capital assets (land; infrastructure; buildings and grounds; furniture, fixtures, and equipment; recreational facility; wastewater treatment facility; and the water system) as of December 31, 2015 and 2014, less any related debt used to acquire those assets represent net position of the District related to capital assets used to provide services to citizens and Clubhouse members; consequently, it is *not* available for future spending.

**Mount Vernon Country Club Metropolitan District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)**

Governmental Activities

Governmental activities before transfers decreased net position in 2015 by \$2,487 compared to an increase before transfers in 2014 of \$307.

Business-type Activities

The business-type activities (Recreational Clubhouse Facility and Water Fund) before transfers increased net position in 2015 by \$40,112 compared to an increase before transfers in 2014 of \$20,293.

**Statement of Activities
For the year ended December 31,**

	Total	
	2015	2014
Revenues:		
Program revenues		
Charges for services	\$ 5,244,531	\$ 4,915,167
Operating grants and contributions	35,500	22,500
Capital grants and contributions	1,097	1,126
General revenues		
Property taxes	129,821	128,954
Other taxes	10,365	9,374
Interest and other revenue	271	538
Total revenues	5,421,585	5,077,659
Expenses:		
General government	143,960	139,304
Recreational clubhouse facility	4,995,145	4,678,699
Water	148,508	131,534
Interest on debt obligations	96,347	107,522
Total expenses	5,383,960	5,057,059
 Increase (decrease) in net position	 37,625	 20,600
Net position - beginning	3,683,834	3,663,234
Net position - ending	\$ 3,721,459	\$ 3,683,834

**Mount Vernon Country Club Metropolitan District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)**

Budgetary Highlights

The District prepares its budget on the modified accrual basis of accounting to recognize the fiscal impact of capital outlay and debt repayment in addition to operations and nonoperating revenue and expenses and contributions. Depreciation is not reflected in the budget since it does not affect funds available.

Capital Assets

The District's net investment in capital assets as of December 31, 2015 and 2014 was as follows:

	December 31,	
	2015	2014
Land	\$ 492,519	\$ 492,519
Infrastructure	475,986	464,478
Building and grounds	8,940,109	8,977,491
Furniture, fixtures and equipment	1,453,605	1,515,691
Water system	1,428,601	1,412,435
Total assets	12,790,820	12,862,614
Accumulated depreciation	(6,226,208)	(6,073,146)
Net capital assets	\$ 6,564,612	\$ 6,789,468

Additional information relating to the District's capital assets activity can be found in Note 4 of this report.

Debt Administration

As of December 31, 2015, the District had total debt obligations (including capital leases) of \$2,653,484, of which \$470,072 is classified as current.

Additional detail on the District's debt is in Note 5 to the financial statements.

Economic Factors and Next Year's Budget

The District anticipates moderate growth in 2016. The Recreational Clubhouse Facility revenue budget for 2016 is optimistic due to wedding and banquet revenue increases along with increases in dues and certain fees. As always, the budget is created with Total Budgeted Revenue covering Budgeted Operation/Maintenance expenses and Debt Retirement payments.

The 2016 and 2015 property tax mill levy for the district is 35.00. As a result, the 2016 tax revenue for the District is budgeted to stay relatively the same as compared to 2015. Revenues for the Water Fund are expected to increase by approximately 4.32%, to approximately \$158,750 in 2016. Capital expenses will increase for 2016 in order to provide necessary upgrades to the water system and to the clubhouse.

**Mount Vernon Country Club Metropolitan District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)**

Requests for Information

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

District's General Manager
Mount Vernon Country Club Metropolitan District
24933 Clubhouse Circle
Golden, Colorado 80401

BASIC FINANCIAL STATEMENTS

Mount Vernon Country Club Metropolitan District

STATEMENT OF NET POSITION

December 31, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 61,135	\$ 91,023	\$ 152,158
Accounts receivable	-	332,095	332,095
Inventories	-	82,016	82,016
Property tax receivable	130,509	-	130,509
Prepaid expenses and deposits	-	15,268	15,268
Capital assets, net of depreciation	702,043	5,862,569	6,564,612
Total assets	893,687	6,382,971	7,276,658
LIABILITIES			
Accounts payable	-	172,549	172,549
Accrued expenses	-	163,395	163,395
Unearned revenues - dues	-	220,498	220,498
Deposits	-	214,764	214,764
Noncurrent liabilities			
Due within one year	-	470,072	470,072
Due in more than one year	-	2,183,412	2,183,412
Total liabilities	-	3,424,690	3,424,690
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	130,509	-	130,509
Total deferred inflows of resources	130,509	-	130,509
NET POSITION			
Net investment in capital assets	702,043	3,296,456	3,998,499
Restricted	12,797	-	12,797
Unrestricted	48,338	(338,175)	(289,837)
Total net position	\$ 763,178	\$ 2,958,281	\$ 3,721,459

The accompanying Notes to Financial Statements are an integral part of these statements.

