

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

**FINANCIAL STATEMENTS**

**with Independent Auditor's Report**

**December 31, 2018**

**Mount Vernon Country Club Metropolitan District**

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**December 31, 2018**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Mount Vernon Country Club Metropolitan District  
Golden, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Mount Vernon Country Club Metropolitan District (the District) as of and for the year ended December 31, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the District, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

I

**Fiscal Focus Partners, LLC**

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages III–VIII and 25-26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

*Fiscal Focus Partners, LLC*

Greenwood Village, Colorado  
October 13, 2019

**Mount Vernon Country Club Metropolitan District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2018**

The discussion and analysis of Mount Vernon Country Club Metropolitan District's (District) financial performance provides an overall review of the District's financial activities for the year ended December 31, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should review the information presented here in conjunction with the basic financial statements and the notes to financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

- Assets of the District exceeded its liabilities and deferred inflows at the close of the fiscal year by \$4,243,100 (net position).
- The District's total net position increased by \$571,674 over the prior fiscal year.
- Operating revenues decreased \$276,882 from the prior year. This is primarily due to a decrease in food and beverages revenues and membership social dues and fees. Governmental fund revenues increased \$125,629 as a result of the proprietary member fees that were assessed in 2018 and sales tax collected in 2018.
- The District received \$279,354 in operating contributions from Mount Vernon Country Club, a non-profit corporation.

**Overview of the Financial Statements**

The District's basic financial statements included in this report are those of a special-purpose government engaged in both governmental and business-type activities, providing water, roads and drainage, land management, fire mitigation, and parks and recreation services. The statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

*The Government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector business.

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

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned compensation).

*Fund financial statements* present the grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

*Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental fund and governmental activities.

The District maintains two governmental funds: 1) the general fund and 2) the conservation trust fund. The general fund is the District's primary operating fund and the conservation trust fund is considered a special revenue fund used to account for the District's lottery proceeds received from the State of Colorado and the expenditures for which those funds are spent.

*Proprietary funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The District maintains two proprietary funds: 1) Recreational Clubhouse Facility Fund and 2) Water Fund. The Recreational Clubhouse Facility Fund is used to account for the revenues and expenditures related to the services provided to the District's residents and club members for social and recreational activities. The Water Fund is used to account for the revenues and expenses related to the water services that are provided to the proprietary members of the District. The services provided in both of these funds are reported as business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The *Notes to the financial statements* provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Mount Vernon Country Club Metropolitan District, assets exceeded liabilities and deferred inflows by \$4,243,100 at the close of the most recent fiscal year.

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

**Statement of Net Position  
December 31,**

	<b>Total</b>	
	<b>2018</b>	<b>2017</b>
Current and other assets	\$ 845,611	\$ 909,968
Capital assets, net	5,707,903	5,920,738
Total assets	6,553,514	6,830,706
Long-term liabilities		
outstanding	1,693,976	2,194,941
Other liabilities	469,075	793,454
Total liabilities	2,163,051	2,988,395
Deferred inflows of resources	147,363	148,247
Net position		
Net investment in capital assets	4,013,927	3,725,797
Restricted	55,017	15,616
Unrestricted	174,156	(47,349)
Net position	\$ 4,243,100	\$ 3,694,064

Net investment in capital assets (land; infrastructure; buildings and grounds; furniture, fixtures, and equipment; recreational facility; wastewater treatment facility; and the water system) as of December 31, 2018 and 2017, less any related debt used to acquire those assets represent net position of the District related to capital assets used to provide services to citizens and Clubhouse members; consequently, it is *not* available for future spending.

**Governmental Activities**

Governmental activities before transfers and operating contributions increased net position in 2018 by \$510,189 compared to an increase before transfers in 2017 of \$141,035. The increase in the change in net position was primarily the result of the gain on sales of parcels of land.

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

**Business-type Activities**

The business-type activities (Recreational Clubhouse Facility and Water Fund) before transfers decreased net position in 2018 by \$217,870 compared to a decrease before transfers in 2017 of \$134,900.

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

	<b>Total</b>	
	<b>Year Ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
<b>Revenues:</b>		
Program revenues		
Charges for services	\$ 4,241,692	\$ 4,518,574
Operating grants and contributions	279,354	-
Capital grants and contributions	165,845	1,147
General revenues		
Property taxes	148,062	130,695
Proprietary member fee	83,246	10,387
Sales tax	34,756	-
Other taxes	13,425	12,652
Interest and other revenue	9,027	4,806
Gain on sale of assets	477,136	171,887
<b>Total revenues</b>	<b>5,452,543</b>	<b>4,850,148</b>
<b>Expenses:</b>		
General government	247,572	185,848
Recreational clubhouse facility	4,284,937	4,398,711
Water	281,703	167,746
Interest on debt obligations	66,657	91,708
<b>Total expenses</b>	<b>4,880,869</b>	<b>4,844,013</b>
<b>Increase in net position</b>	571,674	6,135
<b>Net position - beginning</b>	3,671,426	3,687,929
<b>Restatement, correct fee revenue</b>	-	(22,638)
<b>Net position - ending</b>	<b>\$ 4,243,100</b>	<b>\$ 3,671,426</b>

**Budgetary Highlights**

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

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

**Capital Assets**

The District's capital assets as of December 31, 2018 and 2017 were as follows:

**Capital Assets**

	December 31,	
	2018	2017
Land	\$ 577,248	\$ 501,434
Infrastructure	475,986	475,986
Building and grounds	9,015,462	8,949,334
Furniture, fixtures and equipment	1,660,332	1,604,804
Water system	1,512,928	1,482,083
Total assets	13,241,956	13,013,641
Accumulated depreciation	(7,534,053)	(7,092,903)
Net capital assets	\$ 5,707,903	\$ 5,920,738

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

**Debt Administration**

As of December 31, 2018, the District had total debt obligations (including capital leases) of \$1,693,976, of which \$194,012 is classified as current.

