

3432.00

**GRAND LAKE METROPOLITAN
RECREATION DISTRICT**
FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015



RECEIVED

By Justin L. Smith at 7:47 am, Apr 20, 2017

Contents

	Page
Independent Auditors' Report	1 - 2
Management's Discussion And Analysis	i - v
 Basic Financial Statements	
Statement Of Net Position.....	3 - 4
Statement Of Revenues, Expenses And Changes In Net Position	5
Statement Of Cash Flows	6 - 7
Notes To Financial Statements	8 - 20
 Supplementary Information	
Schedule Of Revenues And Expenditures - Budget (Non-GAAP Budgetary Basis) And Actual - 2016.....	21
Schedule Of Revenues And Expenditures - Budget (Non-GAAP Budgetary Basis) And Actual - 2015	22



RubinBrown LLP
Certified Public Accountants
& Business Consultants

1900 16th Street
Suite 300
Denver, CO 80202

T 303.698.1883
F 303.777.4458

W rubinbrown.com
E info@rubinbrown.com

Independent Auditors' Report

Board of Directors
Grand Lake Metropolitan Recreation District
Grand Lake, Colorado

Report On The Financial Statements

We have audited the accompanying financial statements of the Grand Lake Metropolitan Recreation District (the District), as of and for the years ended December 31, 2016 and 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2016 and 2015, and the changes in its financial position and its cash flows for the years 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 on pages i through v 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, which 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 audits 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 audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The schedules of revenues and expenditures - budget and actual - 2016 and 2015 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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. The 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, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

RubinBrown LLP

February 27, 2017

GRAND LAKE METROPOLITAN RECREATION DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the District's annual financial report presents their analysis of the District's financial performance during the Fiscal Year ended December 31, 2016. Please read it in conjunction with the audited financial statements prepared by Rubin Brown

FINANCIAL HIGHLIGHTS

- * The District's total assets increased by \$253,720 or about 5.5%.
- * The District's total liabilities decreased \$20,269 or about .6%.
- * The District's net equity (total assets minus total liabilities) increased \$252,954 or about 40.8%.
- * During the year the District's operating revenues decreased \$29,764 or about 3.5%.
- * A \$3,995,000 General Obligation Bond issue was passed at the May 2006 election and was refinanced in August 2012 in the aggregate principal amount of \$3,540,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts:

- * Management's Discussion and Analysis.
- * Financial Statements
- * Supplementary Information

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

REQUIRED FINANCIAL STATEMENTS

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

Statement of Net Position (Balance Sheet)

The Statement of Net Position or Balance Sheet provides information about the nature and amounts of investments in resources (assets) and obligations to District creditors (liabilities). It also provides the basis evaluating the capital structure of the District and assessing the short and long term debt of the District.

Statement of Revenues, Expenses and Changes in Net Position (Income Statement)

This statement measures the results of the District’s operations over the past year and can be used to determine what percentage of the District’s costs are recovered through its user fees and other charges.

Statement of Cash Flows

The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District’s cash receipts and payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It also provides answers to such questions as where did the cash come from, how cash was used, and what was the change in cash balance during the reporting period.

FINANCIAL ANALYSIS OF THE DISTRICT

One of the most important questions asked about the District’s finances is “Is the District as a whole better off or worse off as a result of this year’s activities?” The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the District’s activities in a way that can help answer that question. These two statements report the net assets of the District and changes in them. The District’s net assets also known as equity which is the difference between assets and liabilities, is one way to measure financial health or financial position. Over time, increases in the District’s net assets are one indicator that the District’s financial health is improving. However, you will need to consider other non-financial factors such as changes in economic conditions, population growth, or changed governmental legislation.

NET ASSETS

As part of our analysis, provided is a summary of the District’s statement of net assets presented below.

	Condensed Balance Sheet			
	<u>2015</u>	<u>2016</u>	<u>\$Change</u>	<u>%</u>
Current Assets	\$ 1,243,057	\$ 1,344,972	\$ 101,915	8.1%
Property & Equipment	3,092,182	3,229,778	137,596	4.4%
Other Assets	<u>259,903</u>	<u>274,112</u>	<u>14,209</u>	<u>5.5%</u>
Total Assets	\$ 4,595,142	\$ 4,848,862	\$ 253,720	5.5%
Current Liabilities	\$ 309,377	\$ 375,037	\$ 65,660	21.2%
Long Term Liabilities	<u>3,243,193</u>	<u>3,157,264</u>	(85,929)	<u>-2.6%</u>
Total Liabilities	\$ 3,552,570	\$ 3,532,301	\$ (20,269)	-.6%

