



**GREENWOOD ATHLETIC**  
**AND TENNIS CLUB**

**GREENWOOD ATHLETIC CLUB METROPOLITAN DISTRICT**

**Financial Statements  
and  
Independent Auditors' Report  
December 31, 2017 and 2016**

**EKS&H**

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Office of the State Auditor

July 18, 2018

**GREENWOOD ATHLETIC CLUB METROPOLITAN DISTRICT**

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June 27, 2018

To the Members of the Governing Council of the  
Greenwood Athletic Club Metropolitan District

This report consists of management's representations concerning the balances of the Greenwood Athletic Club Metropolitan District (the "District") as of December 31, 2017 and 2016. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed both to protect its assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's statements of net position; statements of revenues, expenses, and changes in net position; and statements of cash flows ("financial statements") in conformity with generally accepted accounting principles ("GAAP"). Because the cost of internal controls should not outweigh the benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the statements of net position will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The District's financial statements have been audited by EKS&H LLLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District as of December 31, 2017 and 2016 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audits, that there was a reasonable basis for rendering an unmodified opinion that the District's statements of net position as of December 31, 2017 and 2016 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic statements of net position in the form of Management's Discussion and Analysis ("MD&A"). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately preceding the report of the independent auditors.

## **PROFILE OF THE GOVERNMENT**

The District, established November 13, 2003, is located in Greenwood Village, Colorado. The District is empowered to, but does not, levy a property tax on both real and personal properties located within its boundaries.

The District provides health and fitness services and facilities.

The District has no employees and contracts all management services.

Respectfully submitted,

John A. Madden  
John A. Madden, Director

**GREENWOOD ATHLETIC CLUB METROPOLITAN DISTRICT**

**Management's Discussion and Analysis**

**List of Principal Officials**

President-Chairman — John W. Madden, Jr.

Secretary — John A. Madden

Treasurer — Francis A. Nemecek

Assistant Secretary — David W. Phifer

# GREENWOOD ATHLETIC CLUB METROPOLITAN DISTRICT

## Management's Discussion and Analysis

The management's discussion and analysis ("MD&A") is designed to provide an analysis of the Greenwood Athletic Club Metropolitan District's (the "District") financial condition to inform the reader on the District's financial issues and activities for the fiscal periods ended December 31, 2017 and 2016.

The MD&A should be read in conjunction with the District's statements of net position; statements of revenues, expenses, and changes in net position; and statements of cash flows and associated notes to the basic financial statements.

### Financial Highlights

- The statements of net position show total assets of \$36,884,785 and \$38,125,470 and total liabilities of \$41,428,853 and \$37,121,078 at December 31, 2017 and 2016, respectively.
- In the statements of net position, the liabilities of the District exceeded its assets by \$4,544,068 and the assets of the District exceeded its liabilities by \$1,004,392 at December 31, 2017 and 2016, respectively.
- The District's total net position decreased by \$5,548,460 and increased by \$229,157 during the years ended December 31, 2017 and 2016, respectively.

### Overview of the Basic Financial Statements

The basic financial statements of the District are presented as a special purpose government engaged in business-type activities – providing health and fitness services and facilities.

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

The statements of revenues, expenses, and changes in net position present information showing how the District's net position changed during the fiscal periods presented. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses reported in these statements are for some items that result in cash flows related to prior fiscal periods or will result in cash flows in future fiscal periods (e.g., revenue received in advance and accrued liabilities).

The statements of cash flows present information showing how the District's cash position changed during the most recent fiscal period through three categories – Operating Activities, Capital and Related Financing Activities, and Investing Activities.

The basic financial statements include only the District itself and can be found on pages 9-11 of this report.

# GREENWOOD ATHLETIC CLUB METROPOLITAN DISTRICT

## Management's Discussion and Analysis

	December 31,	
	2017	2016
Assets		
Current assets	\$ 3,306,244	\$ 3,375,554
Property and equipment, net	27,792,412	28,161,087
Other assets	<u>5,786,129</u>	<u>6,588,829</u>
Total assets	<u>\$ 36,884,785</u>	<u>\$ 38,125,470</u>
Liabilities		
Current portion of note payable	\$ 1,751,901	\$ 1,216,609
Current portion of capital lease obligations	-	57,283
Other current liabilities	3,106,615	3,088,171
Long-term notes and bonds payable	<u>36,570,337</u>	<u>32,759,015</u>
Total liabilities	<u>41,428,853</u>	<u>37,121,078</u>
Net position		
Net investment in capital assets	(4,743,697)	717,009
Unrestricted	<u>199,629</u>	<u>287,383</u>
Total net position	<u>(4,544,068)</u>	<u>1,004,392</u>
Total liabilities and net position	<u>\$ 36,884,785</u>	<u>\$ 38,125,470</u>

### Capital Assets and Debt Administration

**Capital Assets.** The District's investment in capital assets for its business-type activities as of December 31, 2017 and 2016 amounts to \$28,388,541 and \$28,839,916, respectively. This investment in capital assets includes office furniture and fixtures, athletic facilities and equipment, vehicles, land and buildings, and other intangible assets.

