
Greenwood Athletic Club Metropolitan District

**Financial Report
with Supplemental Information
December 31, 2018**

Greenwood Athletic Club Metropolitan District

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Independent Auditor's Report

To the Board of Directors
Greenwood Athletic Club Metropolitan District

Report on the Financial Statements

We have audited the accompanying financial statements of Greenwood Athletic Club Metropolitan District (the "District") as of and for the year ended December 31, 2018 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Greenwood Athletic Club Metropolitan District as of December 31, 2018 and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the 2017 components of net position were changed to conform to the 2018 presentation, specifically related to the calculation of net investment in capital assets; total net position was not changed. Our conclusion is not modified with respect to this matter.

Other Matters

Report on Prior Year Financial Statements

The basic financial statements of Greenwood Athletic Club Metropolitan District as of and for the year ended December 31, 2017 were audited by EKS&H LLLP, whose report dated June 27, 2018 expressed an unmodified opinion.

To the Board of Directors
Greenwood Athletic Club Metropolitan District

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The budgetary comparison schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The budgetary comparison schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

Plante & Moran, PLLC

July 1, 2019

Greenwood Athletic Club Metropolitan District

Management's Discussion and Analysis

The management's discussion and analysis (the "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 year ended December 31, 2018.

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

Financial Highlights

- The statement of net position shows total assets and deferred outflows of resources of \$35,806,195, \$36,884,785, and \$38,125,470 and total liabilities of \$40,071,497, \$41,428,853, and \$37,121,078 at December 31, 2016, respectively.
- In the statement of net position, the liabilities of the District exceeded its assets by \$4,265,302 and \$4,544,068 at December 31, 2018 and 2017, respectively, and the assets of the District exceeded its liabilities by \$1,004,392 at December 31, 2016.
- The District's total net position increased (decreased) by \$278,766, \$(5,548,460), and \$229,157 during the years ended December 31, 2018, 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 statement of net position presents 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 statement of revenue, expenses, and changes in net position presents information showing how the District's net position changed during the fiscal period 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, revenue and expenses reported in this statement 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 statement of cash flows presents 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 7 - 9 of this report.

Greenwood Athletic Club Metropolitan District

Management's Discussion and Analysis (Continued)

The District's Net Position

	2016	2017	2018
Assets			
Current and other assets	\$ 4,054,383	\$ 3,902,373	\$ 4,213,037
Property and equipment - Net	28,161,087	27,792,412	27,123,158
Total assets	32,215,470	31,694,785	31,336,195
Deferred Outflows of Resources			
	5,910,000	5,190,000	4,470,000
Liabilities			
Current liabilities	3,088,171	3,106,615	3,497,180
Noncurrent liabilities:			
Due within one year	1,273,892	1,751,901	1,833,877
Long-term notes and bonds payable	32,759,015	36,570,337	34,740,440
Total liabilities	37,121,078	41,428,853	40,071,497
Net Position	\$ 1,004,392	\$ (4,544,068)	\$ (4,265,302)

The District's Changes in Net Position

	2016	2017	2018
Operating Revenue	\$ 13,720,626	\$ 13,807,010	\$ 13,721,684
Operating Expenses			
Salaries and employee benefits	6,390,767	6,565,790	6,369,329
Selling, general, and administrative	2,824,391	2,943,430	2,944,519
Depreciation and amortization	2,064,455	2,155,396	2,193,423
Total operating expenses	11,279,613	11,664,616	11,507,271
Nonoperating Revenue and Expenses	(2,211,856)	(7,690,854)	(1,935,647)
Change in Net Position	229,157	(5,548,460)	278,766
Net Position - Beginning of year	775,235	1,004,392	(4,544,068)
Net Position - End of year	\$ 1,004,392	\$ (4,544,068)	\$ (4,265,302)

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 2018, 2017, and 2016 were less than budgeted appropriations by \$671,617, \$389,892, and \$287,910, respectively.

The District's budgetary comparison schedules can be found in the other supplemental information on pages 22 - 25.