Mount Vernon Country Club Metropolitan District
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015

Functions/Programs:	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 143,960	\$ -	\$ -	\$ -	\$ (143,960)	\$ -	\$ (143,960)
Parks and recreation	-	-	-	1,097	1,097	-	1,097
Total government activities	143,960	-	-	1,097	(142,863)	-	(142,863)
Business-type activities:							
Recreational Clubhouse	4,995,145	5,092,353	35,500	-	-	132,708	132,708
Water	148,508	152,178	-	-	-	3,670	3,670
Interest on debt obligations	96,347	-	-	-	-	(96,347)	(96,347)
Total business-type activities	5,240,000	5,244,531	35,500	-	-	40,031	40,031
General revenues:							
Taxes:							
Property taxes					129,821	-	129,821
Ownership taxes					10,365	-	10,365
Investment earnings					190	81	271
Transfer (to) from other funds					(9,171)	9,171	-
Total general revenues and transfers					131,205	9,252	140,457
Change in net position					(11,658)	49,283	37,625
Net position - beginning of year					774,836	2,908,998	3,683,834
Net position - end of year					\$ 763,178	\$ 2,958,281	\$ 3,721,459

The accompanying Notes to Financial Statements are an integral part of these statements.

Mount Vernon Country Club Metropolitan District

**BALANCE SHEET
GOVERNMENTAL FUNDS**

December 31, 2015

	<u>General Fund</u>	<u>Conservation Trust Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 52,538	\$ 8,597	\$ 61,135
Property tax receivable	130,509	-	130,509
Total assets	<u>\$ 183,047</u>	<u>\$ 8,597</u>	<u>\$ 191,644</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	\$ 130,509	\$ -	\$ 130,509
Total deferred inflows of resources	<u>130,509</u>	<u>-</u>	<u>130,509</u>
FUND BALANCES			
Restricted by legislation	4,200	8,597	12,797
Assigned for emergencies	48,338	-	48,338
Total fund balances	<u>52,538</u>	<u>8,597</u>	<u>61,135</u>
Total deferred inflows of resources and fund balances	<u>\$ 183,047</u>	<u>\$ 8,597</u>	
Amount reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds			<u>702,043</u>
Net position of governmental activities			<u>\$ 763,178</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

Mount Vernon Country Club Metropolitan District
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended December 31, 2015

	General Fund	Conservation Trust Fund	Total
Revenues			
Property taxes	\$ 129,821	\$ -	\$ 129,821
Ownership taxes	10,365	-	10,365
Lottery proceeds	-	1,097	1,097
Interest	186	4	190
Total revenues	<u>140,372</u>	<u>1,101</u>	<u>141,473</u>
Expenditures			
General government	115,693	-	115,693
Capital outlay	11,508	-	11,508
Total expenditures	<u>127,201</u>	<u>-</u>	<u>127,201</u>
Excess of revenues over (under) expenditures	13,171	1,101	14,272
Other financing sources (uses)			
Transfer to other funds	(9,171)	-	(9,171)
Total other financing sources (uses)	<u>(9,171)</u>	<u>-</u>	<u>(9,171)</u>
Net change in fund balance	4,000	1,101	5,101
Fund balance - beginning of year	<u>48,538</u>	<u>7,496</u>	<u>56,034</u>
Fund balance - end of year	<u>\$ 52,538</u>	<u>\$ 8,597</u>	<u>\$ 61,135</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

Mount Vernon Country Club Metropolitan District
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015

Net change in fund balance of governmental funds	\$	5,101
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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
is allocated over their estimated useful lives and reported as
depreciation expense.

Capital outlay		11,508
Depreciation expense		<u>(28,267)</u>

Change in net position of governmental activities	\$	<u>(11,658)</u>
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The accompanying Notes to Financial Statements are an integral part of these statements.

Mount Vernon Country Club Metropolitan District

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

December 31, 2015

	Recreational Clubhouse Facility	Water Fund	Total	2014 Total
ASSETS				
Cash and cash equivalents	\$ 37,844	\$ 53,179	\$ 91,023	\$ 100,510
Accounts receivable	321,254	10,841	332,095	294,406
Inventories	82,016	-	82,016	71,413
Prepaid expenses and deposits	15,268	-	15,268	14,991
Capital assets, net	5,197,611	664,958	5,862,569	6,070,666
Total assets	<u>5,653,993</u>	<u>728,978</u>	<u>6,382,971</u>	<u>6,551,986</u>
LIABILITIES				
Accounts payable	172,549	-	172,549	119,893
Accrued expenses	163,395	-	163,395	128,034
Unearned revenues - dues	220,498	-	220,498	241,252
Deposits	214,764	-	214,764	258,887
Noncurrent liabilities				
Due within one year	445,072	25,000	470,072	475,313
Due in more than one year	1,848,412	335,000	2,183,412	2,419,609
Total liabilities	<u>3,064,690</u>	<u>360,000</u>	<u>3,424,690</u>	<u>3,642,988</u>
NET POSITION				
Net investment in capital assets	2,991,498	304,958	3,296,456	3,262,290
Unrestricted	(402,195)	64,020	(338,175)	(353,292)
Total net position	<u>\$ 2,589,303</u>	<u>\$ 368,978</u>	<u>\$ 2,958,281</u>	<u>\$ 2,908,998</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