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

**Economic Factors and Next Year's Budget**

The District anticipates moderate growth in 2019. The Recreational Clubhouse Facility revenue budget is optimistic due to increases in dues and certain fees. In addition, expenditures in personnel and other expenses have been, and continue to be, under strict control. The budget is created with total budgeted revenues covering budgeted operation/maintenance expenses and debt retirement payments.

The 2019 mill levy for the District remains at 35.000. As a result, 2019 tax revenue for the District is budgeted to stay relatively the same as compared to 2018.

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

**Requests for Information**

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

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

**BASIC FINANCIAL STATEMENT**

**Mount Vernon Country Club Metropolitan District**

**STATEMENT OF NET POSITION**

**December 31, 2018**

	<b>Primary Government</b>		<b>Total</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 172,105	\$ 314,742	\$ 486,847
Accounts receivable	-	132,721	132,721
Inventories	-	73,455	73,455
Property taxes receivable	147,363	-	147,363
Prepaid expenses and deposits	-	5,225	5,225
Capital assets, net of depreciation	705,607	5,002,296	5,707,903
<b>Total assets</b>	<b>1,025,075</b>	<b>5,528,439</b>	<b>6,553,514</b>
<b>LIABILITIES</b>			
Overdraft	-	334	334
Accounts payable	-	168,327	168,327
Accrued expenses	-	117,429	117,429
Unearned revenues - dues	-	35,683	35,683
Deposits	-	147,302	147,302
Noncurrent liabilities			
Due within one year	-	194,012	194,012
Due in more than one year	-	1,499,964	1,499,964
<b>Total liabilities</b>	<b>-</b>	<b>2,163,051</b>	<b>2,163,051</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred property tax revenue	147,363	-	147,363
<b>Total deferred inflows of resources</b>	<b>147,363</b>	<b>-</b>	<b>147,363</b>
<b>NET POSITION</b>			
Net investment in capital assets	705,607	3,308,320	4,013,927
Restricted	55,017	-	55,017
Unrestricted	117,088	57,068	174,156
<b>Total net position</b>	<b>\$ 877,712</b>	<b>\$ 3,365,388</b>	<b>\$ 4,243,100</b>

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

**Mount Vernon Country Club Metropolitan District**

**STATEMENT OF ACTIVITIES**

**For the Year Ended December 31, 2018**

Functions/Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 247,572	\$ -	\$ 279,354	\$ -	\$ 31,782	\$ -	\$ 31,782
Parks and recreation	-	-	-	845	845	-	845
<b>Total governmental activities</b>	<u>247,572</u>	<u>-</u>	<u>279,354</u>	<u>845</u>	<u>32,627</u>	<u>-</u>	<u>32,627</u>
<b>Business-type activities:</b>							
Recreational clubhouse	4,284,937	3,921,533	-	-	-	(363,404)	(363,404)
Water	281,703	320,159	-	165,000	-	203,456	203,456
Interest on debt obligations	66,657	-	-	-	-	(66,657)	(66,657)
<b>Total business-type activities</b>	<u>4,633,297</u>	<u>4,241,692</u>	<u>-</u>	<u>165,000</u>	<u>-</u>	<u>(226,605)</u>	<u>(226,605)</u>
<b>General revenues:</b>							
Taxes:							
Property taxes					148,062	-	148,062
Specific ownership taxes					13,425	-	13,425
Sales tax					34,756	-	34,756
Proprietary member fees					83,246	-	83,246
Interest					291	8,736	9,027
Gain on sale of assets					477,136	-	477,136
Transfer (to) from other funds					(684,132)	684,132	-
<b>Total general revenues and transfers</b>					<u>72,784</u>	<u>692,868</u>	<u>765,652</u>
<b>Change in net position</b>					105,411	466,263	571,674
<b>Net position - beginning of year - restated</b>					<u>772,301</u>	<u>2,899,125</u>	<u>3,671,426</u>
<b>Net position - end of year</b>					<u>\$ 877,712</u>	<u>\$ 3,365,388</u>	<u>\$ 4,243,100</u>

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

**Mount Vernon Country Club Metropolitan District**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

**December 31, 2018**

	<u>General Fund</u>	<u>Conservation Trust Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 160,244	\$ 11,861	\$ 172,105
Property tax receivable	147,363	-	147,363
<b>Total assets</b>	<u>\$ 307,607</u>	<u>\$ 11,861</u>	<u>\$ 319,468</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred property tax revenue	\$ 147,363	\$ -	\$ 147,363
<b>Total deferred inflows of resources</b>	<u>147,363</u>	<u>-</u>	<u>147,363</u>
<b>FUND BALANCES</b>			
Restricted by legislation	8,400	11,861	20,261
Restricted for transportation improvements	34,756	-	34,756
Assigned for emergencies	117,088	-	117,088
<b>Total fund balances</b>	<u>160,244</u>	<u>11,861</u>	<u>172,105</u>
<b>Total deferred inflows of resources and fund balances</b>	<u>\$ 307,607</u>	<u>\$ 11,861</u>	
<b>Amount reported for governmental activities in the statement of net position are different because:</b>			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds			<u>705,607</u>
<b>Net position of governmental activities</b>			<u>\$ 877,712</u>