Invested in Capital Assets, Net of Related Debt	(415,883)	(13,415)	402,468	96.8%
Restricted Assets				
TABOR Amendment	38,516	38,706	190	.5%
Conservation Trust Fund	85,400	99,266	13,866	16.2%
Unrestricted Net Assets	<u>911,443</u>	<u>747,873</u>	<u>(163,570)</u>	<u>- 17.9%</u>
Total Net Assets	\$ 619,476	\$ 872,430	\$ 252,954	40.8%

As can be seen from the chart above, total assets increased \$253,720 in 2016 mainly due to the acquisition of various maintenance equipment and golf cars. Some of current assets were invested in the Colorado Surplus Asset Fund Trust (CSAFE) which is an investment vehicle established by state statute for local government entities in Colorado to pool surplus funds for investment purposes. Long Term Liabilities decreased by \$85,929 due to the yearly payments on the 2003 Revenue Refunding and Improvement Bond and the 2012 General Obligation Bond.

While the Statement of Net Assets shows the change in financial position of net assets, the Statement of Revenues, Expenses and Changes in Net Position provides answers as to the nature and source of these changes. As can be seen in the table below, 2016 total revenues of \$1,709,004 less 2016 total expenses of \$1,456,050 results in a positive change in net assets of \$252,954 which is an increase from 2015 of \$107,863.

Condensed Statements of Income and Changes in Net Assets

	<u>2015</u>	<u>2016</u>	<u>\$Change</u>	<u>%</u>
Operating Revenue	\$ 856,029	\$ 826,445	\$ (29,584)	-3.5%
Non-Operating Revenue	<u>719,226</u>	<u>882,559</u>	<u>163,333</u>	<u>22.7%</u>
Total Revenue	\$ 1,575,255	\$ 1,709,004	\$ 133,749	8.5%
Depreciation Expense	282,852	294,949	12,097	4.3%
Operating Expenses	995,830	995,255	(575)	.1%
Non-Operating Expenses	<u>151,482</u>	<u>165,846</u>	<u>14,364</u>	<u>9.5%</u>
Total Expenses	\$ 1,430,164	\$ 1,456,050	\$ 25,886	1.8%
Change in Net Assets	145,091	252,954	107,863	74.3%
Beginning Net Assets	474,385	619,476	145,091	30.6%
Ending Net Assets	619,476	872,430	252,954	40.8%

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

Cost Recovery through Fees and Charges

	<u>2015</u>	<u>2016</u>	<u>\$Change</u>	<u>%</u>
Operating Revenue	\$ 856,029	\$ 826,445	\$ (29,584)	-3.5%

Operating Expenses	995,830	995,255	(575)	-1%
% Cost Recover Through Operating Fees and Charges	86.0%	83.0%		

BUDGETARY HIGHLIGHTS

As required by State Law, the District adopts a budget and appropriates funds for the following year by December 15, of each year. If an amendment is necessary, the Board will approve a supplemental appropriation at a public hearing and file it with the State of Colorado. Budget to actual statements are included as Supplemental Information in the audited financial statements.

CAPITAL ASSETS AND DEBT ADMINISTRATION

At the end of 2015, the District had invested \$3,092,182 in capital assets which represents a broad range of infrastructure on the Golf Course and Touring Center as well as other assets in the Maintenance Department, Lounge / Restaurant, Touring Center, and General Recreation, as shown in the table below.

	Capital Asset Sheet		
	<u>2015</u>	<u>2016</u>	<u>\$Change</u>
Capital Assets, not being depreciated			
Land	\$ 1,357,666	\$ 1,357,666	\$ -0-
Water Rights	<u>41,800</u>	<u>41,800</u>	<u>-0-</u>
Total Assets, not being depreciated	\$ 1,399,466	\$ 1,399,466	\$ -0-
Capital Assets, being depreciated			
Building	1,614,275	1,614,275	-0-
Improvements	1,768,204	1,779,934	11,730
Equipment	<u>1,659,647</u>	<u>1,799,072</u>	<u>139,425</u>
Total Assets, being depreciated	\$ 5,042,126	\$ 5,193,281	\$ 151,155
Less Accumulated Depreciation	(3,349,410)	(3,362,970)	13,560
Total Depreciable Capital Assets, Net	1,692,716	1,830,311	137,595
Total Capital Assets	3,092,182	3,229,777	137,595

As can be seen in the chart above, the Net Total Assets have increased by \$137,595.

LONG TERM DEBT

At year-end, the District had \$3,493,642 in long term debt and capital leases, down from \$3,524,176 in 2015 for a decrease of \$30,534 or about .9%. As can be seen in the chart below, there were decreases in obligations for the Revenue Bond, General Obligation Bond.