Major capital asset events during the current fiscal period included the following:

- IT hardware and software – server and computer upgrades, firewall and antivirus upgrades
- Men's and women's locker room restroom remodels
- Men's locker room carpet
- Lower cardiovascular room carpet
- Kids' club carpet, lobby tile, and craft room tile
- Asphalt overlay for indoor tennis club parking lot and main club front entrance drive
- Building automation system upgrade
- Main club lighting retrofit to LED lights
- Multiple pieces of cardiovascular equipment
- Windscreens for outdoor tennis courts
- New locks for the men's and women's lockers
- Drinking fountains

## GREENWOOD ATHLETIC CLUB METROPOLITAN DISTRICT

### Management's Discussion and Analysis

	December 31,	
	2017	2016
Building	\$ 30,576,070	\$ 29,669,021
Other intangibles	1,583,958	1,589,434
Land	4,685,127	4,685,127
Outdoor pool and landscaping	3,032,945	2,970,706
Equipment	2,962,117	2,827,278
Construction-in-progress	-	610,055
	42,840,217	42,351,621
Less accumulated depreciation and amortization	(14,451,676)	(13,511,705)
	<b>\$ 28,388,541</b>	<b>\$ 28,839,916</b>

Additional information on the District's capital assets can be found in Note 3.

**Debt Administration.** The District's issuance of debt for its business-type activities and purchase of the athletic facilities as of December 31, 2017 and 2016 amounts to \$38,322,238 and \$34,032,907, respectively.

#### **Greenwood Athletic Club Metropolitan District Debt Administration**

	December 31,	
	2017	2016
Bonds payable	\$ 23,531,000	\$ 23,531,000
Notes payable	10,444,624	11,725,350
Capital lease	57,283	141,648
Total debt	34,032,907	35,397,998
Add issuance of notes payable	7,646,240	-
Less payments on bonds	(1,987,000)	-
Less payments on note payable	(1,312,626)	(1,280,726)
Less payments on capital lease	(57,283)	(84,365)
Total debt	<b>\$ 38,322,238</b>	<b>\$ 34,032,907</b>

Additional information on the District's debt can be found in Notes 4, 5, 6, and 10.

#### **Revenues, Expenses, and Net Position**

The District's net position decreased by \$5,548,460 during the current fiscal year.

# GREENWOOD ATHLETIC CLUB METROPOLITAN DISTRICT

## Management's Discussion and Analysis

	December 31,	
	2017	2016
Operating revenues		
Membership dues	\$ 7,735,909	\$ 7,606,250
Initiation fees	234,589	206,850
Lease revenue	322,069	320,583
Other revenue	<u>5,514,443</u>	<u>5,586,943</u>
Total operating revenues	<u>13,807,010</u>	<u>13,720,626</u>
Operating expenses		
Salaries and employee benefits	6,565,790	6,390,767
Selling, general, and administrative	2,943,430	2,824,391
Depreciation and amortization	<u>2,155,396</u>	<u>2,064,455</u>
Total operating expenses	<u>11,664,616</u>	<u>11,279,613</u>
Non-operating revenue and expenses	<u>(7,690,854)</u>	<u>(2,211,856)</u>
Change in net position	(5,548,460)	229,157
Net position - beginning of year	<u>1,004,392</u>	<u>775,235</u>
Net position - end of year	<u>\$ (4,544,068)</u>	<u>\$ 1,004,392</u>

The District currently receives all of its revenue from user fees and charges and lease income. Property taxes are not levied by the District.

### Budgetary Highlights

The District's total expenditures for 2017 and 2016 were less than budgeted appropriations by \$389,892 and \$287,910, respectively.

Further information on the District's Budgetary Comparison Schedules can be found in the supplementary information on pages 26-28.

### Requests for Information

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

Greenwood Athletic Club Metropolitan District  
5801 South Quebec Street  
Greenwood Village, Colorado 80111  
303-770-2582

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Greenwood Athletic Club Metropolitan District  
Greenwood Village, Colorado

We have audited the accompanying financial statements of the business-type activities of Greenwood Athletic Club Metropolitan District (the "District"), as of December 31, 2017 and 2016, and the related notes to the financial statements, which 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 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 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 auditors consider 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 business-type activities of Greenwood Athletic Club Metropolitan District as of December 31, 2017 and 2016, and the changes in 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**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1-6 and budgetary comparison information on pages 26 - 28 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with accounting principles 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 financial statements, and other knowledge we obtained during our audits of the 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.

*EKS+H LLLP*  
EKS&H LLLP

Denver, Colorado  
June 27, 2018

# GREENWOOD ATHLETIC CLUB METROPOLITAN DISTRICT

## Statements of Net Position

	December 31,	
	2017	2016
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 3,119,046	\$ 3,129,736
Accounts receivable, net	145,919	168,302
Prepaid expenses	41,279	77,516
Total current assets	3,306,244	3,375,554
Non-current assets		
Property and equipment, net	27,792,412	28,161,087
Intangible, net	5,786,129	6,588,829
Total non-current assets	33,578,541	34,749,916
Total assets	\$ 36,884,785	\$ 38,125,470
<b>Liabilities and Net Position</b>		
Current liabilities		
Accounts payable	\$ 266,169	\$ 199,223
Accrued expenses	500,673	487,959
Accounts payable - related party	-	107,000
Revenue received in advance	2,339,773	2,293,989
Current portion of capital lease obligations	-	57,283
Current portion of notes payable	1,751,901	1,216,609
Total current liabilities	4,858,516	4,362,063
Non-current liabilities		
Bonds payable - related party	21,544,000	23,531,000
Note payable, net of current portion	15,026,337	9,228,015
Total non-current liabilities	36,570,337	32,759,015
Total liabilities	41,428,853	37,121,078
Commitments and contingencies		
Net position		
Net investment in capital assets	(4,743,697)	717,009
Unrestricted	199,629	287,383
Total net position	(4,544,068)	1,004,392
Total liabilities and net position	\$ 36,884,785	\$ 38,125,470

See notes to basic financial statements.