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

**Mount Vernon Country Club Metropolitan District**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2018**

	<u>General Fund</u>	<u>Conservation Trust Fund</u>	<u>Total</u>
<b>Revenues</b>			
Property taxes	\$ 148,062	\$ -	\$ 148,062
Specific ownership taxes	13,425	-	13,425
Sales tax	34,756	-	34,756
Lottery proceeds	-	845	845
Proprietary member fees	83,246	-	83,246
Interest	291	-	291
<b>Total revenues</b>	<u>279,780</u>	<u>845</u>	<u>280,625</u>
<b>Expenditures</b>			
General government	224,341	-	224,341
Capital outlay	75,813	-	75,813
<b>Total expenditures</b>	<u>300,154</u>	<u>-</u>	<u>300,154</u>
<b>Excess of revenues over expenditures</b>	(20,374)	845	(19,529)
<b>Other financing sources (uses)</b>			
Operating contributions	279,354	-	279,354
Transfer to other funds	(684,132)	-	(684,132)
Proceeds from sale of assets	477,136	-	477,136
<b>Total other financing sources (uses)</b>	<u>72,358</u>	<u>-</u>	<u>72,358</u>
<b>Net change in fund balance</b>	51,984	845	52,829
<b>Fund balance - beginning of year</b>	<u>108,260</u>	<u>11,016</u>	<u>119,276</u>
<b>Fund balance - end of year</b>	<u>\$ 160,244</u>	<u>\$ 11,861</u>	<u>\$ 172,105</u>

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

**Mount Vernon Country Club Metropolitan District**  
**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**

**For the Year Ended December 31, 2018**

<b>Net change in fund balance of governmental funds</b>	\$ 52,829
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Amounts reported for governmental activities  
in the statement of activities are different because:

Governmental funds report capital outlays as expenditures.  
However, in the statement of activities the cost of those assets  
is allocated over their estimated useful lives and reported as  
depreciation expense.

Capital outlay	75,813
Depreciation expense	<u>(23,231)</u>

<b>Change in net position of governmental activities</b>	<u><u>\$ 105,411</u></u>
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*The accompanying Notes to Financial Statements are an integral part of these statements.*

**Mount Vernon Country Club Metropolitan District**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS**

**December 31, 2018**

	<b>Recreational Clubhouse Facility</b>	<b>Water Fund</b>	<b>Total</b>	<b>2017 Total</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 314,742	\$ 314,742	\$ 144,797
Accounts receivable	116,584	16,137	132,721	394,335
Inventories	73,455	-	73,455	70,097
Prepaid expenses and deposits	5,225	-	5,225	33,216
Capital assets, net	4,373,155	629,141	5,002,296	5,267,713
<b>Total assets</b>	<b>4,568,419</b>	<b>960,020</b>	<b>5,528,439</b>	<b>5,910,158</b>
<b>LIABILITIES</b>				
Overdraft	334	-	334	100,468
Accounts payable	168,327	-	168,327	139,978
Accrued expenses	117,429	-	117,429	108,164
Unearned revenues - dues	35,683	-	35,683	274,300
Deposits	147,302	-	147,302	170,544
Noncurrent liabilities				
Due within one year	169,012	25,000	194,012	500,966
Due in more than one year	1,239,964	260,000	1,499,964	1,693,975
<b>Total liabilities</b>	<b>1,878,051</b>	<b>285,000</b>	<b>2,163,051</b>	<b>2,988,395</b>
<b>NET POSITION</b>				
Net investment in capital assets	2,964,179	344,141	3,308,320	3,072,772
Unrestricted	(273,811)	330,879	57,068	(151,009)
<b>Total net position</b>	<b>\$ 2,690,368</b>	<b>\$ 675,020</b>	<b>\$ 3,365,388</b>	<b>\$ 2,921,763</b>

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

**Mount Vernon Country Club Metropolitan District**

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

**For the Year Ended December 31, 2018**

	<b>Recreational Clubhouse Facility</b>	<b>Water Fund</b>	<b>Total</b>	<b>2017 Total</b>
<b>Operating revenues</b>				
Membership social dues	\$ 1,258,514	\$ -	\$ 1,258,514	\$ 1,524,107
Initiation fees	105,151	-	105,151	98,793
Food and beverage sales	2,181,724	-	2,181,724	2,188,058
Food related other income	252,292	-	252,292	234,010
Swimming pool and exercise	19,222	-	19,222	17,299
Tennis courts	60,514	-	60,514	54,612
Service charges	-	320,159	320,159	278,384
Insurance proceeds and other income	44,116	-	44,116	123,311
<b>Total operating revenues</b>	<b>3,921,533</b>	<b>320,159</b>	<b>4,241,692</b>	<b>4,518,574</b>
<b>Operating expenses</b>				
Food and beverage	2,181,695	-	2,181,695	2,233,091
Swimming pool and exercise	191,677	-	191,677	177,494
Tennis courts	142,644	-	142,644	139,346
Water costs	-	237,564	237,564	128,006
Clubhouse	570,927	-	570,927	341,479
Marketing	213,565	-	213,565	357,628
Administrative	461,010	-	461,010	581,098
General services	149,639	-	149,639	197,277
Depreciation	373,780	44,139	417,919	411,038
<b>Total operating expenditures</b>	<b>4,284,937</b>	<b>281,703</b>	<b>4,566,640</b>	<b>4,566,457</b>
<b>Operating income (loss)</b>	<b>(363,404)</b>	<b>38,456</b>	<b>(324,948)</b>	<b>(47,883)</b>
<b>Nonoperating revenues (expenses)</b>				
Interest income	8,736	-	8,736	4,691
Interest expense	(55,001)	(11,656)	(66,657)	(91,708)
<b>Income (loss) before operating transfers</b>	<b>(409,669)</b>	<b>26,800</b>	<b>(382,869)</b>	<b>(134,900)</b>
<b>Other financing sources</b>				
Operating transfers in	684,132	-	684,132	575,000
Tap fees revenue	-	165,000	165,000	-
<b>Total other financing sources</b>	<b>684,132</b>	<b>165,000</b>	<b>849,132</b>	<b>575,000</b>
<b>Change in net position</b>	<b>274,463</b>	<b>191,800</b>	<b>466,263</b>	<b>440,100</b>
<b>Net position - beginning of year - restated</b>	<b>2,415,905</b>	<b>483,220</b>	<b>2,899,125</b>	<b>2,481,663</b>
<b>Net position - end of year</b>	<b>\$ 2,690,368</b>	<b>\$ 675,020</b>	<b>\$ 3,365,388</b>	<b>\$ 2,921,763</b>