Mount Vernon Country Club Metropolitan District

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS**

For the Year Ended December 31, 2015

	Recreational Clubhouse Facility	Water Fund	Total	2014 Total
Operating revenues				
Membership social dues	\$ 1,145,960	\$ -	\$ 1,145,960	\$ 1,187,213
Initiation fees	113,450	-	113,450	149,900
Food and beverage sales	3,000,840	-	3,000,840	2,731,760
Food related other income	220,852	-	220,852	131,985
Swimming pool and exercise	374,537	-	374,537	377,847
Tennis courts	187,907	-	187,907	165,937
Service charges	-	152,178	152,178	140,412
Insurance proceeds and other income	84,307	-	84,307	52,613
Total operating revenues	5,127,853	152,178	5,280,031	4,937,667
Operating expenses				
Food and beverage	2,726,424	-	2,726,424	2,618,182
Swimming pool and exercise	201,567	-	201,567	181,320
Tennis courts	130,455	-	130,455	98,803
Water costs	-	112,688	112,688	118,778
Clubhouse	433,506	-	433,506	426,336
Marketing	211,078	-	211,078	207,670
Administrative	698,369	-	698,369	595,331
General services	240,696	-	240,696	205,377
Depreciation	353,050	35,820	388,870	358,436
Total operating expenditures	4,995,145	148,508	5,143,653	4,810,233
Operating income	132,708	3,670	136,378	127,434
Nonoperating revenues (expenses)				
Interest income	81	-	81	381
Interest expense	(82,059)	(14,288)	(96,347)	(107,522)
Income before operating transfers	50,730	(10,618)	40,112	20,293
Other financing sources (uses)				
Operating transfers in (out)	(31,452)	40,623	9,171	6,327
Total other financing sources (uses)	(31,452)	40,623	9,171	6,327
Change in net position	19,278	30,005	49,283	26,620
Net position - beginning of year	2,570,025	338,973	2,908,998	2,882,378
Net position - end of year	\$ 2,589,303	\$ 368,978	\$ 2,958,281	\$ 2,908,998

The accompanying Notes to Financial Statements are an integral part of these statements.

Mount Vernon Country Club Metropolitan District

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the Year Ended December 31, 2015

	Recreational Clubhouse Facility	Water Fund	Total	2014 Total
Cash flows from operating activities				
Cash received from customers	\$ 5,026,079	\$ 151,386	\$ 5,177,465	\$ 5,063,120
Cash payments to employees for services	(2,483,487)	-	(2,483,487)	(2,313,396)
Cash payments to suppliers for goods and services	(2,080,646)	(112,688)	(2,193,334)	(2,220,468)
Net cash provided by operating activities	<u>461,946</u>	<u>38,698</u>	<u>500,644</u>	<u>529,256</u>
Cash flows from noncapital financing activities				
Transfers to other fund	(31,452)	-	(31,452)	(113,673)
Transfers from other funds	-	40,623	40,623	120,000
Net cash (used) by noncapital financing activities	<u>(31,452)</u>	<u>40,623</u>	<u>9,171</u>	<u>6,327</u>
Cash flows from capital and related financing activities				
Acquisition of capital assets	(154,267)	(26,506)	(180,773)	(988,419)
Line of credit proceeds	1,133,050	-	1,133,050	595,000
Principal paid on debt	(1,355,313)	(20,000)	(1,375,313)	(662,696)
Interest paid on debt	(82,059)	(14,288)	(96,347)	(107,522)
Net cash (used) by capital and related financing activities	<u>(458,589)</u>	<u>(60,794)</u>	<u>(519,383)</u>	<u>(1,163,637)</u>
Cash flows from investing activities				
Investment earnings received	81	-	81	381
Net cash provided by investing activities	<u>81</u>	<u>-</u>	<u>81</u>	<u>381</u>
Net increase (decrease) in cash and cash equivalents	(28,014)	18,527	(9,487)	(627,673)
Cash and cash equivalents - beginning of year	65,858	34,652	100,510	728,183
Cash and cash equivalents - end of year	<u>\$ 37,844</u>	<u>\$ 53,179</u>	<u>\$ 91,023</u>	<u>\$ 100,510</u>

(continued)

The accompanying Notes to Financial Statements are an integral part of these statements.