**GREENWOOD ATHLETIC CLUB METROPOLITAN DISTRICT**

**Statements of Revenues, Expenses, and Changes in Net Position**

	For the Years Ended December 31,	
	<u>2017</u>	<u>2016</u>
Operating revenues		
Membership dues	\$ 7,735,909	\$ 7,606,250
Fitness revenue	3,317,557	3,327,696
Sports revenue	1,366,091	1,346,577
Lease revenue	322,069	320,583
Initiation fees	234,589	206,850
Other revenue	<u>830,795</u>	<u>912,670</u>
Total operating revenues	<u>13,807,010</u>	<u>13,720,626</u>
Operating expenses		
Salaries and employee benefits	6,565,790	6,390,767
Selling, general, and administrative	2,943,430	2,824,391
Depreciation and amortization	<u>2,155,396</u>	<u>2,064,455</u>
Total operating expenses	<u>11,664,616</u>	<u>11,279,613</u>
Income from operations	<u>2,142,394</u>	<u>2,441,013</u>
Non-operating revenue and expenses		
Subordinate bond interest expense	(7,065,193)	(1,727,691)
Other interest expense	(629,705)	(462,659)
Interest income	2,344	2,376
Gain (loss) on disposal of capital asset	<u>1,700</u>	<u>(23,882)</u>
Total non-operating revenue and expenses	<u>(7,690,854)</u>	<u>(2,211,856)</u>
Change in net position	(5,548,460)	229,157
Net position - beginning of year	<u>1,004,392</u>	<u>775,235</u>
Net position - end of year	<u><u>\$ (4,544,068)</u></u>	<u><u>\$ 1,004,392</u></u>

See notes to basic financial statements.

# GREENWOOD ATHLETIC CLUB METROPOLITAN DISTRICT

## Statements of Cash Flows

	For the Years Ended	
	December 31,	
	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Cash received from customers and tenants	\$ 13,871,399	\$ 13,873,792
Cash paid to vendors and employees	<u>(9,496,545)</u>	<u>(9,271,443)</u>
Net cash provided by operating activities	<u>4,374,854</u>	<u>4,602,349</u>
Cash flows from capital and related financing activities		
Interest paid	(7,694,898)	(2,190,350)
Asset purchase	(984,021)	(970,464)
Proceeds from sale of capital asset	1,700	22,800
Capital lease payments	(57,283)	(84,365)
Principal payments on bonds payable	(1,987,000)	-
Proceeds from notes payable	7,646,240	-
Principal payments of notes payable	<u>(1,312,626)</u>	<u>(1,280,726)</u>
Net cash used in financing activities	<u>(4,387,888)</u>	<u>(4,503,105)</u>
Cash flows from investing activities		
Interest received	<u>2,344</u>	<u>2,376</u>
Net cash provided by investing activities	<u>2,344</u>	<u>2,376</u>
Net (decrease) increase in cash and cash equivalents	(10,690)	101,620
Cash and cash equivalents - beginning of year	<u>3,129,736</u>	<u>3,028,116</u>
Cash and cash equivalents - end of year	<u>\$ 3,119,046</u>	<u>\$ 3,129,736</u>
Reconciliation of operating income to net cash and cash equivalents provided by operating activities		
Operating income	<u>\$ 2,142,394</u>	<u>\$ 2,441,013</u>
Adjustments to reconcile to net cash provided by operating activities		
Depreciation	1,352,696	1,261,755
Amortization	802,700	802,700
Bad debt expense	3,778	13,905
Changes in net position and liabilities		
Accounts receivable	18,605	46,330
Prepaid expenses	36,237	1,499
Accounts payable and accrued expenses	(27,340)	(71,689)
Revenue received in advance	<u>45,784</u>	<u>106,836</u>
	<u>2,232,460</u>	<u>2,161,336</u>
Net cash and cash equivalents provided by operating activities	<u>\$ 4,374,854</u>	<u>\$ 4,602,349</u>

Supplemental disclosure of cash flow information:

For the year ended December 31, 2017, \$156,240 of amortization of loan origination costs was included in interest expense.

See notes to basic financial statements.

# GREENWOOD ATHLETIC CLUB METROPOLITAN DISTRICT

## Notes to Basic Financial Statements

### **Note 1 - Description of Business and Summary of Significant Accounting Policies**

Greenwood Athletic Club Metropolitan District (the "District") is a quasi-municipal organization created by an Order and Decree of the District Court in Arapahoe County, Colorado, on November 13, 2003. The purpose of the District is to provide and maintain a health and fitness facility through the Greenwood Athletic and Tennis Club (the "Club") for the Club's members. The Club's members primarily live in the Denver metropolitan area.

The District is governed by an elected Board of Directors. As required by accounting principles generally accepted in the United States of America ("GAAP"), the accompanying statements of net position present the financial position of the District (the primary government), which has no component units. The District is not financially responsible for any other organization.

#### Basis of Accounting

The District's records are maintained on the accrual basis of accounting and economic resource measurement focus in accordance with GAAP, including all applicable statements of the Governmental Accounting Standards Board. Revenue is recognized when earned, and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for property and equipment are shown as increases in assets.

#### Cash and Cash Equivalents

The District considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. The District continually monitors its positions with, and the credit quality of, the financial institutions with which it invests. As of the statement of net position date, and periodically throughout the year, the District has maintained balances in various operating accounts in excess of federally insured limits.