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

**Mount Vernon Country Club Metropolitan District**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

**For the Year Ended December 31, 2018**

	<b>Recreational Clubhouse Facility</b>	<b>Water Fund</b>	<b>Total</b>	<b>2017 Total</b>
<b>Cash flows from operating activities</b>				
Cash received from customers	\$ 3,921,288	\$ 320,159	\$ 4,241,447	\$ 4,433,775
Cash payments to employees for services	(2,145,252)	-	(2,145,252)	(2,124,483)
Cash payments to suppliers for goods and services	(1,803,792)	(237,564)	(2,041,356)	(2,191,175)
Net cash provided by (used in ) operating activities	<u>(27,756)</u>	<u>82,595</u>	<u>54,839</u>	<u>118,117</u>
<b>Cash flows from noncapital financing activities</b>				
Transfers from other fund	684,132	-	684,132	575,000
Net cash provided by noncapital financing activities	<u>684,132</u>	<u>-</u>	<u>684,132</u>	<u>575,000</u>
<b>Cash flows from capital and related financing activities</b>				
Acquisition of capital assets	(121,656)	(30,845)	(152,501)	(64,807)
Tap fees	-	165,000	165,000	-
Principal paid on debt	(475,965)	(25,000)	(500,965)	(444,225)
Interest paid on debt	(55,001)	(11,656)	(66,657)	(91,708)
Net cash provided by (used in) capital and related financing activities	<u>(652,622)</u>	<u>97,499</u>	<u>(555,123)</u>	<u>(600,740)</u>
<b>Cash flows from investing activities</b>				
Interest	8,736	-	8,736	4,691
Net cash provided by investing activities	<u>8,736</u>	<u>-</u>	<u>8,736</u>	<u>4,691</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	12,490	180,094	192,584	97,068
<b>Cash and cash equivalents - beginning of year - restated</b>	<u>(12,490)</u>	<u>134,648</u>	<u>122,158</u>	<u>47,729</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ -</u>	<u>\$ 314,742</u>	<u>\$ 314,742</u>	<u>\$ 144,797</u>

(continued)

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

**Mount Vernon Country Club Metropolitan District**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

(continued)

**For the Year Ended December 31, 2018**

	<u>Recreational Clubhouse Facility</u>	<u>Water Fund</u>	<u>Total</u>	<u>2017 Total</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>				
Operating income (loss)	\$ (363,404)	\$ 38,456	\$ (324,948)	\$ (47,883)
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	373,780	44,139	417,919	411,038
(Increase) decrease in:				
Accounts receivable	261,614	-	261,614	(57,523)
Inventories	(3,358)	-	(3,358)	(12,061)
Prepaid expenses	27,991	-	27,991	(30,076)
Increase (decrease) in:				
Overdraft	(100,134)	-	(100,134)	15,437
Accounts payable	28,349	-	28,349	(106,893)
Accrued expenses	9,265	-	9,265	19,865
Capital replacement	-	-	-	(14,380)
Compensated absences	-	-	-	(32,131)
Unearned revenues	(238,617)	-	(238,617)	(35,122)
Deposits	(23,242)	-	(23,242)	7,846
<b>Net cash provided by operating activities</b>	<u>\$ (27,756)</u>	<u>\$ 82,595</u>	<u>\$ 54,839</u>	<u>\$ 118,117</u>

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

# Mount Vernon Country Club Metropolitan District

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

### Note 1 – Definition of reporting entity

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

Substantially all of the assets and liabilities of Mount Vernon Country Club, a non-profit corporation (the Corporation), were conveyed to the District in 1992. The assets included a recreation clubhouse facility consisting of a restaurant, bar, tennis courts, pro shop, swimming pool and snack bar, along with meeting rooms and three residential units owned by the Corporation as housing for employees. Other assets conveyed by the Corporation include 1,000 acres of open space within the District, the water supply system serving the District residents, roads, rights of way and easements appurtenant to the water system. The liabilities transferred included outstanding loans associated with the water system and land as well as normal obligations incurred in the operation of the assets conveyed to the District. All assets and liabilities transferred were recorded on the books and records of the District at the net book value recorded on the Corporation's books and records at the date of transfer.