Mount Vernon Country Club Metropolitan District

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

(continued)

For the Year Ended December 31, 2015

	Recreational Clubhouse Facility	Water Fund	Total	2014 Total
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 132,708	\$ 3,670	\$ 136,378	\$ 127,434
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	353,050	35,820	388,870	358,436
(Increase) decrease in:				
Accounts receivable	(36,897)	(792)	(37,689)	37,692
Inventories	(10,603)	-	(10,603)	828
Prepaid expenses	(277)	-	(277)	2,070
Increase (decrease) in:				
Accounts payable	52,656	-	52,656	(42,485)
Accrued expenses	35,361	-	35,361	(47,009)
Compensated absences	825	-	825	4,529
Unearned revenues	(20,754)	-	(20,754)	4,971
Deposits	(44,123)	-	(44,123)	82,790
Net cash provided by operating activities	\$ 461,946	\$ 38,698	\$ 500,644	\$ 529,256

The accompanying Notes to Financial Statements are an integral part of these statements.

Mount Vernon Country Club Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

Note 1 – Definition of reporting entity

Mount Vernon Country Club Metropolitan District (the District), a political subdivision incorporated under the State of Colorado, is governed pursuant to the provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in Jefferson County, Colorado. The District was established on February 1, 1992 to provide water, roads and drainage, land management, fire mitigation, and parks and recreation services within and outside of its boundaries.

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 recreation 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 1000 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, 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 District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion 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 organization to provide specific financial benefits or burdens and fiscal dependency.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

Mount Vernon Country Club Metropolitan District

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2015

Note 2 – Summary of significant accounting policies

The more significant accounting policies of the District are described as follows:

Government-wide and fund financial statements

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

The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position.

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

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

Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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

Property taxes are recognized as revenues in the year for which they are levied. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been

Mount Vernon Country Club Metropolitan District

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2015

met. Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures, other than interest on long-term obligations, generally are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

The general fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The conservation trust fund is a special revenue fund used to account for the District's lottery proceeds received from the State of Colorado and the capital projects for which those funds are spent.

The District reports the following major proprietary 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.

The proprietary funds distinguish between operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating revenues consist of charges to customers for services provided. Operating expenses include the cost of services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

Comparative data for 2014 is provided in the proprietary fund statements for analysis purposes only.

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

Mount Vernon Country Club Metropolitan District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2015

Pooled Cash and investments

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Cash equivalents

For purposes of the Statements of Cash Flows, the District considers cash deposits and highly liquid investments with original maturities of three months or less from the date of acquisition, to be cash equivalents.

Investments

Investments for the District are reported at fair value.

Accounts receivable, allowance for uncollectible accounts

Accounts receivable is reported net of an allowance for uncollectible accounts of \$30,979 at December 31, 2015. In 2015, the District did not expense any uncollectible bad debts.

Inventories

Inventories consist of foods, 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.

Property taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual's properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayer's election, February and June.

Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflow of resources in the year they are levied and measurable. The property tax revenues are recorded as revenue in the year they are available or collected.

Mount Vernon Country Club Metropolitan District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2015

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.

Unearned revenues

The District reports unearned revenue in the government-wide statement of net position and in the fund financial statements. Unearned revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned 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 liabilities for unearned revenue is removed from the statement of net position and revenue is recognized.

The unearned revenues recognized at December 31, 2015 represent 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.

Capital assets

Capital assets include land, buildings and grounds, furniture, fixtures, and equipment, recreational facilities, the wastewater treatment facility, and infrastructure assets acquired after January 1, 2004, 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.

Capital assets are defined by the District as those assets with an initial, individual cost of \$1,000 or greater and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation or at the donor's cost.

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 4. Purchased water rights in connection with the Robert Lewis Ditch and rights of way and easements appurtenant to the water system are included in the Water Fund: Water System in the business activities section of capital assets in Note 4.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Mount Vernon Country Club Metropolitan District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2015

Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

	<u>Years</u>
Building	20-40
Wastewater treatment system	20-40
Recreational facility	5-15
Furniture, fixture and equipment	5-15

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. Compensated absences are recorded as current salary when paid.

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 values of the assets. Both of the assets are being depreciated over the estimated economic useful lives. 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 expenses initially made from it that are properly applicable to another fund, are recorded as expenses in the reimbursing fund and as reductions as expenses in the fund that is reimbursed.

Fund equity

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of spending constraints:

Mount Vernon Country Club Metropolitan District

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2015

Non-spendable fund balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as inventory) or is legally or contractually required to be maintained intact.

Restricted fund balance – The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.

Committed fund balance – The portion of fund balance constrained for specific purposes according to limitations imposed by the District's highest level of decision making authority, the Board of Directors, prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Board of Directors.

