

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

**FINANCIAL STATEMENTS**

**with Independent Auditor's Report**

**December 31, 2016**



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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, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Barnes Griggs & Associates, PC

## **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 26-27 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.

*Danner Higgin & Associates, PC*

Lakewood, Colorado  
June 8, 2017

**Mount Vernon Country Club Metropolitan District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2016**

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, 2016. 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 \$3,687,929 (net position).
- The District's total net position increased by \$53,013 over the prior fiscal year.
- Operating revenues decreased \$303,914 from the prior year. This is primarily due to a decrease in food and beverages revenues. Governmental fund revenues increased \$3,312.

**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 \$3,687,929 at the close of the most recent fiscal year.

**Statement of Net Position  
December 31,**

	Total	
	2016	Restated 2015
Current and other assets	\$ 1,110,680	\$ 625,503
Capital assets, net	6,284,235	6,564,612
Total assets	7,394,915	7,190,115
Long-term liabilities		
outstanding	2,671,295	2,566,113
Other liabilities	904,952	858,577
Total liabilities	3,576,247	3,424,690
Deferred inflows of resources	130,739	130,509
Net position		
Net investment in capital assets	3,645,070	3,998,499
Restricted	14,168	12,797
Unrestricted	28,691	(376,380)
Net position	\$ 3,687,929	\$ 3,634,916

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, 2016 and 2015, 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 increased net position in 2016 by \$443,088 compared to an increase before transfers in 2015 of \$2,487.

**Business-type Activities**

The business-type activities (Recreational Clubhouse Facility and Water Fund) before transfers decreased net position in 2016 by \$390,075 compared to an increase before transfers in 2015 of \$40,112.

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

	<b>Total</b>	
	<b>2016</b>	<b>Restated 2015</b>
<b>Revenues:</b>		
Program revenues		
Charges for services	\$ 4,903,851	\$ 5,172,265
Operating grants and contributions	-	35,500
Capital grants and contributions	1,260	1,097
General revenues		
Property taxes	134,599	129,821
Other taxes	6,215	10,365
Interest and other revenue	2,844	271
Gain on sale of assets	448,965	-
<b>Total revenues</b>	<b>5,497,734</b>	<b>5,349,319</b>
<b>Expenses:</b>		
General government	150,662	143,960
Recreational clubhouse facility	5,057,489	5,009,422
Water	145,133	148,508
Interest on debt obligations	91,437	96,347
<b>Total expenses</b>	<b>5,444,721</b>	<b>5,398,237</b>
Increase (decrease) in net position	53,013	(48,918)
Net position - beginning	3,634,916	3,683,834
Net position - ending	<b>\$ 3,687,929</b>	<b>\$ 3,634,916</b>

**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 capital assets as of December 31, 2016 and 2015 were as follows:

**Capital Assets**

	December 31,	
	2016	2015
Land	\$ 491,484	\$ 492,519
Infrastructure	475,986	475,986
Building and grounds	8,940,109	8,940,109
Furniture, fixtures and equipment	1,586,426	1,453,605
Water system	1,461,377	1,428,601
Total assets	12,955,382	12,790,820
Accumulated depreciation	(6,671,147)	(6,226,208)
Net capital assets	\$ 6,284,235	\$ 6,564,612

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, 2016, the District had total debt obligations (including capital leases) of \$2,671,295, of which \$756,849 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 2017. The Recreational Clubhouse Facility revenue budget for 2017 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 2017 and 2016 property tax mill levy for the district is 35.00. As a result, the 2017 tax revenue for the District is budgeted to stay relatively the same as compared to 2016. Revenues for the Water Fund are expected to increase by approximately 34%, to approximately \$222,367 in 2017 due to an increase in water

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

rates. Capital expenses will increase for 2017 in order to provide necessary upgrades to the water system and to the clubhouse.