Greenwood Athletic Club Metropolitan District

Management's Discussion and Analysis (Continued)

Capital Assets and Debt Administration

Capital Assets

The District's investment in capital assets for its business-type activities as of December 31, 2016 amounts to \$27,636,587, \$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:

- New flooring in the Upper CV room, staff lounge, café, studio, 2 and yoga area hallways
- IT hardware and software - Server and computer upgrades and firewall and antivirus upgrades
- Women's locker room carpet
- Studios 2 and 3 remodels
- Kids' pool filter
- Pool chair lift
- Carpet extractor/cleaner
- Elevator modernization project
- John Deere gator with enclosure and plow
- Replace skylights over YAC
- Back drop curtains for indoor tennis court
- New locks for the men's and women's lockers
- Men's dry sauna remodel
- Various pieces of weight training equipment
- Loading dock drive concrete replacement and curb work
- Lane ropes for indoor and outdoor pools
- Barre studio replacement brackets and bars
- Multiple pieces of cardiovascular equipment

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Building and building improvements	\$ 30,821,756	\$ 30,576,070	\$ 29,669,021
Land	4,685,127	4,685,127	4,685,127
Outdoor pool and landscaping	3,032,945	3,032,945	2,970,706
Equipment	3,437,900	2,962,117	2,827,278
Other intangible assets	1,578,483	1,583,958	1,589,434
Construction in progress	-	-	610,055
Total	43,556,211	42,840,217	42,351,621
Less accumulated depreciation and amortization	<u>(15,919,624)</u>	<u>(14,451,676)</u>	<u>(13,511,705)</u>
Total	<u>\$ 27,636,587</u>	<u>\$ 28,388,541</u>	<u>\$ 28,839,916</u>

Additional information on the District's capital assets can be found in Notes 6 and 7.

Greenwood Athletic Club Metropolitan District

Management's Discussion and Analysis (Continued)

Debt Administration

The District's issuance of debt for its business-type activities and purchase of the athletic facilities as of December 31, 2016 amounts to \$36,574,317, \$38,322,238, and \$34,032,907, respectively.

	2018	2017	2016
Bonds payable - Related party	\$ 21,544,000	\$ 23,531,000	\$ 23,531,000
Notes payable	16,778,238	10,444,624	11,725,350
Capital lease obligation	-	57,283	141,648
Total	38,322,238	34,032,907	35,397,998
Add issuance of notes payable	-	7,646,240	-
Less payments on bonds	-	(1,987,000)	-
Less payments on notes payable	(1,747,921)	(1,312,626)	(1,280,726)
Less payments on capital lease	-	(57,283)	(84,365)
Total debt	<u>\$ 36,574,317</u>	<u>\$ 38,322,238</u>	<u>\$ 34,032,907</u>

Additional information on the District's debt can be found in Notes 9 and 10.

Requests for Further 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, CO 80111
303-770-2582

Greenwood Athletic Club Metropolitan District

Statement of Net Position

	December 31, 2018 and 2017	
	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,860,537	\$ 2,441,788
Accounts receivable - Net	115,048	145,919
Prepaid expenses	40,641	41,279
Total current assets	3,016,226	2,628,986
Noncurrent assets:		
Restricted cash and cash equivalents	683,382	677,258
Property and equipment - Net	27,123,158	27,792,412
Intangible - Net	513,429	596,129
Total noncurrent assets	28,319,969	29,065,799
Total assets	31,336,195	31,694,785
Deferred Outflows of Resources - Goodwill - Net	4,470,000	5,190,000
Liabilities		
Current liabilities:		
Accounts payable	387,969	266,169
Accrued liabilities and other	703,478	500,673
Revenue received in advance	2,405,733	2,339,773
Current portion of notes payable	1,833,877	1,751,901
Total current liabilities	5,331,057	4,858,516
Noncurrent liabilities:		
Notes payable - Net of current portion	13,196,440	15,026,337
Bonds payable - Related party	21,544,000	21,544,000
Total noncurrent liabilities	34,740,440	36,570,337
Total liabilities	40,071,497	41,428,853
Net Position		
Net investment in capital assets	19,554,665	19,161,155
Unrestricted	(23,819,967)	(23,705,223)
Total net position	<u>\$ (4,265,302)</u>	<u>\$ (4,544,068)</u>