Due to the obligations of the Corporation to its proprietary members, certain restrictions exist in the conveyances by the Corporation to the District regarding the sale of real property, the water tap moratorium and enforcement of the Corporation's governing documents. A reversionary interest is provided for in the event conditions are violated.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

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

**Mount Vernon Country Club Metropolitan District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2018**

**Note 2 – Summary of significant accounting policies**

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

**Government-wide and fund financial statements**

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

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

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

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

**Measurement focus, basis of accounting and financial statement presentation**

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

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

Property taxes are recognized as revenues in the year for which they are levied. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Interest associated with the current fiscal period is considered to be susceptible to accrual and

**Mount Vernon Country Club Metropolitan District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2018**

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

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

The District reports the following major governmental funds:

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

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

The District reports the following major proprietary funds:

The recreational clubhouse facility is used to charge District residents and club members for social and recreational activities provided to them. All revenues and expenses related to these activities are accounted for in this fund. All revenues of the recreational clubhouse facility are considered operating revenues except for interest income and gains on disposals of capital assets which are considered non-operating revenues.

The water fund is used to charge District residents monthly fees for services not paid for with property taxes. All service charges and related expenses and assets are accounted for in this fund.

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

Comparative data for 2017 is provided in the proprietary fund statements for analysis purposes only.

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

**Mount Vernon Country Club Metropolitan District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2018**

**Pooled Cash and investments**

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

**Cash equivalents**

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

**Accounts receivable, allowance for uncollectible accounts**

Accounts receivable is reported net of an allowance for uncollectible accounts of \$87,939 at December 31, 2018.

**Inventories**

Inventories consist of foods, beverage and other items used in the clubhouse recreational facility. Inventories are carried at the lower of cost or market, using the first in, first out method.

**Property taxes**

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

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

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

**Mount Vernon Country Club Metropolitan District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2018**

**Prepaid expenses and other deferred charges**

Prepaid expenses and other deferred charges are amounts paid in the current year for expenses related to subsequent years.

**Unearned revenues**

The District reports unearned revenue in the government-wide statement of net position and in the fund financial statements. Unearned revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues also arise when resources are received by the District before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liabilities for unearned revenue is removed from the statement of net position and revenue is recognized.

The unearned revenues recognized at December 31, 2018 represent membership dues that have been collected for the recreational clubhouse facility which are billed in advance of the time period for which they are due.

**Sales tax**

The District imposed a sales tax at a rate not to exceed 2% upon every transaction in the District effective January 1, 2018, for the purpose of financing, constructing, operating and maintaining streets, transportation and safety protection improvements, including parking lots located at District facilities and amenities.

**Capital assets**

Capital assets include land, buildings and grounds, furniture, fixtures and equipment, recreational facilities, the wastewater treatment facility and infrastructure assets acquired after January 1, 2004, reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Infrastructure assets consist of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems.

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

The District’s intangible assets include land use rights, water rights, rights of way and easements appurtenant to the water system. Such intangible assets have an indefinite useful life, are not amortized, and are classified as capital assets in accordance with GASB 51, *Accounting and Financial Reporting for Intangible Assets*. Land use rights are included in Land in the governmental activities section of capital assets in Note 4. Purchased water rights in connection with the Robert

**Mount Vernon Country Club Metropolitan District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2018**

Lewis Ditch and rights of way and easements appurtenant to the water system are included in the Water fund: Water system in the business activities section of capital assets in Note 4.

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

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

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

**Capital lease**

The District entered into a capital lease agreement for a recreational facility lease for the pool and recreational facilities that expires in 2026. The assets and liabilities under the capital lease are recorded at the lower of the present value of the minimum lease payments or the fair values of the assets. The assets are being depreciated over the estimated economic useful lives. The assets and the related liabilities are recorded in the proprietary fund in which the assets are being used and from which the liabilities will be paid. The lease is subject to annual appropriations.

**Interfund transfers**

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenses initially made from it that are properly applicable to another fund, are recorded as expenses in the reimbursing fund and as reductions as expenses in the fund that is reimbursed. During 2018, the general fund transferred \$684,132 to the recreational clubhouse facility fund to support operating expenses.

**Fund equity**

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

## **Mount Vernon Country Club Metropolitan District**

### **NOTES TO FINANCIAL STATEMENTS (continued)**

**December 31, 2018**

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

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

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

Assigned fund balance – The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed. At December 31, 2018, the Board had assigned \$151,844 for emergencies.

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

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

At December 31, 2018, the District had \$8,400 restricted by legislation for emergencies and \$34,756 for transportation improvements in the general fund, and \$11,861 for the conservation trust fund.

#### **Budgets**

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

The District amended its General Fund, Recreational Clubhouse Facility Fund and Water Fund Budget subsequent to year end.

**Mount Vernon Country Club Metropolitan District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2018**

**Use of estimates**

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

**Note 3 – Cash and investments**

Cash and investments are reflected on the December 31, 2018 Statement of Net Position as follows:

Cash and investments	<u><u>\$ 486,847</u></u>
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Cash and investments as of December 31, 2018 consist of the following:

Deposits with financial institutions	\$ 68,345
Investments	418,502
Total cash and investments	<u><u>\$ 486,847</u></u>

At December 31, 2018, the District's cash deposits had bank balances of \$85,746 and carrying balances of \$68,345.

**Deposits with financial institutions**

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. As of December 31, 2018, the federal insurance limit was \$250,000. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

**Custodial credit risk – deposits**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's cash deposit and investment policy adopts state statutes regarding custodial credit risk for deposits. As of December 31, 2018, the District's bank balances and carrying balances were federally insured for the full balance.

**Mount Vernon Country Club Metropolitan District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2018**

**Investments**

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

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

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

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

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

As of December 31, 2018, the District had the following investments:

<b><u>Investment</u></b>	<b><u>Maturity</u></b>	<b><u>Amount</u></b>
Colorado Local Government Liquid Asset Trust	Weighted average under 60 days	\$ 418,502

**COLOTRUST**

The District invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing Colotrust. Colotrust operates similarly to a money market fund and each share is equal in value to \$1.00. Colotrust offers two portfolios, COLOTRUST PRIME AND COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S.