**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, 2016**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 534,224	\$ 47,729	\$ 581,953
Accounts receivable	-	336,812	336,812
Inventories	-	58,036	58,036
Property tax receivable	130,739	-	130,739
Prepaid expenses and deposits	-	3,140	3,140
Capital assets, net of depreciation	672,042	5,612,193	6,284,235
<b>Total assets</b>	<b>1,337,005</b>	<b>6,057,910</b>	<b>7,394,915</b>
<b>LIABILITIES</b>			
Overdraft	-	85,032	85,032
Accounts payable	-	245,121	245,121
Accrued expenses	-	88,299	88,299
Capital replacement	-	14,380	14,380
Unearned revenues - dues	-	309,422	309,422
Deposits	-	162,698	162,698
Noncurrent liabilities			
Due within one year	-	756,849	756,849
Due in more than one year	-	1,914,446	1,914,446
<b>Total liabilities</b>	<b>-</b>	<b>3,576,247</b>	<b>3,576,247</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred property tax revenue	130,739	-	130,739
<b>Total deferred inflows of resources</b>	<b>130,739</b>	<b>-</b>	<b>130,739</b>
<b>NET POSITION</b>			
Net investment in capital assets	672,042	2,973,028	3,645,070
Restricted	14,168	-	14,168
Unrestricted	520,056	(491,365)	28,691
<b>Total net position</b>	<b>\$ 1,206,266</b>	<b>\$ 2,481,663</b>	<b>\$ 3,687,929</b>

*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, 2016**

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
<b>Governmental activities:</b>							
General government	\$ 150,662	\$ -	\$ -	\$ -	\$ (150,662)	\$ -	\$ (150,662)
Parks and recreation	-	-	-	1,260	1,260	-	1,260
<b>Total government activities</b>	<u>150,662</u>	<u>-</u>	<u>-</u>	<u>1,260</u>	<u>(149,402)</u>	<u>-</u>	<u>(149,402)</u>
<b>Business-type activities:</b>							
Recreational Clubhouse	5,057,489	4,738,078	-	-	-	(319,411)	(319,411)
Water	145,133	165,773	-	-	-	20,640	20,640
Interest on debt obligations	91,437	-	-	-	-	(91,437)	(91,437)
<b>Total business-type activities</b>	<u>5,294,059</u>	<u>4,903,851</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(390,208)</u>	<u>(390,208)</u>
<b>General revenues:</b>							
Taxes:							
Property taxes					134,599	-	134,599
Ownership taxes					6,215	-	6,215
Proprietary member fee					2,673	-	2,673
Investment earnings					38	133	171
Gain on sale of assets					448,965	-	448,965
Transfer (to) from other funds					-	-	-
Total general revenues and transfers					<u>592,490</u>	<u>133</u>	<u>592,623</u>
<b>Change in net position</b>					443,088	(390,075)	53,013
<b>Net position - beginning of year (restated)</b>					<u>763,178</u>	<u>2,871,738</u>	<u>3,634,916</u>
<b>Net position - end of year</b>					<u>\$ 1,206,266</u>	<u>\$ 2,481,663</u>	<u>\$ 3,687,929</u>

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, 2016**

	<u>General Fund</u>	<u>Conservation Trust Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 524,356	\$ 9,868	\$ 534,224
Property tax receivable	130,739	-	130,739
<b>Total assets</b>	<u>\$ 655,095</u>	<u>\$ 9,868</u>	<u>\$ 664,963</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred property tax revenue	\$ 130,739	\$ -	\$ 130,739
<b>Total deferred inflows of resources</b>	<u>130,739</u>	<u>-</u>	<u>130,739</u>
<b>FUND BALANCES</b>			
Restricted by legislation	4,300	9,868	14,168
Assigned for emergencies	520,056	-	520,056
<b>Total fund balances</b>	<u>524,356</u>	<u>9,868</u>	<u>534,224</u>
<b>Total deferred inflows of resources and fund balances</b>	<u>\$ 655,095</u>	<u>\$ 9,868</u>	
<b>Amount reported for governmental activities in the statement of net position are different because:</b>			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds			<u>672,042</u>
<b>Net position of governmental activities</b>			<u>\$ 1,206,266</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, 2016**