Greenwood Athletic Club Metropolitan District

Statement of Revenue, Expenses, and Changes in Net Position

Years Ended December 31, 2018 and 2017

	2018	2017
Operating Revenue		
Membership dues	\$ 7,957,422	\$ 7,735,909
Fitness revenue	2,955,685	3,317,557
Sports revenue	1,471,877	1,366,091
Lease revenue	324,706	322,069
Initiation fees	237,462	234,589
Other revenue	774,532	830,795
Total operating revenue	13,721,684	13,807,010
Operating Expenses		
Salaries and employee benefits	6,369,329	6,565,790
Selling, general, and administrative	2,944,519	2,943,430
Depreciation and amortization	2,193,423	2,155,396
Total operating expenses	11,507,271	11,664,616
Operating Income	2,214,413	2,142,394
Nonoperating (Expense) Revenue		
Subordinate bond interest expense	(1,218,287)	(7,065,193)
Other interest expense	(738,221)	(629,705)
Interest income	20,861	2,344
Gain on disposal of capital asset	-	1,700
Total nonoperating expense	(1,935,647)	(7,690,854)
Change in Net Position	278,766	(5,548,460)
Net Position - Beginning of year	(4,544,068)	1,004,392
Net Position - End of year	<u><u>\$ (4,265,302)</u></u>	<u><u>\$ (4,544,068)</u></u>

Greenwood Athletic Club Metropolitan District

Statement of Cash Flows

Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Cash received from customers and tenants	\$ 13,818,515	\$ 13,871,399
Cash paid to vendors and employees	(8,988,605)	(9,496,545)
Net cash and cash equivalents provided by operating activities	4,829,910	4,374,854
Cash Flows from Capital and Related Financing Activities		
Proceeds from sale of capital assets	-	1,700
Capital lease payments	-	(57,283)
Asset purchase	(721,469)	(984,021)
Principal payments on bonds payable	-	(1,987,000)
Proceeds from notes payable	-	7,646,240
Principal payments of notes payable	(1,747,921)	(1,312,626)
Interest paid	(1,956,508)	(7,694,898)
Net cash and cash equivalents used in capital and related financing activities	(4,425,898)	(4,387,888)
Cash Flows Provided by Investing Activities - Interest received	20,861	2,344
Net Increase (Decrease) in Cash and Cash Equivalents	424,873	(10,690)
Cash and Cash Equivalents - Beginning of year	3,119,046	3,129,736
Cash and Cash Equivalents - End of year	\$ 3,543,919	\$ 3,119,046
Classification of Cash and Cash Equivalents		
Cash and cash equivalents	\$ 2,860,537	\$ 2,441,788
Restricted cash and cash equivalents	683,382	677,258
Total cash and cash equivalents	\$ 3,543,919	\$ 3,119,046
Reconciliation of Operating Income to Net Cash from Operating Activities		
Operating income	\$ 2,214,413	\$ 2,142,394
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	1,390,723	1,352,696
Amortization	802,700	802,700
Bad debt expense	13,138	3,778
Changes in net position and liabilities:		
Accounts receivable	17,733	18,605
Prepaid and other assets	638	36,237
Accounts payable	121,800	(40,054)
Accrued and other liabilities	202,805	12,714
Revenue received in advance	65,960	45,784
Total adjustments	2,615,497	2,232,460
Net cash and cash equivalents provided by operating activities	\$ 4,829,910	\$ 4,374,854

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.

December 31, 2018 and 2017

Note 1 - Nature of Business

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 Club Greenwood (the "Club") for the Club's members. The Club's members primarily live in the Denver metropolitan area.

Note 2 - Significant Accounting Policies

Accounting and Reporting Principles

The District follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies used by the District:

Reporting Entity

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

Report Presentation

This report includes the fund-based statements of the District. In accordance with government accounting principles, a government-wide presentation with program and general revenue is not applicable to special purpose governments engaged only in business-type activities.