**Mount Vernon Country Club Metropolitan District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2018**

Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as a custodian for Colotrust's portfolios pursuant to a custodian agreement. The custodian acts as a safekeeping agent for Colotrust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by Colotrust. Colotrust is rated AAAM by S&P Global Ratings. Colotrust records its investments at fair value and the District records its investment in Colotrust using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

**Note 4 – Capital assets**

Capital asset activity for the year ended December 31, 2018 was as follows:

	<b>Balance at December 31, 2017</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance at December 31, 2018</b>
<b><u>Governmental activities</u></b>				
Capital assets not being depreciated				
Land	\$ 501,434	\$ 75,813	\$ -	\$ 577,247
Total capital assets not being depreciated	<u>501,434</u>	<u>75,813</u>	<u>-</u>	<u>577,247</u>
Capital assets being depreciated				
Infrastructure	475,986	-	-	475,986
Less accumulated depreciation	<u>324,395</u>	<u>23,231</u>	<u>-</u>	<u>347,626</u>
Total capital assets being depreciated, net	<u>151,591</u>	<u>(23,231)</u>	<u>-</u>	<u>128,360</u>
Total governmental activities capital assets, net	<u>\$ 653,025</u>	<u>\$ 52,582</u>	<u>\$ -</u>	<u>\$ 705,607</u>
<b><u>Business-type activities</u></b>				
<b><u>Recreational clubhouse facility:</u></b>				
Capital assets being depreciated				
Buildings and grounds	\$ 8,949,334	\$ 66,128	\$ -	\$ 9,015,462
Furniture, fixtures and equipment	1,604,804	55,528	-	1,660,332
Less accumulated depreciation	<u>5,928,860</u>	<u>373,780</u>	<u>-</u>	<u>6,302,640</u>
Total capital assets being depreciated, net	<u>4,625,278</u>	<u>(252,124)</u>	<u>-</u>	<u>4,373,154</u>
<b><u>Water fund:</u></b>				
Water system	1,482,083	30,845	-	1,512,928
Less accumulated depreciation	<u>839,648</u>	<u>44,139</u>	<u>-</u>	<u>883,787</u>
Total capital assets being depreciated, net	<u>642,435</u>	<u>(13,294)</u>	<u>-</u>	<u>629,141</u>
Total business-type activities capital assets, net	<u>5,267,713</u>	<u>(265,418)</u>	<u>-</u>	<u>5,002,295</u>
Total capital assets, net	<u>\$ 5,920,738</u>	<u>\$ (212,836)</u>	<u>\$ -</u>	<u>\$ 5,707,902</u>

Depreciation expense of \$373,780, \$44,139 and \$23,231 for the year ended December 31, 2018 was charged to the Recreational Clubhouse Facility, Water Fund and Governmental activities, respectively.

**Mount Vernon Country Club Metropolitan District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2018**

**Note 5 – Long-term obligations**

The following is an analysis of changes in the District's long-term obligations for the year ended December 31, 2018:

	<b>Balance at December 31, 2017</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at December 31, 2018</b>	<b>Due Within One Year</b>
<b><u>Recreational</u></b>					
<b><u>Clubhouse Facility:</u></b>					
Capital lease - CoBiz Bank	\$ 1,347,841	\$ -	\$ 128,984	\$ 1,218,857	\$ 133,487
Line of credit	312,624	-	312,624	-	-
Recreational Clubhouse Revenue Note	224,476	-	34,357	190,119	35,525
Water Fund Revenue Note	310,000	-	25,000	285,000	25,000
<b>Total long-term obligations</b>	<b>\$ 2,194,941</b>	<b>\$ -</b>	<b>\$ 500,965</b>	<b>\$ 1,693,976</b>	<b>\$ 194,012</b>

**Capital Lease**

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

**Revenue Notes**

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

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

**Mount Vernon Country Club Metropolitan District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2018**

**Long-term debt maturities**

Debt maturities for the next five years and to maturity are estimated as follows:

<b><u>Year ended December 31,</u></b>	<b><u>Principal</u></b>
2019	\$ 194,012
2020	199,777
2021	205,952
2022	212,236
2023	218,738
2024-2028	<u>663,261</u>
Total	<u>\$ 1,693,976</u>

**Note 6 – Net Position**

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

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

As of December 31, 2018, the District had a net investment in capital assets as follows:

	<b><u>Governmental Activities</u></b>	<b><u>Business-Type Activities</u></b>
Capital assets, net	\$ 705,607	\$ 5,002,296
Current portion of long-term debt	-	(194,012)
Long-term debt due in more than one year	-	(1,499,964)
Net investment in capital assets	<u>\$ 705,607</u>	<u>\$ 3,308,320</u>

**Mount Vernon Country Club Metropolitan District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2018**

Restricted net position includes assets that are restricted for use either externally imposed by creditors, net grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. As of December 31, 2018, the District had restricted net position as follows:

	<b>Governmental Activities</b>	<b>Business- type Activities</b>
Restricted for emergencies	\$ 8,400	\$ -
Restricted for parks and recreation	11,861	-
Restricted for transportation improvements	34,756	
Restricted net position	<u>\$ 55,017</u>	<u>\$ -</u>

As of December 31, 2018, the District had an unrestricted net position of \$174,156.