	<b>General Fund</b>	<b>Conservation Trust Fund</b>	<b>Total</b>
<b>Revenues</b>			
Property taxes	\$ 134,599	\$ -	\$ 134,599
Ownership taxes	6,215	-	6,215
Lottery proceeds	-	1,260	1,260
Proprietary member fee	2,673	-	2,673
Interest	27	11	38
<b>Total revenues</b>	<u>143,514</u>	<u>1,271</u>	<u>144,785</u>
<b>Expenditures</b>			
General government	121,696	-	121,696
Capital outlay	-	-	-
<b>Total expenditures</b>	<u>121,696</u>	<u>-</u>	<u>121,696</u>
<b>Excess of revenues over (under) expenditures</b>	21,818	1,271	23,089
<b>Other financing sources (uses)</b>			
Transfer to other funds	-	-	-
Proceeds from sale of assets	450,000	-	450,000
Total other financing sources (uses)	<u>450,000</u>	<u>-</u>	<u>450,000</u>
<b>Net change in fund balance</b>	471,818	1,271	473,089
<b>Fund balance - beginning of year</b>	<u>52,538</u>	<u>8,597</u>	<u>61,135</u>
<b>Fund balance - end of year</b>	<u>\$ 524,356</u>	<u>\$ 9,868</u>	<u>\$ 534,224</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, 2016**

<b>Net change in fund balance of governmental funds</b>	\$	473,089
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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		(1,035)
Depreciation expense		(28,966)
		(28,966)

<b>Change in net position of governmental activities</b>	\$	<u>443,088</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, 2016**

	<b>Recreational Clubhouse Facility</b>	<b>Water Fund</b>	<b>Total</b>	<b>Restated 2015 Total</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 47,729	\$ 47,729	\$ 91,023
Accounts receivable	320,675	16,137	336,812	259,829
Inventories	58,036	-	58,036	75,918
Prepaid expenses and deposits	3,140	-	3,140	7,089
Capital assets, net	<u>4,950,724</u>	<u>661,469</u>	<u>5,612,193</u>	<u>5,862,569</u>
<b>Total assets</b>	<u>5,332,575</u>	<u>725,335</u>	<u>6,057,910</u>	<u>6,296,428</u>
<b>LIABILITIES</b>				
Overdraft	85,032	-	85,032	-
Accounts payable	245,121	-	245,121	172,549
Accrued expenses	88,299	-	88,299	163,395
Capital replacement	-	14,380	14,380	-
Unearned revenues - dues	309,422	-	309,422	220,498
Deposits	162,698	-	162,698	214,764
Noncurrent liabilities				
Due within one year	731,849	25,000	756,849	470,072
Due in more than one year	<u>1,604,446</u>	<u>310,000</u>	<u>1,914,446</u>	<u>2,183,412</u>
<b>Total liabilities</b>	<u>3,226,867</u>	<u>349,380</u>	<u>3,576,247</u>	<u>3,424,690</u>
<b>NET POSITION</b>				
Net investment in capital assets	2,646,559	326,469	2,973,028	3,296,456
Unrestricted	<u>(540,851)</u>	<u>49,486</u>	<u>(491,365)</u>	<u>(424,718)</u>
<b>Total net position</b>	<u>\$ 2,105,708</u>	<u>\$ 375,955</u>	<u>\$ 2,481,663</u>	<u>\$ 2,871,738</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, 2016**