Condensed Statements of Long Term Debt

	<u>2015</u>	<u>2016</u>	<u>\$Change</u>	<u>%</u>
Golf Course Revenue Bonds	\$ 240,000	\$ 215,000	\$ (25,000)	- 10.4%
Golf Course General Obligation Bonds	3,268,065	3,028,193	(239,872)	-7.3%
Capital Leases	16,111	250,449	234,338	1,454.5%
Total Long Term Debt & Capital Leases	3,524,176	3,493,642	(30,534)	- .9%

ECONOMIC FACTORS

Since the Grand Lake Metropolitan Recreation District's business is outdoor recreation, the weather plays a huge part of the fee based or operating revenues. Inclement weather during holiday weekends such as the Fourth of July or Labor Day, just to mention a couple, results in lower participation and a decrease in operating revenues, as can be seen in this report. The District tries to keep the operating expenses in check, as can be witnessed in this report as well, in order to help off-set any decrease in operating revenues. The District continues their competitive pricing and marketing in hopes to offset any negative impact of the economy.

GRAND LAKE METROPOLITAN RECREATION DISTRICT

STATEMENT OF NET POSITION

December 31, 2016 And 2015

Page 1 Of 2

Assets And Deferred Outflows Of Resources

	2016	2015
Current Assets		
Cash and cash equivalents (Note 2)	\$ 415,981	\$ 118,937
Investments (Note 2)	154,326	382,013
Receivables:		
Property tax	675,812	676,000
Other	30,622	11,631
Inventory	26,894	20,947
Prepaid insurance	40,372	32,564
Deposits	965	965
Total Current Assets	1,344,972	1,243,057
Property And Equipment (Note 3)		
Nondepreciable	1,399,466	1,399,466
Depreciable, net of accumulated depreciation	1,830,312	1,692,716
Net Property And Equipment	3,229,778	3,092,182
Other Assets		
Restricted cash and cash equivalents (Note 2)	159,468	145,602
Restricted investments (Note 2)	114,644	114,301
Total Other Assets	274,112	259,903
Total Assets	4,848,862	4,595,142
Deferred Outflows Of Resources		
Deferred loss on 2012 Refunding General Obligation Bonds, net	231,681	252,904

GRAND LAKE METROPOLITAN RECREATION DISTRICT

STATEMENT OF NET POSITION

December 31, 2016 And 2015

Page 2 Of 2

Liabilities, Deferred Inflows Of Resources And Net Position

	2016	2015
Current Liabilities		
Accounts payable	\$ 13,597	\$ 6,778
Accrued liabilities	25,062	21,616
Bonds payable - current portion (Note 4)	279,872	264,872
Capital lease payable - current portion (Notes 4 and 8)	71,506	16,111
Total Current Liabilities	390,037	309,377
Long-Term Liabilities (Note 4)		
Bonds payable	2,963,321	3,243,193
Capital lease payable	178,943	—
Total Long-Term Liabilities	3,142,264	3,243,193
Total Liabilities	3,532,301	3,552,570
Deferred Inflows Of Resources		
Deferred property tax revenue	675,812	676,000
Net Position		
Net investment in capital assets	(13,415)	(415,883)
Restricted for:		
Debt service	174,846	174,503
TABOR Amendment (Note 5)	38,706	38,516
Conservation trust funds	99,266	85,400
Unrestricted	573,027	736,940
Total Net Position	\$ 872,430	\$ 619,476

GRAND LAKE METROPOLITAN RECREATION DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION For The Years Ended December 31, 2016 And 2015

	2016	2015
Operating Revenues		
Golf course and other recreation	\$ 709,386	\$ 732,253
Lounge and restaurant	117,059	123,776
Total Operating Revenues	826,445	856,029
Operating Expenses		
Golf course and other recreation	752,737	750,132
Lounge and restaurant	154,429	153,731
Administration	88,089	91,793
Depreciation	294,949	282,852
Selling expense	—	174
Total Operating Expenses	1,290,204	1,278,682
Operating Loss	(463,759)	(422,653)
Nonoperating Revenues (Expenses)		
Property taxes	677,508	664,931
Specific ownership taxes	41,305	38,604
State conservation trust funds	13,775	11,666
Interest income	2,812	1,312
Gain on sale of equipment	135,000	—
Miscellaneous	12,159	2,713
Interest expense	(131,969)	(118,232)
Treasurer's fees	(33,877)	(33,250)
Total Nonoperating Revenues	716,713	567,744
Changes In Net Position	252,954	145,091
Net Position, Beginning Of Year	619,476	474,385
Net Position, End Of Year	\$ 872,430	\$ 619,476