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.

Specific Balances and Transactions

Cash and Cash Equivalents

For the purpose of the accompanying financial statements, the District considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. The statement of net position includes both unrestricted and restricted cash and cash equivalents. The carrying amount reported in the statement of net position for unrestricted and restricted cash and cash equivalents approximates fair value due to the short-term nature of these investments.

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 for membership dues, services, and initiation fees are based on net charges. An allowance for uncollectible accounts is established on an aggregate basis by using historical write-off rate factors and management's analysis. 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. Uncollectible amounts are written off against the allowance for doubtful accounts in the period they are determined to be uncollectible.

December 31, 2018 and 2017

Note 2 - Significant Accounting Policies (Continued)

Restricted Cash

Restricted cash consists of cash and cash equivalents held in a senior loan reserve account and a capital replacement reserve account, as required by the bonds payable further discussed in Note 10.

Capital Assets

Capital assets include property, equipment, and intangible assets.

Property and equipment are recorded at cost. The straight-line method is used for computing depreciation and amortization. Assets are depreciated over their estimated useful lives. Costs of maintenance and repairs are charged to expense when incurred. During the period of construction, all assets are capitalized.

Acquired intangible assets subject to amortization are stated at cost and are amortized using the straight-line method over the estimated useful lives of the assets. Intangible assets that are subject to amortization are reviewed for potential impairment whenever events or circumstances indicate that carrying amounts may not be recoverable. Assets not subject to amortization are tested for impairment at least annually. Goodwill and intangible assets with indefinite useful lives are amortized over 20 years.

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then.

The District reports deferred outflows related to the deferred charge from the excess acquisition cost over fair value of net tangible and identifiable intangible assets of the net position acquired in the purchase transaction, which is reflected as goodwill on the statement of net position.

Net Position

Net position of the District is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Revenue Recognition

Initiation fees are nonrefundable 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.

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.

Advertising Expense

Advertising expense is charged to income during the year in which it is incurred. Advertising expense for 2018 and 2017 was \$198,234 and \$154,076, respectively.

December 31, 2018 and 2017

Note 2 - Significant Accounting Policies (Continued)

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, 2018 or 2017. The District has evaluated tax positions taken, and, as none are considered to be uncertain, no amounts have been recognized.

Use of Estimates

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

Comparative Data/Reclassifications

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

The calculation of net position for net investment in capital assets, as presented in the 2017 financial statements, was changed in 2018. The effect of the change was to increase the net investment in capital assets and decrease unrestricted net position by \$23,904,852. As this was a reclassification of net position components, this change did not impact total net position or the results of operations for 2018. Net position at the beginning of 2017 has been adjusted to conform to the 2018 presentation.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including July 1, 2019, which is the date the financial statements were available to be issued.

Upcoming Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the District's financial statements for the year ending June 30, 2021.

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This statement establishes criteria to improve the information that is disclosed in the notes to the government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the District's financial statements for the year ending December 31, 2019.

December 31, 2018 and 2017

Note 3 - Cash Deposits and Investments

Cash Deposits

The Colorado Public Deposit Protection Act (the "PDPA") requires that all political subdivisions of the State deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows the institution to create a single collateral pool for all public funds. The pool for all 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 percent of the aggregate uninsured deposits. The Colorado Divisions of Banking and Financial Services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

	2018	
	Bank Balance	Carrying Balance
FirstBank deposits	\$ 115,000	\$ 617,118
FirstBank liquid asset savings	2,242,619	2,242,619
Petty cash	800	800
Restricted cash and cash equivalents	683,382	683,382
Total	<u>\$ 3,041,801</u>	<u>\$ 3,543,919</u>

	2017	
	Bank Balance	Carrying Balance
FirstBank deposits	\$ 115,000	\$ 839,249
FirstBank liquid asset savings	1,601,739	1,601,739
Petty cash	800	800
Restricted cash and cash equivalents	677,258	677,258
Total	<u>\$ 2,394,797</u>	<u>\$ 3,119,046</u>

The restricted cash and investments constitute funds received from bond issuances that are currently in governmental money market accounts. These funds are held in FirstBank liquid asset savings accounts.