	<b>Recreational Clubhouse Facility</b>	<b>Water Fund</b>	<b>Total</b>	<b>Restated 2015 Total</b>
<b>Operating revenues</b>				
Membership social dues	\$ 1,149,897	\$ -	\$ 1,149,897	\$ 1,145,960
Initiation fees	88,005	-	88,005	113,450
Food and beverage sales	2,758,376	-	2,758,376	2,928,574
Food related other income	211,658	-	211,658	220,852
Swimming pool and exercise	336,175	-	336,175	374,537
Tennis courts	143,213	-	143,213	187,907
Service charges	-	165,773	165,773	152,178
Insurance proceeds and other income	50,754	-	50,754	84,307
<b>Total operating revenues</b>	<b>4,738,078</b>	<b>165,773</b>	<b>4,903,851</b>	<b>5,207,765</b>
<b>Operating expenses</b>				
Food and beverage	2,721,320	-	2,721,320	2,726,424
Swimming pool and exercise	183,132	-	183,132	201,567
Tennis courts	131,485	-	131,485	130,455
Water costs	-	108,868	108,868	112,688
Clubhouse	437,628	-	437,628	435,656
Marketing	222,821	-	222,821	217,176
Administrative	775,083	-	775,083	704,398
General services	206,312	-	206,312	240,696
Depreciation	379,708	36,265	415,973	388,870
<b>Total operating expenditures</b>	<b>5,057,489</b>	<b>145,133</b>	<b>5,202,622</b>	<b>5,157,930</b>
<b>Operating income</b>	<b>(319,411)</b>	<b>20,640</b>	<b>(298,771)</b>	<b>49,835</b>
<b>Nonoperating revenues (expenses)</b>				
Interest income	133	-	133	81
Interest expense	(77,774)	(13,663)	(91,437)	(96,347)
<b>Income before operating transfers</b>	<b>(397,052)</b>	<b>6,977</b>	<b>(390,075)</b>	<b>(46,431)</b>
<b>Other financing sources (uses)</b>				
Operating transfers in (out)	-	-	-	9,171
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,171</b>
<b>Change in net position</b>	<b>(397,052)</b>	<b>6,977</b>	<b>(390,075)</b>	<b>(37,260)</b>
<b>Net position - beginning of year</b>	<b>2,502,760</b>	<b>368,978</b>	<b>2,871,738</b>	<b>2,908,998</b>
<b>Net position - end of year</b>	<b>\$ 2,105,708</b>	<b>\$ 375,955</b>	<b>\$ 2,481,663</b>	<b>\$ 2,871,738</b>

*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, 2016**

	<b>Recreational Clubhouse Facility</b>	<b>Water Fund</b>	<b>Total</b>	<b>Restated 2015 Total</b>
<b>Cash flows from operating activities</b>				
Cash received from customers	\$ 4,703,249	\$ 160,477	\$ 4,863,726	\$ 5,177,465
Cash payments to employees for services	(2,432,652)	-	(2,432,652)	(2,483,487)
Cash payments to suppliers for goods and services	(2,196,030)	(94,488)	(2,290,518)	(2,193,334)
Net cash provided by operating activities	<u>74,567</u>	<u>65,989</u>	<u>140,556</u>	<u>500,644</u>
<b>Cash flows from noncapital financing activities</b>				
Transfers to other fund	-	-	-	(31,452)
Transfers from other funds	-	-	-	40,623
Net cash (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,171</u>
<b>Cash flows from capital and related financing activities</b>				
Acquisition of capital assets	(132,822)	(32,776)	(165,598)	(180,773)
Line of credit proceeds	735,074	-	735,074	1,133,050
Principal paid on debt	(637,022)	(25,000)	(662,022)	(1,375,313)
Interest paid on debt	(77,774)	(13,663)	(91,437)	(96,347)
Net cash (used) by capital and related financing activities	<u>(112,544)</u>	<u>(71,439)</u>	<u>(183,983)</u>	<u>(519,383)</u>
<b>Cash flows from investing activities</b>				
Investment earnings received	133	-	133	81
Net cash provided by investing activities	<u>133</u>	<u>-</u>	<u>133</u>	<u>81</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(37,844)	(5,450)	(43,294)	(9,487)
<b>Cash and cash equivalents - beginning of year</b>	37,844	53,179	91,023	100,510
<b>Cash and cash equivalents - end of year</b>	<u>\$ -</u>	<u>\$ 47,729</u>	<u>\$ 47,729</u>	<u>\$ 91,023</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**