GRAND LAKE METROPOLITAN RECREATION DISTRICT

STATEMENT OF CASH FLOWS

For The Years Ended December 31, 2016 And 2015

Page 1 Of 2

	2016	2015
Cash Flows From Operating Activities		
Cash received from customers	\$ 807,454	\$ 852,502
Cash paid to suppliers	(612,524)	(506,200)
Cash paid to employees	(521,221)	(483,060)
Net Cash Used In Operating Activities	(326,291)	(136,758)
Cash Flows From Noncapital Financing Activities		
Cash received from taxes	697,170	672,998
Conservation trust funds received	13,775	11,666
Net Cash Provided By Noncapital Financing Activities	710,945	684,664
Cash Flows From Capital And Related Financing Activities		
Cash paid to acquire capital assets	—	(11,598)
Cash received from sale of fixed assets	134,999	—
Principal paid on debt	(306,930)	(269,700)
Interest paid on bonds	(131,969)	(118,232)
Net Cash Used In Capital And Related Financing Activities	(303,900)	(399,530)
Cash Flows From Investing Activities		
(Purchase) redemption of investments	227,344	(51,009)
Increase in restricted cash	(13,866)	(11,745)
Interest income	2,812	1,312
Net Cash Provided By (Used In) Investing Activities	216,290	(61,442)
Net Increase In Cash And Cash Equivalents	297,044	86,934
Cash And Cash Equivalents, Beginning Of Year	118,937	32,003
Cash And Cash Equivalents, End Of Year	\$ 415,981	\$ 118,937

GRAND LAKE METROPOLITAN RECREATION DISTRICT

STATEMENT OF CASH FLOWS

For The Years Ended December 31, 2016 And 2015

Page 2 Of 2

	<u>2016</u>	<u>2015</u>
Reconciliation Of Operating Loss To Net Cash Used In Operating Activities		
Operating loss	\$ (463,759)	\$ (422,653)
Adjustments To Reconcile Operating Loss To Net Cash		
Depreciation	294,949	282,852
Gain on sale of fixed assets	(135,000)	—
Changes in assets and liabilities:		
Increase in accounts receivable	(18,991)	(3,527)
Increase in inventory	(5,947)	(3,348)
(Increase) decrease in prepaid insurance	(7,808)	5,845
Increase in accrued expenses	3,446	3,367
Increase in accounts payable	6,819	706
Net Adjustments	<u>137,468</u>	<u>285,895</u>
Net Cash Used In Operating Activities	<u>\$ (326,291)</u>	<u>\$ (136,758)</u>
Noncash Financing Activities		
Capital assets acquired through capital leases	\$ 432,544	\$ —

GRAND LAKE METROPOLITAN RECREATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 And 2015

1. Summary Of Significant Accounting Policies

The Grand Lake Metropolitan Recreation District (the District) was created to provide recreation activities for the benefit of the surrounding community.

Reporting Entity

In accordance with the Governmental Accounting Standards Board (GASB), the District has considered the possibility of inclusion of additional entities in its annual financial report. In defining and determining the District as an appropriate reporting entity, the District has considered manifestations of oversight over, and scope of public services of, various boards, commissions, authorities and other entities. More specifically, these considerations include, but are not limited to, the District's ability to select another entity's governing authority or management, to significantly influence operations and scope of public service, to approve budgetary appropriations and revisions and its responsibilities to fund deficits and operating deficiencies or determine revenue policy.

During 1996, the District created the Grand Lake Recreational Foundation (the Foundation). This not-for-profit entity, which is excluded from federal income tax under Internal Revenue Code Section 501(c)(3), was created for the benefit of the District. Its purposes include the furtherance of the recreational opportunities of the District and the establishment of means of fund-raising to support the efforts of the Foundation. For purposes of financial reporting, the Foundation is deemed to be a blended component unit of the District. Therefore, all financial activities are required to be included within the District's financial statements. The Foundation did not receive donations in 2016 and 2015. The District is not a component unit of any other primary governmental entity.

Accounting Method

Enterprise fund accounting is used in accordance with generally accepted accounting principles (GAAP) for governmental units. Enterprise funds recognize revenues and expenses on the accrual basis of accounting.

GRAND LAKE METROPOLITAN RECREATION DISTRICT

Notes To Financial Statements *(Continued)*

Enterprise Funds

Enterprise funds are proprietary funds used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Proprietary funds distinguish 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. The principal operating revenues of the District's enterprise fund are charges for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fund Equity

Net position represents the difference between assets, liabilities and deferred inflows and outflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets and deferred inflows and outflows of resources. Net position is reported as restricted when there are limitations imposed on its use, either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Capital Assets

Capital assets are recorded at historical cost. The District policy has set the capitalization threshold for reporting capital assets at \$5,000. Capital assets are depreciated over their estimated useful lives on a straight-line basis. Useful lives of District assets currently range from 3 to 20 years.