#### Accounts Receivable

Accounts receivable primarily relate to billings for membership dues, services, and initiation fees. The allowance method is used to determine uncollectible accounts receivable based on management's analysis and prior years' experience. Management anticipates all receivables will be collected, based on experience with similar types of accounts, and a minimal allowance for doubtful accounts has been established. Receivables are written off when deemed uncollectible by management.

#### Property and Equipment

Property and equipment is stated at cost. Depreciation is provided utilizing the straight-line method over the estimated useful lives for owned assets, ranging from 3 to 40 years. During the period of construction, all assets are capitalized.

# GREENWOOD ATHLETIC CLUB METROPOLITAN DISTRICT

## Notes to Basic Financial Statements

### Note 1 - Description of Business and Summary of Significant Accounting Policies (continued)

#### Intangible Assets

The excess of acquisition cost over fair value of net tangible and identifiable intangible assets of the net position acquired in the purchase transaction is reflected as goodwill. Goodwill and intangible assets with indefinite useful lives are amortized over 20 years.

#### Long-Lived Assets

The District reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the service utility of the asset has declined significantly and unexpectedly. The District estimates costs to restore the utility of the capital asset to measure any impairment.

#### Net Position

The District's net position is classified as follows:

- *Net investment in capital assets* – consists of capital assets, net of accumulated depreciation and amortization, reduced by the amount of outstanding debt issued to finance the purchase or construction of those assets.
- *Unrestricted* – consists of the remaining net position that is available for unrestricted use.

#### Revenue Recognition

Initiation fees are non-refundable and are recognized as revenue as of the effective date of membership. Membership dues are recorded as income on a monthly basis. Membership dues collected in advance are recorded as revenue over the applicable period. Revenue from services and programs is recorded on a monthly basis and recognized as earned.

#### Advertising Costs

The District expenses advertising costs as incurred. Advertising expense for the years ended December 31, 2017 and 2016 was \$154,076 and \$138,950, respectively.

#### Income Taxes

The District is a political subdivision and body corporate of Arapahoe County, Colorado; as such, the income generated by the District in the exercise of its essential government function is exempt from federal income tax under Section 115 of the Internal Revenue Code. The District has no unrelated business income tax liability recorded as of December 31, 2017 or 2016. The District has evaluated tax positions taken and, as none are considered to be uncertain, no amounts have been recognized.

# GREENWOOD ATHLETIC CLUB METROPOLITAN DISTRICT

## Notes to Basic Financial Statements

### Note 1 - Description of Business and Summary of Significant Accounting Policies (continued)

#### Budget and Property Taxes

In accordance with the State Budget Law, the District's Board of Directors holds public hearings 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 budget may be amended by action of the Board of Directors upon proper publication.

Property taxes are not levied.

Reconciling differences between budgetary and GAAP basis are:

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Excess of revenue and other financing sources over expenditures and other financing uses	\$ (87,754)	\$ 4,739
Adjustments to reconcile to GAAP		
Additions		
Capital expenditures	984,021	970,464
Gain on disposal of capital asset	1,700	-
Capital lease payments	57,283	84,365
Principal payments on subordinate bond debt	1,987,000	-
Principal payments on senior debt	<u>1,312,626</u>	<u>1,280,726</u>
	<u>4,342,630</u>	<u>2,335,555</u>
Subtractions		
Depreciation	1,352,696	1,261,755
Amortization	802,700	802,700
Proceeds on sale of capital asset	1,700	22,800
Loss on disposal of capital asset	-	23,882
Notes payable issuance	<u>7,646,240</u>	<u>-</u>
	<u>9,803,336</u>	<u>2,111,137</u>
Change in net position	<u>\$ (5,548,460)</u>	<u>\$ 229,157</u>

#### Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Subsequent Events

The District has evaluated all subsequent events through the auditors' report date, which is the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

**GREENWOOD ATHLETIC CLUB METROPOLITAN DISTRICT**

**Notes to Basic Financial Statements**

**Note 2 - Cash Deposits and Investments**

Cash Deposits

The Colorado Public Deposit Protection Act ("PDPA") requires deposits of all units of local government to be made in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The 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 equal to 102% of the uninsured deposits.

The District's cash deposits had a bank balance and a carrying balance as follows:

	<u>December 31, 2017</u>	
	<u>Bank Balance</u>	<u>Carrying Balance</u>
Deposits	\$ 792,241	\$ 1,516,507
Petty cash	<u>800</u>	<u>800</u>
	<u>\$ 793,041</u>	<u>\$ 1,517,307</u>
	<u>December 31, 2016</u>	
	<u>Bank Balance</u>	<u>Carrying Balance</u>
Deposits	\$ 696,009	\$ 1,225,593
Petty cash	<u>800</u>	<u>800</u>
	<u>\$ 696,809</u>	<u>\$ 1,226,393</u>

For deposits, custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. As of December 31, 2017 and 2016, the District's bank balance was not exposed to custodial credit risk. Deposits that are exposed to custodial credit risk are collateralized with securities held by the pledging financial institution through the PDPA.

The local government investment pool, which includes COLOTRUST, is rated AAAM by Standard & Poor's.

**GREENWOOD ATHLETIC CLUB METROPOLITAN DISTRICT**

**Notes to Basic Financial Statements**

**Note 2 - Cash Deposits and Investments (continued)**

Investments

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments. Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest, which include:

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

At December 31, 2017 and 2016, the District had investments stated at fair value of \$1,601,739 and \$1,903,343, respectively, which are included in cash and cash equivalents in the accompanying statements of net position.