**Note 7 – Related parties**

During 2016, some members of the Board of Directors, who are also proprietary members of the club, agreed to purchase lots within the District’s boundaries from the District. The District sold four lots to five members including tap fees, for the purchase price of \$450,000. The District has the option to repurchase these lots back from the members within 2 years. Conflicts of interest in dealing with the District may have existed as a result of these transactions. During 2017, the District repurchased 1 lot from the members in the amount of \$150,000 and in 2018 the District repurchased 2 lots from the members in the amount of \$225,000. The District also exercised its repurchase option and repurchased the last lot under the agreement for \$75,813.

**Note 8 – Commitments and contingencies**

On January 7, 2019 the District entered into an Employment Contract (the “Contract”) with a General Manager. The Contract provides for an annual salary of \$120,000 and a contract end date of December 31, 2019. The Contract may be extended beyond the initial term upon the written agreement of the parties.

**Note 9 – Pension plan**

**Defined Contribution Money Purchase Plan - IRC 401(a)**

The District has adopted an employees’ qualified money purchase plan (the Plan) in accordance with Internal Revenue Code Section 401(a). The Plan is administered by American United Life Insurance Company. The Plan is a defined contribution plan with the District contributing an

## Mount Vernon Country Club Metropolitan District

### NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2018

amount equal to 4% of each participant's compensation for the year. Each full-time employee, minimum age of 21, is eligible to become a participant. The District is not liable for further pension benefits in excess of the contributions made to the Plan. Each participant is required to match the District's contribution. The employer and the employees' contributions are fully vested at the date of contribution. Contributions are tax deferred until withdrawn. The required contributions to the Plan for the year ending December 31, 2018 were \$66,934.

#### **Note 10 – Risk management**

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

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

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

#### **Note 11 – TABOR Amendment**

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

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

On May 4, 2004, the registered voters of the District authorized the District to collect, retain and spend all revenue and other funds collected from any source effective January 1, 2004 and continuing thereafter without regard to any expenditure, revenue raising or other limitation contained within Article X, Section 20 of the Colorado Constitution. The voters also authorized the District to continue to levy 21.110 mills each year for operations regardless of any revenue limitation in Section 29-1-301, C.R.S., or other State Law.

**Mount Vernon Country Club Metropolitan District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2018**

The District’s management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate fiscal year spending limits and qualification as an Enterprise will require judicial interpretation.

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

**Note 12 – Restatement**

The District has restated the prior year’s net position for its Business-Type Activities Fund from \$2,921,763 to \$2,899,125 due to an overstatement of fees collected. The correction of this error resulted in a restatement of net position and fund balances as follows:

	<b>Recreational Clubhouse Facility</b>	<b>Water Fund</b>	<b>Total Proprietary Funds</b>
Net position/fund balances as originally reported December 31, 2017	\$ 2,428,394	\$ 493,369	\$ 2,921,763
Adjustment to correctly recognize fee revenue	<u>(12,489)</u>	<u>(10,149)</u>	<u>(22,638)</u>
Net position/fund balances as restated as of December 31, 2017	<u><u>\$ 2,415,905</u></u>	<u><u>\$ 483,220</u></u>	<u><u>\$ 2,899,125</u></u>

**Note 13 – Subsequent events**

On November 15, 2018 the District imposed a monthly fee for Fire Mitigation and Transportation to fund the respective reserve funds to proprietary members. Collection of the fees started on January 1, 2019.

**Note 13 – Noncompliance with Colorado Revised Statute**

Colorado Revised Statutes require that local governments submit audited financial statements for calendar year-end by July 31, or September 30 if granted an extension, of the following year. The District was not in compliance with the statutory requirement.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**Mount Vernon Country Club Metropolitan District**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL -  
GENERAL FUND**

**For the Year Ended December 31, 2018**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>Revenues</b>				
Corral	\$ -	\$ 27,052	\$ -	\$ (27,052)
Property taxes	147,613	158,244	148,062	(10,182)
Specific ownership taxes	55	55	13,425	13,370
Proprietary member fees	60,000	64,609	83,246	18,637
Proprietary member - trash	-	18,901	-	(18,901)
Sales tax	-	-	34,756	34,756
Miscellaneous	-	39,652	-	(39,652)
Interest	-	-	291	291
<b>Total revenues</b>	<u>207,668</u>	<u>308,513</u>	<u>279,780</u>	<u>(28,733)</u>
<b>Expenditures</b>				
General government	107,748	248,300	224,341	23,959
Capital outlay	-	75,813	75,813	-
<b>Total expenditures</b>	<u>107,748</u>	<u>324,113</u>	<u>300,154</u>	<u>23,959</u>
<b>Excess of revenues over expenditures</b>	99,920	(15,600)	(20,374)	(4,774)
<b>Other financing sources (uses)</b>				
Capital contribution	-	279,354	279,354	-
Transfer to other funds	-	(684,132)	(684,132)	-
Proceeds from sale of assets	-	401,323	477,136	75,813
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>(3,455)</u>	<u>72,358</u>	<u>75,813</u>
<b>Net change in fund balance</b>	99,920	(19,055)	51,984	71,039
<b>Fund balance - beginning of year</b>	747,363	108,260	108,260	-
<b>Fund balance - end of year</b>	<u>\$ 847,283</u>	<u>\$ 89,205</u>	<u>\$ 160,244</u>	<u>\$ 71,039</u>

**Mount Vernon Country Club Metropolitan District**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGET  
AND ACTUAL - CONSERVATION TRUST FUND**