Assigned fund balance – The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed. At December 31, 2015, the Board had assigned \$48,338 for emergencies.

Unassigned fund balance – The residual portion of fund balance that does not meet any of the above criteria.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's policy to use the most restrictive classification first.

At December 31, 2015, the District had \$4,200 restricted by legislation for emergencies in the general fund, and \$8,597 for the conservation trust fund.

Budgets

In accordance with the Local Government Budget Law of Colorado, the District's Board of Directors holds a public hearing in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The total appropriation can only be modified upon completion of notification and publication requirements.

Mount Vernon Country Club Metropolitan District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2015

During the year ended December 31, 2015, supplementary appropriations approved by the District modified the appropriation from \$138,500 to \$141,500 in the General Fund; from \$193,000 to \$200,000 in the Water Fund; and from \$5,437,813 to \$6,300,000 in the Recreational Clubhouse Fund.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that District management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Note 3 – Cash and investments

Cash and investments are reflected on the December 31, 2015 Statement of Net Position as follows:

Cash and investments	<u><u>\$ 152,158</u></u>
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Cash and investments as of December 31, 2014 consist of the following:

Deposits with financial institutions	<u>\$ 152,158</u>
Total cash and investments	<u><u>\$ 152,158</u></u>

At December 31, 2015, the District's cash deposits had bank balances of \$169,927 and carrying balances of \$152,158.

Deposits with financial institutions

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 insurance levels must be collateralized. As of December 31, 2015, the federal insurance limit was \$250,000. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of 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.

Mount Vernon Country Club Metropolitan District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2015

Custodial credit risk – deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's cash deposit and investment policy adopts state statutes regarding custodial credit risk for deposits. As of December 31, 2015, the District's bank balances and carrying balances were federally insured for the full balance.

Investments

The District's investment policy adopts state statutes regarding investments.

The District primarily limits its investments to local government investments pools, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to custodial credit risk for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Revenue bonds of local government securities, corporate and bank securities and guaranteed investment contracts not purchased with bond proceeds are limited to maturities of three years or less.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- Obligations of the United States, certain U.S. government agency securities and securities of the World Bank
- General obligation and revenue bonds of U.S. local government entities
- Certain certificates of participation
- Certain securities lending agreements
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

As of December 31, 2015, the District had no investments.

Mount Vernon Country Club Metropolitan District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2015

Note 4 – Capital assets

Capital asset activity for the year ended December 31, 2015 was as follows:

	Balance at December 31, 2014	Increases	Decreases	Balance at December 31, 2015
<u>Governmental activities</u>				
Capital assets not being depreciated				
Land	\$ 492,519	\$ -	\$ -	\$ 492,519
Total capital assets not being depreciated	<u>492,519</u>	<u>-</u>	<u>-</u>	<u>492,519</u>
Capital assets being depreciated				
Infrastructure	464,478	11,508	-	475,986
Less accumulated depreciation	238,195	28,267	-	266,462
Total capital assets being depreciated, net	<u>226,283</u>	<u>(16,759)</u>	<u>-</u>	<u>209,524</u>
Total governmental activities capital assets, net	<u>\$ 718,802</u>	<u>\$ (16,759)</u>	<u>\$ -</u>	<u>\$ 702,043</u>
<u>Business-type activities</u>				
Recreational clubhouse facility:				
Capital assets being depreciated				
Buildings and grounds	\$ 8,977,491	\$ 57,488	\$ 94,870	\$ 8,940,109
Furniture, fixtures and equipment	1,515,691	96,779	158,865	1,453,605
Less accumulated depreciation	5,096,788	353,050	253,735	5,196,103
Total capital assets being depreciated, net	<u>5,396,394</u>	<u>(198,783)</u>	<u>-</u>	<u>5,197,611</u>
Water fund:				
Water system	1,412,435	26,506	10,340	1,428,601
Less accumulated depreciation	738,163	35,820	10,340	763,643
Total capital assets being depreciated, net	<u>674,272</u>	<u>(9,314)</u>	<u>-</u>	<u>664,958</u>
Total business-type activities capital assets, net	<u>\$ 6,070,666</u>	<u>\$ (208,097)</u>	<u>\$ -</u>	<u>\$ 5,862,569</u>
Total capital assets, net	<u>\$ 6,789,468</u>	<u>\$ (224,856)</u>	<u>\$ -</u>	<u>\$ 6,564,612</u>

Depreciation expense of \$353,050, \$35,820 and \$28,267 for the year ended December 31, 2015 was charged to the Recreational Clubhouse Facility, Water Fund and Governmental activities, respectively.