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. At year end, the District had no uninsured or uncollateralized deposits. The District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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 the following:

- Obligations of the U.S. and certain U.S. government agency securities
- Certain international agency securities

December 31, 2018 and 2017

Note 3 - Cash Deposits and Investments (Continued)

- 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

Note 4 - Restricted Assets

At December 31, 2018 and 2017, restricted assets are composed of the following:

	2018	2017
Senior loan/bond reserve	\$ 538,385	\$ 532,602
Capital replacement reserve	144,997	144,656
Total	\$ 683,382	\$ 677,258

Note 5 - Accounts Receivable

The following is the detail of accounts receivable:

	2018	2017
Accounts receivable	\$ 116,577	\$ 147,448
Allowance for doubtful accounts	(1,529)	(1,529)
Net accounts receivable	\$ 115,048	\$ 145,919

Note 6 - Acquired Intangible Assets and Goodwill

Intangible assets of the District at December 31, 2018 and 2017 are summarized as follows:

	2018		2017	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:				
Start-up costs	\$ 1,544,488	\$ (1,065,054)	\$ 1,544,488	\$ (987,829)
Closing costs and prepaid fees	109,512	(75,517)	109,512	(70,042)
Total amortized intangible assets	\$ 1,654,000	\$ (1,140,571)	\$ 1,654,000	\$ (1,057,871)

Amortization expense for intangible assets totaled \$82,700 for the years ended December 31, 2018 and 2017. Amortization expense for the intangible assets will be approximately \$82,700 annually through 2023 and \$99,929 thereafter.

Greenwood Athletic Club Metropolitan District

Notes to Financial Statements

December 31, 2018 and 2017

Note 6 - Acquired Intangible Assets and Goodwill (Continued)

The net carrying value of goodwill is reported as a deferred outflow on the statement of net position. The recorded amounts of goodwill at December 31, 2018 and 2017 are as follows:

	2018	2017
Goodwill	\$ 14,400,000	\$ 14,400,000
Accumulated amortization	(9,930,000)	(9,210,000)
Net carrying value	<u>\$ 4,470,000</u>	<u>\$ 5,190,000</u>

Goodwill amortization expense totaled \$720,000 and \$720,000 in 2018 and 2017, respectively. Amortization expense for goodwill will be approximately \$720,000 annually through 2023 and \$870,000 thereafter.

Note 7 - Capital Assets

Capital asset activity of the District was as follows:

	Balance January 1, 2018	Reclassifications	Additions	Disposals and Adjustments	Balance December 31, 2018
Capital assets not being depreciated:					
Land	\$ 4,685,127	\$ -	\$ -	\$ -	\$ 4,685,127
Construction in progress	-	(121,780)	121,780	-	-
Subtotal	4,685,127	(121,780)	121,780	-	4,685,127
Capital assets being depreciated:					
Building	17,012,650	-	-	-	17,012,650
Indoor tennis building	5,740,295	-	-	-	5,740,295
Building improvements	6,890,383	121,780	123,906	-	7,136,069
Equipment	2,962,117	-	475,783	-	3,437,900
Outdoor pool	2,345,473	-	-	-	2,345,473
Fixtures	932,742	-	-	-	932,742
Landscaping	687,472	-	-	-	687,472
Subtotal	36,571,132	121,780	599,689	-	37,292,601
Accumulated depreciation:					
Building	4,877,259	-	425,316	-	5,302,575
Indoor tennis building	1,841,678	-	143,508	-	1,985,186
Building improvements	1,736,414	-	369,314	-	2,105,728
Equipment	2,146,291	-	326,421	-	2,472,712
Outdoor pool	1,299,784	-	117,273	-	1,417,057
Fixtures	932,742	-	-	-	932,742
Landscaping	629,679	-	8,891	-	638,570
Subtotal	13,463,847	-	1,390,723	-	14,854,570
Net capital assets being depreciated	23,107,285	121,780	(791,034)	-	22,438,031
Net capital assets	<u>\$ 27,792,412</u>	<u>\$ -</u>	<u>\$ (669,254)</u>	<u>\$ -</u>	<u>\$ 27,123,158</u>