Inventory Valuation

Merchandise inventory for resale is valued at cost on a first-in, first-out basis.

GRAND LAKE METROPOLITAN RECREATION DISTRICT

Notes To Financial Statements *(Continued)*

Interest Capitalization

The District has chosen not to capitalize interest costs associated with the purchase of property and equipment items.

Budget Process

The District adopts an annual budget at the end of each year for the following calendar year. The District adopts all appropriations at the department level. Unused appropriations expire (lapse) at year end. Amendment of the budget through supplemental appropriations requires approval of the Board of Directors, publication of the public hearing dates and proposed supplemental appropriations, the holding of a public hearing and the filing of the approved supplemental appropriation with the Colorado Division of Local Governments.

The District budgets on a non-GAAP basis. For budget purposes, bond and lease proceeds are considered to be revenues. Purchases of capital assets and principal payments of debt are shown as expenses. Depreciation and amortization of bond issue and discount costs are not budgeted.

Property Tax

Property taxes are levied in the current year and collected in the subsequent year. Property taxes have been accrued as a receivable at year end, and the revenue deferred until collected. As accrued taxes are collected, revenue is recognized, and the deferral and the receivable are reduced.

The Grand County Treasurer's Office collects property taxes and remits to the District, on a monthly basis, the District's portion of the property taxes based on the District's mill levy.

Annual property taxes are levied by the District in December of each year, on assessed valuation as of January 1, and are due the following year. Property tax payments are permitted in either one or two installments at the taxpayer's election. Property tax payments made in one installment must be made no later than April 30 of each year. Property tax payments made in two installments must be made by the last day of February for the first installment and June 15 for the second installment. Properties with delinquent unpaid property taxes (lien date in November) are offered at a tax sale held in December of each year after appropriate advertising and notice.

GRAND LAKE METROPOLITAN RECREATION DISTRICT

Notes To Financial Statements *(Continued)*

Cash, Cash Equivalents And Investments

The District considers highly liquid investments, purchased with an original maturity of three months or less, to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments. Investments are reported at fair value.

Estimates

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

Deferred Outflows Of Resources

In addition to assets, the statement of net position will sometimes include a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period or periods and so will not be recognized as an outflow of resources until then. The District has a deferred loss on refunding reported in the statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred Inflows Of Resources

In addition to liabilities, the statement of net position will sometimes include a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period or periods and so will not be recognized as an inflow of resources until then. The District has deferred property tax revenue. This item has been reported as deferred inflows on the statement of net position.

Comparative Data

Comparative data for the prior year has been presented to provide an understanding of the changes in the financial position and operations. Certain amounts presented in the prior-year data have been reclassified to be consistent with the current-year's presentation.

GRAND LAKE METROPOLITAN RECREATION DISTRICT

Notes To Financial Statements *(Continued)*

2. Cash And Investments

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance coverage must be collateralized. The eligible collateral is specified by PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of eligible collateral must be at least equal to 102% of the uninsured deposits. The State Regulatory Commissions for banks and savings and loan associations 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 is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. At December 31, 2016, the District's cash deposits had a book balance of \$575,449 and a corresponding bank balance of \$622,512. The difference between the book and bank balances is due to outstanding checks and deposits not yet processed by the banks. The entire balance was covered by federal depository insurance. At December 31, 2015, the District's cash deposits had a book balance of \$264,539 and a corresponding bank balance of \$227,948. The entire balance was covered by federal depository insurance.

As of December 31, 2016 and 2015, the District's deposits were not exposed to credit risk, as all deposits were insured either by the Federal Deposit Insurance Corporation or collateralized in accordance with PDPA.

Restricted Cash And Investments

In accordance with Colorado Revised Statutes, the District maintains a separate money market account for the conservation trust funds. At December 31, 2016 and 2015, the balance of these funds was \$99,266 and \$85,400, respectively.

The District restricted investments of \$114,644 and \$114,301 to meet the bond reserve requirements for servicing of the bonds at December 31, 2016 and 2015, respectively. The District also restricted cash in the amount of \$60,202 at both December 31, 2016 and 2015.

GRAND LAKE METROPOLITAN RECREATION DISTRICT

Notes To Financial Statements (Continued)

Following is a reconciliation of cash and cash equivalents recorded on the statement of net position.