**Note 3 - Statements of Net Position Disclosures**

Accounts receivable are summarized as follows:

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
Accounts receivable	\$ 147,448	\$ 169,831
Allowance for doubtful accounts	<u>(1,529)</u>	<u>(1,529)</u>
	<u>\$ 145,919</u>	<u>\$ 168,302</u>

**GREENWOOD ATHLETIC CLUB METROPOLITAN DISTRICT**

**Notes to Basic Financial Statements**

**Note 3 - Statements of Net Position Disclosures (continued)**

Property and equipment consists of the following:

	Balance December 31, 2016	Additions	Deletions	Transfer Construction- in-Progress to Service	Balance December 31, 2017
Building	\$ 17,012,650	\$ -	\$ -	\$ -	\$ 17,012,650
Indoor tennis building	5,740,295	-	-	-	5,740,295
Land	4,685,127	-	-	-	4,685,127
Building improvements	5,983,334	5,193	-	901,856	6,890,383
Equipment	2,827,278	624,788	(489,949)	-	2,962,117
Outdoor pool	2,345,473	-	-	-	2,345,473
Fixtures	932,742	-	-	-	932,742
Landscaping	625,233	62,239	-	-	687,472
Construction-in-progress	<u>610,055</u>	<u>291,801</u>	<u>-</u>	<u>(901,856)</u>	<u>-</u>
	40,762,187	984,021	(489,949)	-	41,256,259
Less accumulated depreciation	<u>(12,601,100)</u>	<u>(1,352,696)</u>	<u>489,949</u>	<u>-</u>	<u>(13,463,847)</u>
Net	<u>\$ 28,161,087</u>	<u>\$ (368,675)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,792,412</u>

	Balance December 31, 2015	Additions	Deletions	Transfer Construction- in-Progress to Service	Balance December 31, 2016
Building	\$ 17,012,650	\$ -	\$ -	\$ -	\$ 17,012,650
Indoor tennis building	5,740,295	-	-	-	5,740,295
Land	4,685,127	-	-	-	4,685,127
Building improvements	5,209,868	69,252	-	704,214	5,983,334
Equipment	2,648,382	289,313	(110,417)	-	2,827,278
Outdoor pool	2,345,473	-	-	-	2,345,473
Fixtures	932,742	-	-	-	932,742
Landscaping	625,233	-	-	-	625,233
Construction-in-progress	<u>702,370</u>	<u>611,899</u>	<u>-</u>	<u>(704,214)</u>	<u>610,055</u>
	39,902,140	970,464	(110,417)	-	40,762,187
Less accumulated depreciation	<u>(11,403,080)</u>	<u>(1,261,755)</u>	<u>63,735</u>	<u>-</u>	<u>(12,601,100)</u>
Net	<u>\$ 28,499,060</u>	<u>\$ (291,291)</u>	<u>\$ (46,682)</u>	<u>\$ -</u>	<u>\$ 28,161,087</u>

# GREENWOOD ATHLETIC CLUB METROPOLITAN DISTRICT

## Notes to Basic Financial Statements

### **Note 3 - Statements of Net Position Disclosures (continued)**

Intangible assets consist of the following:

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
Goodwill	\$ 14,400,000	\$ 14,400,000
Start-up costs	<u>1,633,238</u>	<u>1,633,238</u>
	16,033,238	16,033,238
Less amortization	<u>(10,247,109)</u>	<u>(9,444,409)</u>
	<u>\$ 5,786,129</u>	<u>\$ 6,588,829</u>

Amortization expense for both the years ended December 31, 2017 and 2016 was \$802,700. Amortization expense for the intangible assets will be approximately \$803,000 annually through 2022 and \$1,772,629 thereafter.

Accrued expenses consist of the following:

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
Compensation	\$ 411,462	\$ 412,478
Other	47,684	36,879
Vacation	38,391	35,599
Sales tax	<u>3,136</u>	<u>3,003</u>
	<u>\$ 500,673</u>	<u>\$ 487,959</u>

### **Note 4 - Notes Payable**

Notes payable consist of the following:

Note payable to a bank with an original principal balance of \$16,000,000 and interest at 4.04%. The note requires monthly principal and interest payments of \$125,327 and matures January 1, 2025. The note is collateralized by substantially all of the assets of the District and is subject to certain restrictive covenants.

Note payable to a bank with an original principal balance of \$654,937 paid in full at December 31, 2017.

# GREENWOOD ATHLETIC CLUB METROPOLITAN DISTRICT

## Notes to Basic Financial Statements

### **Note 4 - Notes Payable (continued)**

During the year ended December 31, 2017, the District obtained a note payable to a bank with an original principal balance of \$7,646,240 and interest at 5.12%. The note requires monthly principal and interest payments of \$81,851 and matures October 1, 2027. The note is collateralized by substantially all of the assets of the District and is subject to certain restrictive covenants.