Mount Vernon Country Club Metropolitan District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2015

Note 5 – Long-term obligations

The following is an analysis of changes in the District's long-term obligations for the year ended December 31, 2015:

	Balance at December 31, 2014	Additions	Reductions	Balance at December 31, 2015	Due Within One Year
<u>Recreational</u>					
<u>Clubhouse Facility:</u>					
Capital lease-CoBiz Bank	\$ 1,709,119	\$ -	\$ 116,368	\$ 1,592,751	\$ 120,278
Line of credit	250,000	1,133,050	1,150,000	233,050	233,050
Equipment lease-CoBiz Bank	148,343	-	57,867	90,476	59,610
Recreational Clubhouse Revenue Note	320,914	-	31,078	289,836	32,134
Water Fund Revenue Note	380,000	-	20,000	360,000	25,000
	<u>2,808,376</u>	<u>1,133,050</u>	<u>1,375,313</u>	<u>2,566,113</u>	<u>\$ 470,072</u>
Compensated absences	86,546	825	-	87,371	
Total L-T Obligations	<u>\$ 2,894,922</u>	<u>\$ 1,133,875</u>	<u>\$ 1,375,313</u>	<u>\$ 2,653,484</u>	

Capital Leases

In 2011, the District refinanced a wastewater treatment lease. The refinanced lease agreement provides for an interest rate of 2.95% and a maturity date of June 30, 2017. Payments are due the last day of each quarter.

In 2011, the District refinanced a pool and recreational facilities lease. The proceeds were used to refinance the prior capital lease, and to finance additional improvements to the clubhouse facility. The lease is for a total of \$2,035,000, with a maturity date of December 31, 2026. The refinanced lease agreement provides for an interest rate of 3.4% until December 30, 2018, at which time the rate will reset to the LIBOR Swap Index plus 2.68%. As part of the lease, the District was required to deposit \$850,543 into an escrow account to be used for capital improvements to the clubhouse facility. The District used the escrow account in its entirety during 2012. Payments are due the last day of each quarter.

The District is subject to debt-service coverage and debt-to-net worth ratio covenants for both capital leases. The District was not in violation of covenants at December 31, 2015.

Line of credit

The District has an available line of credit of \$550,000 with a bank. The line of credit matures April 1, 2016. Interest is calculated as the greater of (i) 4.75% or (ii) the Prime Rate (3.25%) plus

Mount Vernon Country Club Metropolitan District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2015

.5%. The line of credit is secured by the District's inventory, accounts receivable, equipment, and various other assets. The District had an outstanding obligation of \$233,050 at December 31, 2015.

Revenue notes

In 2013, the District issued its Series 2013A Recreational Clubhouse Facility Enterprise Revenue Note in the amount of \$350,000. The 2013A Note bears interest at the rate of 3.4%, payable in semi-annual installments on June 1 and December 1, commencing June 1, 2014 through December 1, 2023. Principal is due December 1 each year from 2014 through 2023. Annual payments, including principal and interest, total \$41,989 in 2015, and each year thereafter through 2023. Clubhouse revenues are pledged to repayment of the note.

In 2013, the District issued its Series 2013 Water Enterprise Revenue Note in the amount of \$400,000. The 2013 Note bears interest at the rate of 3.76% through 2020, after which the rate will be reset and fixed through 2028 at 65% of the December 1, 2020 LIBOR rate, plus 3.3%. Interest is payable in semi-annual installments on June 1 and December 1, commencing June 1, 2014 through December 1, 2028. Principal is due December 1 each year from 2014 through 2023. Assuming a constant interest rate of 3.76%, annual payments, including principal and interest, vary from \$34,288 to \$38,536 through 2028. Water enterprise revenues are pledged to repayment of the note.

The District is subject to debt-service coverage and debt-to-net worth ratio covenants for both revenue notes. The District was not in violation of covenants at December 31, 2015.

Long-term debt maturities

Debt maturities for the next five years and to maturity (excluding the revolving line of credit) are estimated as follows:

Year ended December 31,	Principal
2016	\$ 237,021
2017	213,725
2018	188,340
2019	194,013
2020	199,776
2021-2025	1,019,364
2026-2028	280,824
Total	<u><u>\$ 2,333,063</u></u>

Note 6 – Net Position

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

Mount Vernon Country Club Metropolitan District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2015

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

As of December 31, 2015, the District had a net investment in capital assets as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets, net	\$ 702,043	\$ 5,862,569
Current portion of long-term debt	-	(470,072)
Long-term debt due in more than one year	-	(2,096,041)
Net investment in capital assets	<u>\$ 702,043</u>	<u>\$ 3,296,456</u>

Restricted net position includes assets that are restricted for use either externally imposed by creditors, net grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. As of December 31, 2015, the District had restricted net position as follows:

	<u>Governmental Activities</u>	<u>Business- type Activities</u>
Restricted for emergencies	\$ 12,797	\$ -
Restricted net position	<u>\$ 12,797</u>	<u>\$ -</u>

As of December 31, 2015, the District had unrestricted net position of \$(289,837).