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents - unrestricted	\$ 415,981	\$ 118,937
Cash and cash equivalents - restricted	159,468	145,602
Total Cash And Cash Equivalents	\$ 575,449	\$ 264,539

Investments

Colorado Revised Statutes specify investment instruments meeting defined rating and risk criteria in which the District may invest:

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

The District does not have a Board-adopted investment policy, but rather uses the Colorado Revised Statutes as the District's investment policy.

The District had invested \$154,326 and \$382,013 at December 31, 2016 and 2015, respectively, in the Colorado Surplus Asset Fund Trust (CSAFE), an investment vehicle established by state statute for local government entities in Colorado to pool surplus funds for investment purposes, and rated AAAM by Standard & Poor's. The State Securities Commissioner administers and enforces all state statutes governing CSAFE.

GRAND LAKE METROPOLITAN RECREATION DISTRICT

Notes To Financial Statements (Continued)

CSAFE operates similarly to a money market fund, and each share is equal in value to \$1.00. Financial statements for CSAFE may be obtained at www.csafe.org. The designated custodial bank provides safekeeping and depository services to CSAFE in connection with the direct investment and withdrawal functions of CSAFE. All securities owned by CSAFE are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by CSAFE. Investments of CSAFE consist of U.S. Treasury and U.S. agency securities and repurchase agreements collateralized by U.S. Treasury and U.S. agency securities.

The District also held \$114,644 and \$114,301 at December 31, 2016 and 2015, respectively, in certificates of deposit.

These investments are not subject to categorization under the provisions established by GASB since the underlying securities cannot be determined.

3. Property And Equipment

A summary of changes in property and equipment during 2016 follows:

	Balance December 31, 2015	Additions	Deletions	Balance December 31, 2016
Nondepreciable				
Land	\$ 1,357,666	\$ —	\$ —	\$ 1,357,666
Water rights	41,800	—	—	41,800
Subtotal	1,399,466	—	—	1,399,466
Depreciable				
Building	1,614,275	—	—	1,614,275
Improvements	1,768,204	11,730	—	1,779,934
Equipment	1,659,647	420,814	(281,389)	1,799,072
Subtotal	5,042,126	432,544	(281,389)	5,193,281
Accumulated Depreciation	(3,349,410)	(294,949)	281,389	(3,362,970)
Total Depreciable Capital Assets, Net	1,692,716	137,595	—	1,830,311
Total Capital Assets	\$ 3,092,182	\$ 137,595	\$ —	\$ 3,229,778

GRAND LAKE METROPOLITAN RECREATION DISTRICT

Notes To Financial Statements *(Continued)*

A summary of changes in property and equipment during 2015 follows:

	Balance December 31, 2014	Additions/ Reclass	Deletions/ Reclass	Balance December 31, 2015
Nondepreciable				
Land	\$ 1,357,666	\$ —	\$ —	\$ 1,357,666
Water rights	41,800	—	—	41,800
Subtotal	1,399,466	—	—	1,399,466
Depreciable				
Building	1,614,275	—	—	1,614,275
Improvements	1,768,204	—	—	1,768,204
Equipment	1,648,049	11,598	—	1,659,647
Subtotal	5,030,528	11,598	—	5,042,126
Accumulated Depreciation	(3,066,558)	(282,852)	—	(3,349,410)
Total Depreciable Capital Assets, Net	1,963,970	(271,254)	—	1,692,716
Total Capital Assets	\$ 3,363,436	\$ (271,254)	\$ —	\$ 3,092,182

4. Long-Term Debt

Changes in long-term debt during 2016 were as follows:

	Balance December 31, 2015	Additions	Payments	Balance December 31, 2016	Current
Bonds					
2003 Refunding	\$ 240,000	\$ —	\$ (25,000)	\$ 215,000	\$ 25,000
2012 Refunding	3,210,000	—	(235,000)	2,975,000	250,000
2012 Premium	58,065	—	(4,872)	53,193	4,872
Capital Leases					
Capital lease	16,111	297,619	(63,281)	250,449	71,506
Total	\$ 3,524,176	\$ 297,619	\$ (328,153)	\$ 3,493,642	\$ 351,378

GRAND LAKE METROPOLITAN RECREATION DISTRICT

Notes To Financial Statements (Continued)

Changes in long-term debt during 2015 were as follows:

	Balance December 31, 2014	Additions	Payments	Balance December 31, 2015	Current
Bonds					
2003 Refunding	\$ 265,000	\$ —	\$ (25,000)	\$ 240,000	\$ 25,000
2012 Refunding	3,440,000	—	(230,000)	3,210,000	235,000
2012 Premium	62,937	—	(4,872)	58,065	4,872
Capital Leases					
Capital lease	47,163	—	(31,052)	16,111	16,111
Total	\$ 3,815,100	\$ —	\$ (290,924)	\$ 3,524,176	\$ 280,983

Bonds

2003 Revenue Refunding Bonds

In July 2003, the District issued \$570,000 in Revenue Refunding and Improvement Bonds, Series 2003. These bonds bear interest rates ranging from 1.65% to 5.25%. Interest payments are due in May and November of each year, and principal payments are due in November of each year, with final payment due in 2023.