	\$16,000,000 Note	\$650,000 Note	\$7,646,240 Note	Total
Balance at December 31, 2015	\$ 11,385,908	\$ 339,442	\$ -	\$ 11,725,350
Principal payments	<u>(1,057,205)</u>	<u>(223,521)</u>	<u>-</u>	<u>(1,280,726)</u>
Balance at December 31, 2016	10,328,703	115,921	-	10,444,624
Proceeds with issuance of new note	-	-	7,646,240	7,646,240
Principal payments	<u>(1,101,317)</u>	<u>(115,921)</u>	<u>(95,388)</u>	<u>(1,312,626)</u>
Balance at December 31, 2017	<u>\$ 9,227,386</u>	<u>\$ -</u>	<u>\$ 7,550,852</u>	<u>\$ 16,778,238</u>

Maturities of long-term obligations are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,751,901	\$ 734,241	\$ 2,486,142
2019	1,831,929	654,212	2,486,141
2020	1,913,976	572,165	2,486,141
2021	2,003,204	482,938	2,486,142
2022	2,094,883	391,259	2,486,142
2023-2027	<u>7,182,345</u>	<u>682,390</u>	<u>7,864,735</u>
	<u>\$ 16,778,238</u>	<u>\$ 3,517,205</u>	<u>\$ 20,295,443</u>

### **Note 5 - Capital Leases**

The District acquired assets under the provisions of a long-term lease. For financial reporting purposes, minimum lease payments relating to the assets have been capitalized. The lease expired in October 2017. Amortization of the leased property is included in depreciation expense in the statements of revenues, expenses, and changes in net position.

The assets under capital lease have cost and accumulated amortization as follows:

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
Cost of equipment	\$ 249,510	\$ 249,510
Less accumulated amortization	<u>(249,510)</u>	<u>(166,340)</u>
	<u>\$ -</u>	<u>\$ 83,170</u>

# GREENWOOD ATHLETIC CLUB METROPOLITAN DISTRICT

## Notes to Basic Financial Statements

### **Note 6 - Bonds Payable - Related Party**

Pursuant to an election held November 4, 2003 authorizing the District to issue up to \$49,370,000 of bonds, on March 17, 2005, the District issued \$23,786,000 of Series 2005B Bonds (the "bonds") to former owners and members of the Board of Directors. The bonds bear interest from 3.73% to 13.50% per annum or at an amount determined by the Board of Directors (6.25% as of December 31, 2017), mature March 1, 2030, and are subordinate to the senior notes described in Note 4.

Interest is paid to the bond holders to the extent of net revenue available per the bond agreement. At the beginning of the year, the Board of Directors approves the amount that will be available for the bond interest expense based on the operating budget. The difference between the approved annual interest payments and the interest calculated using the rates set forth in the bond agreement results in accrued interest. Accrued interest is not reported in the statements of net position, as the District will be fully discharged of all debt under the bonds at the end of the bonds' term, and actual payments of accumulated interest are contingent on the availability of such funds, as set forth below. During the year ended December 31, 2017, the District paid \$3,955,567 of accrued accumulated interest. Total cumulative accrued interest was \$0 and \$3,955,567 at December 31, 2017 and 2016, respectively. During the years ended December 31, 2017 and 2016, the District paid \$3,109,626 and \$1,727,691 of current year interest expense.

Current year interest of \$3,109,626 increased from 2016 interest of \$1,727,691 due to an increase in "net revenue" (as defined in the bond agreement) to the District in 2017 as compared to 2016. Senior debt proceeds is included in the definition of net revenue for interest calculation purposes in the bond agreement. In 2017, the District received \$7,646,240 in senior debt proceeds (Note 4) as compared to \$0 in 2016. This \$7,646,240 in increased "net revenue" resulted in the current year interest expense increasing to \$3,109,626.

The bonds were subject to optional early redemption premiums of 2% through February 28, 2014. There were no redemptions during 2017 or 2016.

Principal on the bonds is payable only after all of the following are paid:

First, all amounts due on the senior notes described in Note 4;

Second, the amount necessary to replenish the senior loan reserve fund;

Third, to the capital replacement reserve, the lesser of \$500,000 per year or all net revenue remaining after one and two above;

Fourth, the amount due for the current year bond interest payment;

Fifth, any amount available to optionally redeem the bonds and any premium due; and

Sixth, the balance of net revenue, if any, will be applied to the principal loan balance for the senior notes described in Note 4 or deposited into the capital replacement reserve, at the District's discretion.

During the year ended December 31, 2017, the District paid \$1,987,000 of the principal balance due on the bonds.

# GREENWOOD ATHLETIC CLUB METROPOLITAN DISTRICT

## Notes to Basic Financial Statements

### **Note 7 - Operating Lease Income**

Effective December 2003, the District's predecessor entered into an agreement with a related party to lease space for a spa. Lease income is based upon a fixed amount of \$64,023 per year starting December 2003. The tenant also pays rent for two massage rooms totaling \$41,634 per year and is responsible for common area maintenance and bookkeeping charges. Effective March 1, 2004, the tenant began paying rent on a month-to-month basis for an additional massage room totaling \$3,200 per year. Included in the lease was the use of equipment and other items. The initial lease was for a term of 10 years, which was extended through December 2017. In 2017, the tenant elected to renew the lease, extending the term through December 2030. Along with the renewal, the lease was amended to state the base rent of \$122,584 per year and rent one additional room totaling \$6,000 per year.

The District leases space to unrelated parties under four separate non-cancelable leases expiring at various times through 2021. Rent for one of the leases is based on a percentage of the lessees' gross revenue.

Minimum future lease payments to be received are approximately as follows:

<u>Years Ending December 31,</u>	<u>Related Party</u>	<u>Other</u>	<u>Total</u>
2018	\$ 129,000	\$ 181,000	\$ 310,000
2019	129,000	148,000	277,000
2020	129,000	42,000	171,000
2021	129,000	20,000	149,000
2022	129,000	-	129,000
Thereafter	<u>1,028,000</u>	<u>-</u>	<u>1,028,000</u>
	<u>\$ 1,673,000</u>	<u>\$ 391,000</u>	<u>\$ 2,064,000</u>

### **Note 8 - Property Tax and TABOR**

The District does not currently certify a mill levy, and it is anticipated that it will not do so in the future.