Greenwood Athletic Club Metropolitan District

Notes to Financial Statements

December 31, 2018 and 2017

Note 7 - Capital Assets (Continued)

	Balance January 1, 2017	Reclassifications	Additions	Disposals and Adjustments	Balance December 31, 2017
Capital assets not being depreciated:					
Land	\$ 4,685,127	\$ -	\$ -	\$ -	\$ 4,685,127
Construction in progress	610,055	(901,856)	291,801	-	-
Subtotal	5,295,182	(901,856)	291,801	-	4,685,127
Capital assets being depreciated:					
Building	17,012,650	-	-	-	17,012,650
Indoor tennis building	5,740,295	-	-	-	5,740,295
Building improvements	5,983,334	901,856	5,193	-	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
Subtotal	35,467,005	901,856	692,220	(489,949)	36,571,132
Accumulated depreciation:					
Building	4,451,943	-	425,316	-	4,877,259
Indoor tennis building	1,698,171	-	143,507	-	1,841,678
Building improvements	1,410,140	-	326,274	-	1,736,414
Equipment	2,300,361	-	335,879	(489,949)	2,146,291
Outdoor pool	1,182,510	-	117,274	-	1,299,784
Fixtures	932,742	-	-	-	932,742
Landscaping	625,233	-	4,446	-	629,679
Subtotal	12,601,100	-	1,352,696	(489,949)	13,463,847
Net capital assets being depreciated	22,865,905	901,856	(660,476)	-	23,107,285
Net capital assets	\$ 28,161,087	\$ -	\$ (368,675)	\$ -	\$ 27,792,412

Note 8 - Accrued Liabilities

The following is the detail of accrued liabilities:

	2018	2017
Compensation	\$ 419,930	\$ 411,462
Other	247,455	47,684
Vacation	32,733	38,391
Sales tax	3,360	3,136
Total	\$ 703,478	\$ 500,673

Greenwood Athletic Club Metropolitan District

Notes to Financial Statements

December 31, 2018 and 2017

Note 9 - Long-term Debt

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 percent. The note requires monthly principal and interest payments of \$125,327 and matures on January 1, 2025.

Note payable to a bank with an original principal balance of \$7,646,240 and interest at 5.12 percent. The note requires monthly principal and interest payments of \$81,851 and matures on October 1, 2027.

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

The notes are collateralized by substantially all of the assets of the District and are subject to certain restrictive covenants.

Notes payable activity for the years ended December 31, 2018 and 2017 can be summarized as follows:

	2018				
	Beginning Balance	Additions	Payments	Ending Balance	Due within One Year
Notes payable:					
\$16,000,000 note	\$ 9,227,386	\$ -	\$ (1,145,464)	\$ 8,081,922	\$ 1,196,222
\$7,646,240 note	7,550,852	-	(602,457)	6,948,395	637,655
Total notes payable	<u>\$ 16,778,238</u>	<u>\$ -</u>	<u>\$ (1,747,921)</u>	<u>\$ 15,030,317</u>	<u>\$ 1,833,877</u>
	2017				
	Beginning Balance	Additions	Payments	Ending Balance	Due within One Year
Notes payable:					
\$16,000,000 note	\$ 10,328,703	\$ -	\$ (1,101,317)	\$ 9,227,386	\$ 1,147,384
\$650,000 note	115,921	-	(115,921)	-	-
\$7,646,240 note	-	7,646,240	(95,388)	7,550,852	604,517
Total notes payable	<u>\$ 10,444,624</u>	<u>\$ 7,646,240</u>	<u>\$ (1,312,626)</u>	<u>\$ 16,778,238</u>	<u>\$ 1,751,901</u>

Debt Service Requirements to Maturity

Annual debt service requirements to maturity for the above notes payable are as follows:

Years Ending December 31	Principal	Interest	Total
2019	\$ 1,833,877	\$ 652,265	\$ 2,486,142
2020	1,915,440	570,702	2,486,142
2021	2,003,021	483,121	2,486,142
2022	2,094,716	391,426	2,486,142
2023	2,190,591	295,551	2,486,142
2024-2027	4,992,672	396,653	5,389,325
Total	<u>\$ 15,030,317</u>	<u>\$ 2,789,718</u>	<u>\$ 17,820,035</u>

December 31, 2018 and 2017

Note 10 - Bonds Payable - Related Party

Pursuant to an election held on 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 percent per annum or at an amount determined by the board of directors (5.40 percent as of December 31, 2018); mature on March 1, 2030; and are subordinate to the senior notes described in Note 9.

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 statement 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 years ended December 31, 2018 and 2017, the District paid \$0 and \$3,955,567, respectively, of accrued accumulated interest. Total cumulative accrued interest was \$1,690,153 and \$0 at December 31, 2018 and 2017, respectively. During the years ended December 31, 2018 and 2017, the District paid \$1,163,287 and \$3,109,626, respectively, of current year interest expense.

The bonds were subject to optional early redemption premiums of 2 percent through February 28, 2014. There were no redemptions during 2018 or 2017.

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 9
- 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
- Sixth, the balance of net revenue, if any, will be applied to the principal loan balance for the senior notes described in Note 9 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.

Note 11 - Operating Leases - Lessor

The District leases space to unrelated entities under four separate noncancelable operating leases expiring in various years through 2021.

The District leases space for a spa to an affiliate under an operating lease. The lease provides for minimum annual rent of \$64,023. 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 2030. Along with the renewal, the lease was amended to state the base rent of \$121,992 per year and rent one additional room totaling \$6,592 per year.

Note 11 - Operating Leases - Lessor (Continued)

Future minimum future rent on noncancelable leases as of December 31, 2018 for each of the next five years, and in the aggregate, are as follows:

Years Ending December 31	Related Party	Other	Total
2019	\$ 128,584	\$ 171,810	\$ 300,394
2020	128,584	42,000	170,584
2021	128,584	20,000	148,584
2022	128,584	-	128,584
2023	128,584	-	128,584
Thereafter	900,090	-	900,090
Total	\$ 1,543,010	\$ 233,810	\$ 1,776,820

Note 12 - 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 13 - Operating Leases

The District is obligated under operating leases primarily for office equipment, expiring at various dates through 2021. Total rent expense under these leases was \$42,440 and \$41,139 for 2018 and 2017, respectively.

Future minimum annual commitments under these operating leases are as follows:

Years Ending December 31	Amount
2019	\$ 40,000
2020	26,000
2021	17,000
Total	\$ 83,000

Note 14 - Related Party Transactions

Sales and Purchases

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.

A related party provides the District with management services and personnel to operate the Club. The contract requires monthly payments and \$35,904 plus the personnel costs.

December 31, 2018 and 2017

Note 14 - Related Party Transactions (Continued)

Related party balances and transactions consists of the following:

	2018	2017
Subordinated revenue bond holders	\$ 21,544,000	\$ 21,544,000
Interest expense on bonds	1,218,287	7,065,193
Management fees	430,852	418,000
Rental income	128,584	127,693

Note 15 - Intergovernmental Agreements

City of Greenwood Village, Colorado

The District entered into an intergovernmental agreement (IGA) with the City of Greenwood Village, Colorado (the "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.

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 composed 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, 2018 and 2017 was \$20,713 and \$23,424, respectively, and is subject to annual adjustment based on factors such as the Consumer Price Index.

Note 16 - 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, 2018 and 2017. 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 \$750,000,000 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 \$2,668,609. 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 \$1,000,000 with reinsurance coverage of a maximum of \$9,000,000.

December 31, 2018 and 2017

Note 16 - 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.