	<b>Recreational Clubhouse Facility</b>	<b>Water Fund</b>	<b>Total</b>	<b>Restated 2015 Total</b>
<b>Reconciliation of operating income to net cash provided by operating activities</b>				
Operating income	\$ (319,411)	\$ 20,640	\$ (298,771)	\$ 49,835
<b>Adjustments to reconcile operating income to net cash provided by operating activities</b>				
Depreciation	379,708	36,265	415,973	388,870
(Increase) decrease in:				
Accounts receivable	(71,687)	(5,296)	(76,983)	34,577
Inventories	17,882	-	17,882	(4,505)
Prepaid expenses	3,949	-	3,949	7,902
Increase (decrease) in:				
Overdraft	85,032	-	85,032	-
Accounts payable	72,572	-	72,572	52,656
Accrued expenses	(75,096)	-	(75,096)	35,361
Capital replacement	-	14,380	14,380	-
Compensated absences	(55,240)	-	(55,240)	825
Unearned revenues	88,924	-	88,924	(20,754)
Deposits	(52,066)	-	(52,066)	(44,123)
<b>Net cash provided by operating activities</b>	<b>\$ 74,567</b>	<b>\$ 65,989</b>	<b>\$ 140,556</b>	<b>\$ 500,644</b>

*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, 2016**

**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, 2016

#### 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, 2016**

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 2015 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, 2016**

**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 \$54,979 at December 31, 2016. In 2016, the District expensed \$24,171 in 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, 2016**

**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, 2016 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, 2016**

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 employees accrue vacation at a rate that is based on years of service. Vacation should be used within the year that it is earned; however, unused vacation time can be carried over, but is limited to a maximum of twice the employee's annual accrual. During 2016, the District changed the rate of accrual based on the employee's time served, and no longer allows for unused time to be carried over.

**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, 2016**

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, 2016, the Board had assigned \$520,056 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, 2016, the District had \$4,300 restricted by legislation for emergencies in the general fund, and \$9,868 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.

#### **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

**Mount Vernon Country Club Metropolitan District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2016**

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, 2016 Statement of Net Position as follows:

Cash and investments	\$ 496,921
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Cash and investments as of December 31, 2016 consist of the following:

Deposits with financial institutions	\$ 46,882
Investments	450,039
Total cash and investments	<u>\$ 496,921</u>

At December 31, 2016, the District's cash deposits had bank balances of \$52,070 and carrying balances of \$46,882.

**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, 2016, 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.

**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, 2016, 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.

## Mount Vernon Country Club Metropolitan District

### NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2016

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.

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

#### **Fair Value Measurement and Application**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series); money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee); and CSAFE which record their investments at amortized cost.

The District has invested in COLOTRUST, an external investment pool that records its investments at fair value and measures fair value using Level 2 inputs.

**Mount Vernon Country Club Metropolitan District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2016**

As of December 31, 2016, the District had the following investments:

<b>Investment</b>	<b>Maturity</b>	<b>Fair Value</b>
Colorado Liquid Asset Trust (Colotrust)	Weighted average under 60 days	\$ 450,039

**COLOTRUST**

The District invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing Colotrust. Colotrust operates similarly to a money market fund and each share is equal in value to \$1.00. Colotrust offers two portfolios, COLOTRUST PRIME AND COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as a custodian for Colotrust's portfolios pursuant to a custodian agreement.

The custodian acts as a safekeeping agent for Colotrust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by Colotrust. Colotrust is rated AAAM by Standard & Poor's.