#### TABOR Amendment

On November 3, 1992, the state of Colorado passed the TABOR Amendment. This is a tax, spending, revenue, and debt limitation amendment. This amendment affects the ability of governmental entities to increase property taxes. The District believes it is in substantial compliance with this amendment.

### **Note 9 - Commitments and Contingencies**

#### Operating Leases

The District leases various office equipment under non-cancelable operating leases expiring at various times through 2021. Rent expense for these leases was \$41,139 and \$47,924 for the years ended December 31, 2017 and 2016, respectively.

# GREENWOOD ATHLETIC CLUB METROPOLITAN DISTRICT

## Notes to Basic Financial Statements

### **Note 9 - Commitments and Contingencies (continued)**

#### Operating Leases (continued)

Approximate future minimum lease payments under these leases are as follows:

#### Year Ending December 31,

2018	\$	41,000
2019		39,000
2020		25,000
2021		<u>17,000</u>
	\$	<u>122,000</u>

### **Note 10 - Related Party Transactions**

Each director of the District complies with the Colorado statutes regarding conflicts of interest, including written disclosures to the Secretary of State and to the Board of Directors and abstention from voting when required. In addition, the first item on the Board of Directors' agenda at each meeting is an inquiry by the chairman as to whether any member has any other conflict to disclose.

Several members of the Board of Directors hold ownership interest in the entity that sold the Club. These same owners are the holders of the bonds that were issued to finance the purchase of the Club, as described in Note 6.

A related party provides the District with management services and personnel to operate the Club. The contract requires monthly payments of approximately \$35,000 plus the personnel costs.

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
Subordinate revenue bond holders	\$ 21,544,000	\$ 23,531,000
Interest expense	\$ 7,065,193	\$ 1,727,691
Management fee	\$ 418,000	\$ 405,826

### **Note 11 - Intergovernmental Agreements**

#### City of Greenwood Village

The District entered into an intergovernmental agreement ("IGA") with the City of Greenwood Village ("City"). The IGA approved the purchase price of the Club and authorized the issuance of revenue bonds to finance the purchase.

At the end of 25 years or when all the District's debt is redeemed, whichever is earlier, the District will convey ownership of the Club to the City.

# GREENWOOD ATHLETIC CLUB METROPOLITAN DISTRICT

## Notes to Basic Financial Statements

### **Note 11 - Intergovernmental Agreements (continued)**

#### City of Greenwood Village (continued)

The debt shall not be refinanced without the prior written permission of the City. The structure of any bonded indebtedness shall be subject to the reasonable approval of the City. The Club must be open to the public on a financial basis to pay the debt when due. The City agrees that city residents who join the Club are eligible for the City's Recreational Reimbursement Program (currently \$500 per year per family).

Other operational matters included in the IGA include the commitment to spend at least \$500,000, as amended, per year on capital maintenance, and terms of contracts and operational leases may not extend beyond the date of conveyance to the City. The District will be governed by a five-member Board of Directors. To the fullest extent permitted by law, the District shall cooperate in and take steps to arrange the qualification and appointment of two individuals selected by the City to serve as members of the Board of Directors of the District and one individual selected by the City who is a current member of the Club, a resident of the City at the time of selection, and having no relation to any subordinate bondholder of the District. The intent is for the Board to be comprised of no more than two subordinate bondholders.

#### Greenwood Metropolitan District

The District is a party to an IGA with the Greenwood Metropolitan District to provide for a fee to be paid in lieu of taxes. The fee for the years ended December 31, 2017 and 2016 was \$23,424 and \$41,991, respectively, and is subject to annual adjustment based on factors such as the Consumer Price Index.

### **Note 12 - Risk Management - Colorado Special Districts Property and Liability Pool**

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 is one of approximately 1,400 special districts that are members of the Colorado Special Districts Property and Liability Pool (the "Pool") as of December 31, 2017 and 2016. The Pool is an organization created by an IGA to provide property and general liability, automobile physical damage and liability, public officials' liability, workers' compensation, crime, excess liability, and equipment breakdown coverage to its members. The Pool is responsible for the first \$300,000 per occurrence on all property claims and is reinsured up to \$500,000,000 per occurrence. The Pool has a stop-loss policy in place for property coverage, which limits the aggregate of its retentions (\$300,000 per occurrence) to \$2,614,818. Additionally, the Pool has entered into reinsurance contracts that offer reinsurance coverage for general, auto, and public officials' liability coverage for amounts in excess of the first \$600,000 with reinsurance coverage of a maximum of \$9,400,000.

# GREENWOOD ATHLETIC CLUB METROPOLITAN DISTRICT

## Notes to Basic Financial Statements

### **Note 12 - Risk Management - Colorado Special Districts Property and Liability Pool (continued)**

The District pays annual contributions to the Pool for property, general liability, public officials' liability, auto liability, auto physical damage, excess liability, equipment breakdown, and crime. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool's members. Any excess funds that the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula. However, the Pool has retained these excess funds in order to maintain stable contribution levels, rather than return the funds to the members. The District continues to carry commercial insurance coverage for other risks of loss. Settled claims have not exceeded this commercial coverage since the District's inception.