Note 7 – Commitments and contingencies

Executive Manager Employment Agreement

The District entered into a 12 month Executive Manager Employment Agreement (the “Agreement”) on January 1, 2013 with the District’s Executive Manager. The Agreement provides for an annual salary of \$138,600, plus \$6,500 in deferred compensation. The Agreement provides for a bonus of a minimum 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 \$10,000. The agreement was subsequently amended on January 1, 2014 and extended through December 31, 2015, and requires written notice of cancellation. On September 15, 2015, the District entered into a Second Addendum to the Employment Agreement and a Separation, Release and Settlement Agreement in

Mount Vernon Country Club Metropolitan District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2015

which the parties agreed that the Executive Manager would retire as of December 31, 2015, and the employee shall receive a retirement bonus of \$40,000 payable in three installments including \$10,000 by January 31, 2016, \$10,000 by March 15, 2016, and \$20,000 by April 15, 2016 if certain criteria are met.

On December 24, 2015 the District entered into an Employment Contract (the "Contract") with a General Manager/Chief Operating Officer. The Contract provides for an annual salary of \$150,000 and an initial annual bonus of up to \$25,000 if certain criteria are met. Subsequent bonuses would be based on specific criteria as outline in the Contract. On February 26, 2016 the Contract was amended to include additional language stipulating the Contract is a multi-year obligation and is subject to annual appropriation by the Board of Directors.

Note 8 – Pension plan

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's vesting schedule for employer contributions, vests 20% at the end of three years of service and vests at an additional 20% per year until at the end of seven years of service the employees' are fully vested. The employees' 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, 2015 were \$76,321.

Note 9 – Interfund transfers

The General Fund and the Recreational Clubhouse Facility transferred \$9,171 and \$31,452 respectively to the Water Fund to fund capital outlay and operating expenditures.

Note 10 – Risk management

Except as may be provided in and by the Colorado Governmental Immunity Act, Section 24-10-101, et seq., C.R.S., as may be amended from time to time, the District may be exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The District was a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2015. The Pool is an organization created by intergovernmental agreement to provide property, liability, public official's liability, boiler and machinery and workers

Mount Vernon Country Club Metropolitan District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2015

compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

Note 11 – TABOR Amendment

Article X, Section 20 of the Colorado constitution, commonly known as the Taxpayer's Bill of Rights (TABOR) contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District's Board of Directors has adopted a resolution establishing an enterprise to operate its water and sanitation activities. The District's management believes its water and sanitation operations qualify for this exclusion.

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.

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary or benefit increases.

REQUIRED SUPPLEMENTARY INFORMATION

Mount Vernon Country Club Metropolitan District

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Property taxes	\$ 129,870	\$ 129,870	\$ 129,821	\$ (49)
Ownership taxes	8,470	11,470	10,365	(1,105)
Interest	160	160	186	26
Total revenues	<u>138,500</u>	<u>141,500</u>	<u>140,372</u>	<u>(1,128)</u>
Expenditures				
General government	115,800	116,000	115,693	307
Capital outlay	17,700	17,500	11,508	5,992
Total expenditures	<u>133,500</u>	<u>133,500</u>	<u>127,201</u>	<u>6,299</u>
Excess of revenues over (under) expenditures	5,000	8,000	13,171	5,171
Other financing sources (uses)				
Transfer from (to) other funds	(5,000)	(8,000)	(9,171)	(1,171)
Total other financing sources (uses)	<u>(5,000)</u>	<u>(8,000)</u>	<u>(9,171)</u>	<u>(1,171)</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>4,000</u>	<u>4,000</u>
Fund balance - beginning of year	48,538	48,538	48,538	-
Fund balance - end of year	<u>\$ 48,538</u>	<u>\$ 48,538</u>	<u>\$ 52,538</u>	<u>\$ 4,000</u>

Mount Vernon Country Club Metropolitan District

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONSERVATION TRUST FUND**

For the Year Ended December 31, 2015

	Original and Final Appropriated Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues			
Lottery Proceeds	\$ 1,988	\$ 1,097	\$ (891)
Interest income	12	4	(8)
Total revenues	<u>2,000</u>	<u>1,101</u>	<u>(899)</u>
Expenditures			
Capital outlay	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	2,000	1,101	(899)
Fund balance - beginning of year	7,470	7,496	26
Fund balance - end of year	<u>\$ 9,470</u>	<u>\$ 8,597</u>	<u>\$ (873)</u>