**Mount Vernon Country Club Metropolitan District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2016**

**Note 4 – Capital assets**

Capital asset activity for the year ended December 31, 2016 was as follows:

	<u>Balance at December 31, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2016</u>
<b><u>Governmental activities</u></b>				
Capital assets not being depreciated				
Land	\$ 492,519	\$ -	\$ 1,035	\$ 491,484
Total capital assets not being depreciated	<u>492,519</u>	<u>-</u>	<u>1,035</u>	<u>491,484</u>
Capital assets being depreciated				
Infrastructure	475,986	-	-	475,986
Less accumulated depreciation	266,462	28,966	-	295,428
Total capital assets being depreciated, net	<u>209,524</u>	<u>(28,966)</u>	<u>-</u>	<u>180,558</u>
Total governmental activities capital assets, net	<u>\$ 702,043</u>	<u>\$ (28,966)</u>	<u>\$ 1,035</u>	<u>\$ 672,042</u>
<b><u>Business-type activities</u></b>				
<b>Recreational clubhouse facility:</b>				
Capital assets being depreciated				
Buildings and grounds	\$ 8,940,109	\$ -	\$ -	\$ 8,940,109
Furniture, fixtures and equipment	1,453,605	132,821	-	1,586,426
Less accumulated depreciation	5,196,103	379,708	-	5,575,811
Total capital assets being depreciated, net	<u>5,197,611</u>	<u>(246,887)</u>	<u>-</u>	<u>4,950,724</u>
<b>Water fund:</b>				
Water system	1,428,601	32,776	-	1,461,377
Less accumulated depreciation	763,643	36,265	-	799,908
Total capital assets being depreciated, net	<u>664,958</u>	<u>(3,489)</u>	<u>-</u>	<u>661,469</u>
Total business-type activities capital assets, net	<u>\$ 5,862,569</u>	<u>\$ (250,376)</u>	<u>\$ -</u>	<u>\$ 5,612,193</u>
Total capital assets, net	<u>\$ 6,564,612</u>	<u>\$ (279,342)</u>	<u>\$ 1,035</u>	<u>\$ 6,284,235</u>

Depreciation expense of \$379,708, \$36,265 and \$28,966 for the year ended December 31, 2016 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, 2016**

**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, 2016:

	Balance at December 31, 2015	Additions	Reductions	Balance at December 31, 2016	Due Within One Year
<b><u>Recreational</u></b>					
<b><u>Clubhouse Facility:</u></b>					
Capital lease-CoBiz Bank	\$ 1,592,751	\$ -	\$ 120,278	\$ 1,472,473	\$ 124,632
Line of credit	233,050	735,074	425,000	543,124	543,124
Equipment lease-CoBiz Bank	90,476	-	59,610	30,866	30,866
Recreational Clubhouse Revenue Note	289,836	-	32,134	257,702	33,227
Water Fund Revenue Note	360,000	-	25,000	335,000	25,000
	<u>2,566,113</u>	<u>735,074</u>	<u>662,022</u>	<u>2,639,165</u>	<u>\$ 756,849</u>
Compensated absences	87,371	-	55,241	32,130	
Total L-T Obligations	<u>\$ 2,653,484</u>	<u>\$ 735,074</u>	<u>\$ 717,263</u>	<u>\$ 2,671,295</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 in violation of covenants at December 31, 2016.

**Line of credit**

The District has an available line of credit of \$550,000 with a bank. The line of credit matured April 1, 2016, but was extended to July 1, 2016 and further extended to July 1, 2017. The initial rate of interest will be 4.75% and under no circumstances will be less than 4.75% or more than the

**Mount Vernon Country Club Metropolitan District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2016**

maximum rate allowed by applicable law. 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 \$543,124 at December 31, 2016.

**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 in violation of covenants at December 31, 2016.

**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 <u>December 31,</u>	<u>Principal</u>
2017	\$ 213,725
2018	188,340
2019	194,013
2020	199,776
2021	205,951
2022-2026	1,024,236
2027-2028	70,000
Total	<u><u>\$ 2,096,041</u></u>

**Mount Vernon Country Club Metropolitan District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2016**

**Note 6 – Net Position**

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

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, 2016, the District had a net investment in capital assets as follows:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
	<u>                    </u>	<u>                    </u>
Capital assets, net	\$ 672,042	\$ 5,612,193
Current portion of long-term debt	-	(756,849)
Long-term debt due in more than one year	-	(1,882,316)
Net investment in capital assets	<u>\$ 672,042</u>	<u>\$ 2,973,028</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, 2016, the District had restricted net position as follows:

	<b>Governmental Activities</b>	<b>Business- type Activities</b>
	<u>                    </u>	<u>                    </u>
Restricted for emergencies	\$ 14,168	\$ -
Restricted net position	<u>\$ 14,168</u>	<u>\$ -</u>

As of December 31, 2016, the District had unrestricted net position of \$28,691.