**REQUIRED SUPPLEMENTARY INFORMATION**

**GREENWOOD ATHLETIC CLUB METROPOLITAN DISTRICT**

**Budgetary Comparison Schedule  
For the Year Ended December 31, 2017**

	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Membership dues and initiation fees	\$ 7,970,498	\$ 7,990,588	\$ 7,990,588	\$ (20,090)
Lease revenue	322,069	327,958	327,958	(5,889)
Other revenue	5,514,443	5,862,273	5,862,273	(347,830)
Interest income	<u>2,344</u>	<u>1,579</u>	<u>1,579</u>	<u>765</u>
Total revenues	<u>13,809,354</u>	<u>14,182,398</u>	<u>14,182,398</u>	<u>(373,044)</u>
<b>Expenditures</b>				
<b>Current</b>				
Salaries and employee benefits	6,565,790	6,854,832	6,854,832	289,042
Selling, general, and administrative	2,943,430	2,997,788	2,997,788	54,358
Capital expenditures	982,321	1,029,462	1,029,462	47,141
Capital lease principal payments	57,283	57,283	57,283	-
Capital lease interest payments	921	921	921	-
Sub Bond Debt service - interest	7,065,193	1,620,691	7,065,193	-
Sub Bond Debt service - principal	1,987,000	-	1,987,000	-
Debt service - interest	472,544	404,268	469,308	(3,236)
Debt service - principal	<u>1,312,626</u>	<u>1,217,153</u>	<u>1,315,213</u>	<u>2,587</u>
Total expenditures	<u>21,387,108</u>	<u>14,182,398</u>	<u>21,777,000</u>	<u>389,892</u>
<b>Other financing sources</b>				
Loan origination fees	(156,240)	-	(146,240)	(10,000)
Note payable refunding - principal payoff	-	-	-	-
Proceeds from issuance of note payable	7,646,240	-	7,646,240	-
Capital lease obligation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>7,490,000</u>	<u>-</u>	<u>7,500,000</u>	<u>(10,000)</u>
<b>Excess of revenue and other financing sources over expenditures and other financing uses</b>				
	(87,754)	-	(94,602)	6,848
Funds available - beginning of year	<u>287,383</u>	<u>-</u>	<u>287,383</u>	<u>-</u>
Funds available - end of year	<u>\$ 199,629</u>	<u>\$ -</u>	<u>\$ 192,781</u>	<u>\$ 6,848</u>

Funds available consist of current assets minus current liabilities net of current portion of long-term debt and capital leases payable.

**GREENWOOD ATHLETIC CLUB METROPOLITAN DISTRICT**

**Budgetary Comparison Schedule  
For the Year Ended December 31, 2016**

	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Membership dues and initiation fees	\$ 7,813,100	\$ 8,082,118	\$ 8,082,118	\$ (269,018)
Lease revenue	320,583	324,720	324,720	(4,137)
Other revenue	5,586,943	5,597,534	5,597,534	(10,591)
Interest income	<u>2,376</u>	<u>1,801</u>	<u>1,801</u>	<u>575</u>
Total revenues	<u>13,723,002</u>	<u>14,006,173</u>	<u>14,006,173</u>	<u>(283,171)</u>
<b>Expenditures</b>				
<b>Current</b>				
Salaries and employee benefits	6,390,767	6,608,834	6,608,834	218,067
Selling, general, and administrative	2,824,391	3,000,659	3,000,659	176,268
Capital expenditures	947,664	948,239	948,239	575
Capital lease principal payments	84,365	84,366	84,366	1
Capital lease interest payments	4,470	4,470	4,470	-
Debt service - interest	2,185,880	2,080,064	2,080,064	(105,816)
Debt service - principal	<u>1,280,726</u>	<u>1,279,541</u>	<u>1,279,541</u>	<u>(1,185)</u>
Total expenditures	<u>13,718,263</u>	<u>14,006,173</u>	<u>14,006,173</u>	<u>287,910</u>
<b>Other financing sources</b>				
Loan origination fees	-	-	-	-
Note payable refunding - principal payoff	-	-	-	-
Proceeds from issuance of note payable	-	-	-	-
Capital lease obligation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenue and other financing sources over expenditures and other financing uses	4,739	-	-	4,739
Funds available - beginning of year	<u>282,644</u>	<u>-</u>	<u>-</u>	<u>282,644</u>
Funds available - end of year	<u>\$ 287,383</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 287,383</u>

Funds available consist of current assets minus current liabilities net of current portion of long-term debt and capital leases payable.

**GREENWOOD ATHLETIC CLUB METROPOLITAN DISTRICT**

**Budgetary Comparison Schedule  
For the Year Ended December 31, 2017**

Budget and Property Taxes

In accordance with the State Budget Law, the District's Board of Directors holds public hearings 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 budget may be amended by action of the Board of Directors upon proper publication. Property taxes are not levied.

Reconciling differences between budgetary and GAAP basis are:

Excess of revenue and other financing sources over expenditures and other financing uses	\$ <u>(87,754)</u>
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Adjustments to reconcile to GAAP

Additions

Capital expenditures	984,021
Gain on disposal of capital asset	1,700
Capital lease payments	57,283
Principal payments on subordinate bond debt	1,987,000
Principal payments on senior debt	<u>1,312,626</u>
	<u>4,342,630</u>

Subtractions

Depreciation	1,352,696
Amortization	802,700
Proceeds on sale of capital asset	1,700
Notes payable issuance	<u>7,646,240</u>
	<u>9,803,336</u>

Change in net position	\$ <u>(5,548,460)</u>
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