SUPPLEMENTARY INFORMATION

Mount Vernon Country Club Metropolitan District

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
PROPRIETARY FUND - RECREATIONAL CLUBHOUSE FACILITY**

For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Membership social dues and fees	\$ 1,325,000	\$ 1,325,000	\$ 1,259,410	\$ (65,590)
Food and beverage sales	3,044,000	3,044,000	3,221,692	177,692
Swimming pool and exercise	402,000	402,000	374,537	(27,463)
Tennis courts	167,000	167,000	187,907	20,907
Insurance proceeds and other income	99,880	99,880	84,307	(15,573)
Interest income	120	120	81	(39)
Total revenues	5,038,000	5,038,000	5,127,934	89,934
Expenditures				
Food and beverage	2,714,000	2,714,000	2,726,424	(12,424)
Swimming pool and exercise	191,400	191,400	201,567	(10,167)
Tennis courts	110,100	110,100	130,455	(20,355)
Clubhouse	402,500	402,500	433,506	(31,006)
Marketing	204,000	204,000	211,078	(7,078)
Administrative	602,500	702,500	698,369	4,131
General services	185,500	247,687	240,696	6,991
Debt Service				
Principal, including line of credit repayments	714,413	1,414,413	1,355,313	59,100
Interest	81,000	81,000	82,059	(1,059)
Capital outlay	195,200	195,200	154,267	40,933
Total expenditures	5,400,613	6,262,800	6,233,734	29,066
Excess of revenues over (under) expenditures	(362,613)	(1,224,800)	(1,105,800)	119,000
Other financing sources (uses)				
Line of credit proceeds	500,000	1,200,000	1,133,050	(66,950)
Transfer to other funds	(37,200)	(37,200)	(31,452)	5,748
Total other financing sources (uses)	462,800	1,162,800	1,101,598	(61,202)
Net change in fund balance	100,187	(62,000)	(4,202)	57,798
Fund balance - beginning of year	120,000	1,570,520	1,570,520	-
Fund balance - end of year	\$ 220,187	\$ 1,508,520	\$ 1,566,318	\$ 57,798

Mount Vernon Country Club Metropolitan District

RECONCILIATION OF ACTUAL (BUDGETARY BASIS) TO STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION

RECREATIONAL CLUBHOUSE FACILITY

For the Year Ended December 31, 2015

Revenues (budgetary basis)	\$ 6,260,984
Line of credit proceeds	(1,133,050)
Total revenues per Statement of Revenues, Expenses and Changes in Net Position	<u>5,127,934</u>
Expenditures (budgetary basis)	6,265,186
Depreciation	353,050
Debt principal and line of credit payments	(1,355,313)
Capital outlay	<u>(154,267)</u>
Total expenses per Statement of Revenues, Expenses and Changes in Net Position	<u>5,108,656</u>
Changes in net position per Statement of Revenues, Expenses and Changes in Net Position	<u>\$ 19,278</u>

Mount Vernon Country Club Metropolitan District

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
PROPRIETARY FUND - WATER FUND**

For the Year Ended December 31, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Positive (Negative)
Revenues				
Service charges	\$ 151,194	\$ 151,194	\$ 152,178	\$ 984
Total revenues	<u>151,194</u>	<u>151,194</u>	<u>152,178</u>	<u>984</u>
Expenditures				
Water costs	98,700	115,700	112,688	3,012
Debt Service				
Principal	20,000	20,000	20,000	-
Interest	14,300	14,300	14,288	12
Capital outlay	60,000	50,000	26,506	23,494
Total expenditures	<u>193,000</u>	<u>200,000</u>	<u>173,482</u>	<u>26,518</u>
Excess of revenues over (under) expenditures	(41,806)	(48,806)	(21,304)	27,502
Other financing sources (uses)				
Transfer from other funds	42,200	48,800	40,623	(8,177)
Total other financing sources (uses)	<u>42,200</u>	<u>48,800</u>	<u>40,623</u>	<u>(8,177)</u>
Net change in fund balance	394	(6)	19,319	19,325
Fund balance - beginning of year	8,835	26,726	26,726	-
Fund balance - end of year	<u>\$ 9,229</u>	<u>\$ 26,720</u>	<u>\$ 46,045</u>	<u>\$ 19,325</u>

Mount Vernon Country Club Metropolitan District
RECONCILIATION OF ACTUAL (BUDGETARY BASIS) TO STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION

WATER FUND

For the Year Ended December 31, 2015

Revenues (budgetary basis)	<u>\$ 192,801</u>
Total revenues per Statement of Revenues, Expenses and Changes in Net Position	<u>192,801</u>
 Expenditures (budgetary basis)	 173,482
Depreciation	35,820
Debt principal	(20,000)
Capital outlay	<u>(26,506)</u>
Total expenses per Statement of Revenues, Expenses and Changes in Net Position	<u>162,796</u>
 Changes in net position per Statement of Revenues, Expenses and Changes in Net Position	 <u><u>\$ 30,005</u></u>