**For the Year Ended December 31, 2018**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>Revenues</b>			
Lottery proceeds	\$ 1,100	\$ 845	\$ (255)
Interest	11	-	(11)
<b>Total revenues</b>	<u>1,111</u>	<u>845</u>	<u>(266)</u>
<b>Expenditures</b>			
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balance</b>	1,111	845	(266)
<b>Fund balance - beginning of year</b>	11,840	11,016	(824)
<b>Fund balance - end of year</b>	<u>\$ 12,951</u>	<u>\$ 11,861</u>	<u>\$ (1,090)</u>

**SUPPLEMENTARY INFORMATION**

**Mount Vernon Country Club Metropolitan District**

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

**For the Year Ended December 31, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>				
Membership social dues and fees	\$ 1,793,372	\$ 1,793,372	\$ 1,363,665	\$ (429,707)
Food and beverage sales	2,605,798	2,605,798	2,434,016	(171,782)
Swimming pool and exercise	-	18,283	19,222	939
Tennis courts	56,573	56,573	60,514	3,941
Insurance proceeds and other income	44,214	44,214	44,116	(98)
Interest	361	361	8,736	8,375
<b>Total revenues</b>	<u>4,500,318</u>	<u>4,518,601</u>	<u>3,930,269</u>	<u>(588,332)</u>
<b>Expenditures</b>				
Food and beverage	2,367,177	2,300,000	2,181,695	118,305
Swimming pool and exercise	153,942	195,000	191,677	3,323
Tennis courts	143,191	155,000	142,644	12,356
Clubhouse	321,455	575,000	570,927	4,073
Marketing	284,958	280,000	213,565	66,435
Administrative	815,489	543,000	461,010	81,990
General services	102,981	150,000	149,639	361
Debt service				
Principal, including line of credit repayments	163,341	475,000	475,965	(965)
Interest	87,602	87,602	55,001	32,601
Capital outlay	150,000	150,000	121,656	28,344
<b>Total expenditures</b>	<u>4,426,795</u>	<u>4,910,602</u>	<u>4,563,779</u>	<u>346,823</u>
<b>Excess of revenues over (under) expenditures</b>	<u>73,523</u>	<u>(392,001)</u>	<u>(633,510)</u>	<u>(241,509)</u>
<b>Other financing sources</b>				
Transfer from other funds	34,710	684,132	684,132	-
<b>Total other financing sources</b>	<u>34,710</u>	<u>684,132</u>	<u>684,132</u>	<u>-</u>
<b>Net change in fund balance</b>	108,233	292,131	50,622	(241,509)
<b>Fund balance - beginning of year</b>	<u>1,344,547</u>	<u>1,725,490</u>	<u>1,725,490</u>	<u>-</u>
<b>Fund balance - end of year</b>	<u>\$ 1,452,780</u>	<u>\$ 2,017,621</u>	<u>\$ 1,776,112</u>	<u>\$ (241,509)</u>

**Mount Vernon Country Club Metropolitan District**

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

**RECREATIONAL CLUBHOUSE FACILITY**

**For the Year Ended December 31, 2018**

<b>Revenues (budgetary basis)</b>	<b>\$ 4,614,401</b>
Total revenues per Statement of Revenues, Expenses and Changes in Net Position	<u>4,614,401</u>
<b>Expenditures (budgetary basis)</b>	<b>4,563,779</b>
Depreciation	373,780
Debt principal and line of credit payments	(475,965)
Capital outlay	<u>(121,656)</u>
Total expenses per Statement of Revenues, Expenses and Changes in Net Position	<u>4,339,938</u>
<b>Changes in net position per Statement of Revenues, Expenses and Changes in Net Position</b>	<b><u><u>\$ 274,463</u></u></b>

**Mount Vernon Country Club Metropolitan District**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL -  
PROPRIETARY FUND - WATER FUND**

**For the Year Ended December 31, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>Revenues</b>				
Service charges	\$ 198,892	\$ 284,896	\$ 320,159	\$ 35,263
<b>Total revenues</b>	<u>198,892</u>	<u>284,896</u>	<u>320,159</u>	<u>35,263</u>
<b>Expenditures</b>				
Water costs	106,092	280,500	237,564	42,936
Debt service				-
Principal	25,000	25,000	25,000	-
Interest	6,893	11,656	11,656	-
Capital outlay	44,000	44,000	30,845	13,155
<b>Total expenditures</b>	<u>181,985</u>	<u>361,156</u>	<u>305,065</u>	<u>56,091</u>
<b>Excess of revenues over (under) expenditures</b>	16,907	(76,260)	15,094	91,354
<b>Other financing sources</b>				
Tap fee revenue	-	165,000	165,000	-
<b>Total other financing sources</b>	<u>-</u>	<u>165,000</u>	<u>165,000</u>	<u>-</u>
<b>Net change in fund balance</b>	16,907	88,740	180,094	91,354
<b>Fund balance - beginning of year</b>	121,618	143,012	143,012	-
<b>Fund balance - end of year</b>	<u>\$ 138,525</u>	<u>\$ 231,752</u>	<u>\$ 323,106</u>	<u>\$ 91,354</u>

Mount Vernon Country Club Metropolitan District

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

WATER FUND

For the Year Ended December 31, 2018

<b>Revenues (budgetary basis)</b>	<u>\$ 485,159</u>
Total revenues per Statement of Revenues, Expenses and Changes in Net Position	<u>485,159</u>
<b>Expenditures (budgetary basis)</b>	305,065
Depreciation	44,139
Debt principal	(25,000)
Capital outlay	<u>(30,845)</u>
Total expenses per Statement of Revenues, Expenses and Changes in Net Position	<u>293,359</u>
<b>Changes in net position per Statement of Revenues, Expenses and Changes in Net Position</b>	<u><u>\$ 191,800</u></u>