**Note 7 – Related parties**

During 2016, some members of the Board of Directors, who are also proprietary members of the club, agreed to purchase lots within the District’s boundaries from the District. The District sold 4 lots to 5 members including tap fees, for the purchase price of \$450,000. The District has the option to repurchase these lots back from the members within 2 years. Conflicts of interest in dealing with the District may have existed as a result of these transactions.

**Mount Vernon Country Club Metropolitan District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2016**

**Note 8 – Commitments and contingencies**

**Employment Contract**

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 outlined 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 9 – 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. On December 1, 2016, the District changed the vesting schedule for employer contributions to 100% on the date of contribution. The required contributions to the Plan for the year ending December 31, 2016 were \$70,173.

**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, 2016. The Pool is an organization created by intergovernmental agreement to provide property, liability, public official’s liability, boiler and machinery and workers compensation coverage to its members. 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

**Mount Vernon Country Club Metropolitan District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2016**

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.

**Note 12 – Financial Statement Restatement**

Total net position as of December 31, 2015 has been restated from \$3,721,459 to \$3,634,916, a decrease of \$86,543. \$72,266 is related to uncollectible accounts receivable that was subsequently written off and \$14,277 is related to corrections of inventory and prepaid accounts.

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**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, 2016**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>Revenues</b>			
Property taxes	\$ 130,509	\$ 134,599	\$ 4,090
Ownership taxes	9,299	6,215	(3,084)
Proprietary member fee	-	2,673	2,673
Interest	192	27	(165)
<b>Total revenues</b>	<u>140,000</u>	<u>143,514</u>	<u>3,514</u>
<b>Expenditures</b>			
General government	115,800	121,696	(5,896)
Capital outlay	20,000	-	20,000
<b>Total expenditures</b>	<u>135,800</u>	<u>121,696</u>	<u>14,104</u>
<b>Excess of revenues over (under) expenditures</b>	4,200	21,818	17,618
<b>Other financing sources (uses)</b>			
Transfer from (to) other funds	(4,200)	-	4,200
Proceeds from sale of assets	-	450,000	450,000
<b>Total other financing sources (uses)</b>	<u>(4,200)</u>	<u>450,000</u>	<u>454,200</u>
<b>Net change in fund balance</b>	<u>-</u>	<u>471,818</u>	<u>471,818</u>
<b>Fund balance - beginning of year</b>	48,538	52,538	4,000
<b>Fund balance - end of year</b>	<u>\$ 48,538</u>	<u>\$ 524,356</u>	<u>\$ 475,818</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, 2016**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>Revenues</b>			
Lottery Proceeds	\$ 1,988	\$ 1,260	\$ (728)
Interest income	12	11	(1)
<b>Total revenues</b>	<u>2,000</u>	<u>1,271</u>	<u>(729)</u>
<b>Expenditures</b>			
Capital outlay	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balance</b>	2,000	1,271	(729)
<b>Fund balance - beginning of year</b>	8,579	8,597	18
<b>Fund balance - end of year</b>	<u>\$ 10,579</u>	<u>\$ 9,868</u>	<u>\$ (711)</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, 2016**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>			
Membership social dues and fees	\$ 1,332,500	\$ 1,237,902	\$ (94,598)
Food and beverage sales	3,281,800	2,970,034	(311,766)
Swimming pool and exercise	384,200	336,175	(48,025)
Tennis courts	176,000	143,213	(32,787)
Insurance proceeds and other income	129,380	50,754	(78,626)
Interest income	120	133	13
<b>Total revenues</b>	<u>5,304,000</u>	<u>4,738,211</u>	<u>(565,789)</u>
<b>Expenditures</b>			
Food and beverage	2,866,800	2,721,320	145,480
Swimming pool and exercise	189,000	183,132	5,868
Tennis courts	126,000	131,485	(5,485)
Clubhouse	410,000	437,628	(27,628)
Marketing	210,000	222,821	(12,821)
Administrative	695,000	775,083	(80,083)
General services	220,000	206,312	13,688
Debt Service			
Principal, including line of credit repayments	1,212,022	637,022	575,000
Interest	73,500	77,774	(4,274)
Capital outlay	232,400	132,822	99,578
<b>Total expenditures</b>	<u>6,234,722</u>	<u>5,525,399</u>	<u>709,323</u>
<b>Excess of revenues over (under) expenditures</b>	(930,722)	(787,188)	143,534
<b>Other financing sources (uses)</b>			
Line of credit proceeds	1,000,000	735,074	(264,926)
Transfer to other funds	(55,300)	-	55,300
<b>Total other financing sources (uses)</b>	<u>944,700</u>	<u>735,074</u>	<u>(209,626)</u>
<b>Net change in fund balance</b>	<u>13,978</u>	<u>(52,114)</u>	<u>(66,092)</u>
<b>Fund balance - beginning of year</b>	<u>106,965</u>	<u>1,566,318</u>	<u>1,459,353</u>
<b>Fund balance - end of year</b>	<u>\$ 120,943</u>	<u>\$ 1,514,204</u>	<u>\$ 1,393,261</u>