2012 General Obligation Refunding Bonds

General Obligation Refunding Bonds, Series 2012, were issued on August 28, 2012 in the amount of \$3,540,000, with variable interest rates starting at 2% in 2012 and ranging up to 3%. The bonds were issued to advance refund a portion of the outstanding Series 2006 General Obligation Bonds. Net proceeds of \$3,614,305, including \$60,657 of issuance costs including underwriter fees and other professional costs, and \$160,000 of District funds were deposited with an escrow agent to provide all future debt service payments on the 2006 series bonds. As a result, the 2006 series bonds are considered to be defeased, and the liability for those bonds has been removed from the statement of net position.

The advance refunding resulted in a difference between the reacquisition price and the carrying amount of the old debt of \$460,743. This difference, reported in the statement of net position as a deferred outflow of resources, is being charged through operations through 2027, using the effective-interest method.

The bonds were issued at a premium (difference between the face value and issue price) of \$74,305. This difference, reported in the statement of net position as an addition to bonds payable, is being charged through operations through 2027, using the effective-interest method.

GRAND LAKE METROPOLITAN RECREATION DISTRICT

Notes To Financial Statements (Continued)

The advance refunding resulted in a net economic gain (difference between the present value of the old and new debt service payments) of \$193,527. The difference in cash flows required to service the old and new debt is \$237,046 less on the new debt.

The bonds constitute general obligations of the District. All of the taxable property in the District is subject to the levy of an ad valorem tax to pay the principal and interest on the bonds. The net proceeds of the issuance are to be used to finance the forest management, building maintenance and irrigation system improvements.

A schedule of principal payments on bonds to maturity follows:

Year	2003 Revenue Refunding Bond		2012 Refunding Obligation Bond		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 25,000	\$ 12,600	\$ 235,000	\$ 77,169	\$ 260,000	\$ 89,769
2018	30,000	11,288	250,000	72,169	280,000	83,457
2019	30,000	9,975	265,000	64,669	295,000	74,644
2020	30,000	8,400	275,000	58,044	305,000	66,444
2021	30,000	6,825	270,000	51,169	300,000	57,994
2022 - 2026	70,000	10,763	1,385,000	151,832	1,455,000	162,595
2027 - 2028	—	—	295,000	8,050	295,000	8,050
Total	\$ 215,000	\$ 59,851	\$ 2,975,000	\$ 483,102	\$ 3,190,000	\$ 542,953

Debt Authorization

The District has approved the issuance of \$3,995,000 of general obligation indebtedness and \$575,000 of revenue bonds. The authorized but unissued debt at both December 31, 2016 and 2015 was \$5,000.

5. Tax, Spending And Debt Limitations

Colorado voters passed the Taxpayer Bill of Rights (TABOR), an amendment to the State Constitution, Article X, Section 20, which has several limitations including revenue raising, spending abilities and other specific requirements of state and local governments. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of TABOR based on the interpretations of TABOR's language.

GRAND LAKE METROPOLITAN RECREATION DISTRICT

Notes To Financial Statements *(Continued)*

TABOR also requires the District to establish an "Emergency Reserve" which must be equal to 3% of current-year's expenditures. Conditions under which these reserves may be spent are severely limited. The District has emergency reserves of \$38,706 at December 31, 2016 and \$38,516 at December 31, 2015.

On November 2, 1999, the District voters approved a ballot question to remove the revenue and spending limitations of TABOR from the entire District.

6. Risk Management

The District is 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 has elected to participate in the Colorado Special Districts Property and Liability Pool (the Pool), which is sponsored by the Special District Association of Colorado. The Pool is an organization created by an intergovernmental agreement to provide property, liability, public official liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three years.

The District pays annual premiums to the Pool for property, general liability and public official liability coverage. Members of the Pool may be required to make additional surplus contributions in the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to the distribution formula. During the years ended December 31, 2016 and 2015, the Pool made no distributions to the District.

7. Deferred Compensation Plan

The District offers its employees a deferred compensation plan (the Plan) created in accordance with Internal Revenue Code Section 457. The Plan is available to all employees, including support staff, and is administered by ICMA Retirement Corporation.