Other Supplemental Information

Greenwood Athletic Club Metropolitan District

Other Supplemental Information Budgetary Comparison Schedule

Year Ended December 31, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	(Under) Over <u>Final Budget</u>
Revenue				
Membership dues and initiation fees	\$ 8,378,868	\$ 8,378,868	\$ 8,194,884	\$ (183,984)
Lease revenue	326,599	326,599	324,706	(1,893)
Other revenue	5,701,893	5,701,893	5,202,094	(499,799)
Interest income	4,003	4,003	20,861	16,858
Total revenue	14,411,363	14,411,363	13,742,545	(668,818)
Expenditures				
Salaries and employee benefits	6,910,579	6,910,579	6,369,329	541,250
Selling, general, and administrative	3,127,260	3,127,260	2,944,519	182,741
Capital expenditures	727,713	727,713	721,469	6,244
Subordinated bond payments - Interest	1,163,287	1,163,287	1,218,287	(55,000)
Senior debt - Interest	728,918	728,918	738,221	(9,303)
Senior debt - Principal	1,753,606	1,753,606	1,747,921	5,685
Total expenditures	14,411,363	14,411,363	13,739,746	671,617
Net Change in Funds Available	-	-	2,799	2,799
Funds Available - Beginning of year	199,629	199,629	199,629	-
Funds Available - End of year	<u>\$ 199,629</u>	<u>\$ 199,629</u>	<u>\$ 202,428</u>	<u>\$ 2,799</u>

Greenwood Athletic Club Metropolitan District

Other Supplemental Information Budgetary Comparison Schedule

Year Ended December 31, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	(Under) Over <u>Final Budget</u>
Revenue				
Membership dues and initiation fees	\$ 7,990,588	\$ 7,990,588	\$ 7,970,498	\$ (20,090)
Lease revenue	327,958	327,958	322,069	(5,889)
Other revenue	5,862,273	5,862,273	5,514,443	(347,830)
Interest income	1,579	1,579	2,344	765
Total revenue	14,182,398	14,182,398	13,809,354	(373,044)
Expenditures				
Current services:				
Salaries and employee benefits	6,854,832	6,854,832	6,565,790	289,042
Selling, general, and administrative	2,997,788	2,997,788	2,943,430	54,358
Capital expenditures	1,029,462	1,029,462	982,321	47,141
Capital lease payments:				
Principal	57,283	57,283	57,283	-
Interest	921	921	921	-
Subordinated bond payments:				
Principal	-	1,987,000	1,987,000	-
Interest	1,620,691	7,065,193	7,065,193	-
Senior debt payments:				
Principal	1,217,153	1,315,213	1,312,626	2,587
Interest	404,268	469,308	472,544	(3,236)
Total expenditures	14,182,398	21,777,000	21,387,108	389,892
Nonoperating (Expenses) Revenue				
Loan origination fees	-	(146,240)	(156,240)	(10,000)
New debt issued	-	7,646,240	7,646,240	-
Total nonoperating revenue	-	7,500,000	7,490,000	(10,000)
Net Change in Funds Available	-	(94,602)	(87,754)	6,848
Funds Available - Beginning of year	287,383	287,383	287,383	-
Funds Available - End of year	\$ 287,383	\$ 192,781	\$ 199,629	\$ 6,848

Greenwood Athletic Club Metropolitan District

Note to Other Supplemental Information

December 31, 2018 and 2017

Budgetary Information

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.

A reconciliation of the budgetary comparison schedules to the statement of revenue, expenses, and changes in net position is as follows:

	<u>2018</u>	<u>2017</u>
Excess of revenue and other financing sources over expenditures and other financing uses	\$ 2,799	\$ (87,754)
Adjustments to reconcile to GAAP:		
Additions		
Capital expenditures	721,469	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	1,747,921	1,312,626
Total	<u>2,469,390</u>	<u>4,342,630</u>
Subtractions:		
Depreciation	(1,390,723)	(1,352,696)
Amortization	(802,700)	(802,700)
Proceeds from sale of capital asset	-	(1,700)
Notes payable issuance	-	(7,646,240)
Total	<u>(2,193,423)</u>	<u>(9,803,336)</u>
Change in net position	<u>\$ 278,766</u>	<u>\$ (5,548,460)</u>