**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, 2016**

<b>Revenues (budgetary basis)</b>	\$ 5,473,285
Line of credit proceeds	(735,074)
Total revenues per Statement of Revenues, Expenses and Changes in Net Position	<u>4,738,211</u>
<b>Expenditures (budgetary basis)</b>	5,525,399
Depreciation	379,708
Debt principal and line of credit payments	(637,022)
Capital outlay	<u>(132,822)</u>
Total expenses per Statement of Revenues, Expenses and Changes in Net Position	<u>5,135,263</u>
<b>Changes in net position per Statement of Revenues, Expenses and Changes in Net Position</b>	<u><u>\$ (397,052)</u></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, 2016**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>Revenues</b>			
Service charges	\$ 159,882	\$ 165,773	\$ 5,891
<b>Total revenues</b>	<u>159,882</u>	<u>165,773</u>	<u>5,891</u>
<b>Expenditures</b>			
Water costs	109,464	108,868	596
Debt Service			
Principal	25,000	25,000	-
Interest	13,536	13,663	(127)
Capital outlay	71,000	32,776	38,224
<b>Total expenditures</b>	<u>219,000</u>	<u>180,307</u>	<u>38,693</u>
<b>Excess of revenues over (under) expenditures</b>	(59,118)	(14,534)	44,584
<b>Other financing sources (uses)</b>			
Transfer (to) from other funds	59,500	-	(59,500)
<b>Total other financing sources (uses)</b>	<u>59,500</u>	<u>-</u>	<u>(59,500)</u>
<b>Net change in fund balance</b>	382	(14,534)	(14,916)
<b>Fund balance - beginning of year</b>	34,653	26,726	(7,927)
<b>Fund balance - end of year</b>	<u>\$ 35,035</u>	<u>\$ 12,192</u>	<u>\$ (22,843)</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**

<b>Revenues (budgetary basis)</b>	<b>\$</b>	<u>165,773</u>
Total revenues per Statement of Revenues, Expenses and Changes in Net Position		<u>165,773</u>
 <b>Expenditures (budgetary basis)</b>		 180,307
Depreciation		36,265
Debt principal		(25,000)
Capital outlay		<u>(32,776)</u>
Total expenses per Statement of Revenues, Expenses and Changes in Net Position		<u>158,796</u>
 <b>Changes in net position per Statement of Revenues, Expenses and Changes in Net Position</b>	 <b>\$</b>	 <u><u>6,977</u></u>