GRAND LAKE METROPOLITAN RECREATION DISTRICT

Notes To Financial Statements (Continued)

The Plan is funded through voluntary contributions of up to a maximum limit set by the Internal Revenue Service. The District contributes 6.2% of gross wages to the Plan on behalf of all full-time employees. At December 31, 2016 and 2015, the District contributed \$15,081 and \$13,656, respectively, to the Plan. The District has no liability for losses under the Plan, as it is not the Trustee. Consequently, the Plan is not reported in the District's financial statements.

8. Capital Leases

The District entered into three new agreements to lease equipment in 2016. These agreements are, in substance, purchases of capital assets as they contain bargain option prices with interest rates ranging from no interest to 7.87% and maturities ranging from 2019 - 2021.

The following schedule presents the future minimum lease payments at December 31, 2016:

<u>Year Ending December 31,</u>	
2017	\$ 71,506
2018	71,506
2019	69,225
2020	51,375
2021	6,632
<u>Total</u>	<u>270,244</u>
<u>Less: Interest</u>	<u>19,795</u>
<u>Present Value Of Minimum Lease Payments</u>	<u>\$ 250,449</u>

The following schedule presents the gross amount of assets recorded under the capital lease and the accumulated amortization related to the asset at December 31, 2016:

Leased equipment	\$ 432,544
<u>Accumulated depreciation</u>	<u>49,509</u>
<u>Net</u>	<u>\$ 383,035</u>

Amortization of leased equipment under capital assets is included within depreciation expense.

GRAND LAKE METROPOLITAN RECREATION DISTRICT

Notes To Financial Statements *(Continued)*

9. Economic Dependency

The District relies heavily on business generated through its recreational activities. Should the District be unable to meet the demands of its customers, the ability to satisfy current- and long-term obligations could be jeopardized.

Supplementary Information

GRAND LAKE METROPOLITAN RECREATION DISTRICT

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET

(NON-GAAP BUDGETARY BASIS) AND ACTUAL

For The Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
General recreation	\$ 32,776	\$ 32,776	\$ 20,123	\$ (12,653)
Pro shop	705,648	705,648	704,201	(1,447)
Property management	59,106	59,106	—	(59,106)
General administrative	493,180	493,180	735,400	242,220
Lounge and restaurant	119,680	119,680	117,059	(2,621)
Touring center	157,788	157,788	132,221	(25,567)
Total Revenues	1,568,178	1,568,178	1,709,004	140,826
Expenses				
General recreation	32,776	32,776	3,021	29,755
Lounge and restaurant	150,023	150,023	131,885	18,138
Administration	442,622	442,622	662,661	(220,039)
Pro shop	267,341	267,341	172,617	94,724
Maintenance	407,964	407,964	318,217	89,747
Property management	59,106	59,106	49,255	9,851
Touring center	157,788	157,788	130,375	27,413
Total Expenditures	1,517,620	1,517,620	1,468,031	49,589
Change In Net Position (Non-GAAP Basis)	\$ 50,558	\$ 50,558	\$ 240,973	\$ 190,415
Adjustments To GAAP				
Debt service - principal			\$ 306,930	
Depreciation and amortization			(294,949)	
Total Adjustments			11,981	
Change In Net Position (GAAP Basis)			\$ 252,954	

GRAND LAKE METROPOLITAN RECREATION DISTRICT

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET

(NON-GAAP BUDGETARY BASIS) AND ACTUAL

For The Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
General recreation	\$ 32,409	\$ 32,409	\$ 8,330	\$ (24,079)
Pro shop	689,288	689,288	603,271	(86,017)
Property management	87,825	87,825	—	(87,825)
General administrative	465,715	465,715	716,513	250,798
Lounge and restaurant	124,680	124,680	123,776	(904)
Touring center	144,834	144,834	123,365	(21,469)
Total Revenues	1,544,751	1,544,751	1,575,255	30,504
Expenses				
General recreation	32,409	32,409	6,814	25,595
Lounge and restaurant	148,517	148,517	130,402	18,115
Administration	465,715	465,715	614,745	(149,030)
Pro shop	266,650	266,650	191,875	74,775
Maintenance	398,801	398,801	321,057	77,744
Property management	87,825	87,825	54,055	33,770
Touring center	144,834	144,834	98,064	46,770
Total Expenditures	1,544,751	1,544,751	1,417,012	127,739
Change In Net Position (Non-GAAP Basis)	\$ —	\$ —	\$ 158,243	\$ 158,243
Adjustments To GAAP				
Debt service - principal			\$ 269,700	
Depreciation and amortization			(282,852)	
Total Adjustments			(13,152)	
Change In Net Position (GAAP Basis)			\$ 145,091	