
**GRAND LAKE METROPOLITAN
RECREATION DISTRICT**
FINANCIAL STATEMENTS
DECEMBER 31, 2019



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CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

Independent Auditors' Report

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

Report On The Financial Statements

We have audited the accompanying financial statements of the Grand Lake Metropolitan Recreation District (the District), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility For The Financial Statements

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

Auditors' Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through vi and the budgetary comparison information on page 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

RubinBrown LLP

June 30, 2020

GRAND LAKE METROPOLITAN RECREATION DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the District's annual financial report presents their analysis of the District's financial performance during the Fiscal Year ended December 31, 2019. Please read it in conjunction with the audited financial statements prepared by Rubin Brown

FINANCIAL HIGHLIGHTS

- The District's total assets increased by \$7,475 or about 0.17%.
- The District's total liabilities decreased \$383,833 or about -13.54%.
- The District's net equity (total assets minus total liabilities) increased \$62,666 or about 26.51%
- During the year the District's operating revenues decreased \$61,765 or about -6.95%.
- A \$3,995,000 General Obligation Bond issue was passed at the May 2006 election and was refinanced in August 2012 in the aggregate principal amount of \$3,540,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts:

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

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

REQUIRED FINANCIAL STATEMENTS

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

Statement of Net Position (Balance Sheet)

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

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

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

Statement of Cash Flows

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

FINANCIAL ANALYSIS OF THE DISTRICT

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

NET ASSETS

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

| Condensed Balance Sheet | | | | |
|--|--------------------|--------------------|--------------------|-----------------|
| | <u>2018</u> | <u>2019</u> | <u>\$ Change</u> | <u>% Change</u> |
| Current Assets | \$1,410,553 | \$1,433,652 | \$24,064 | 1.71% |
| Property & Equipment | 2,643,580 | 2,389,692 | (253,888) | -9.60% |
| Other Assets | 445,952 | 662,993 | 217,041 | 48.67% |
| Total Assets | \$4,500,085 | \$4,486,337 | \$13,748 | 3.06% |
| Current Liabilities | \$408,117 | \$376,170 | (\$25,988) | -6.37% |
| Long Term Liabilities | 2,426,550 | 2,074,664 | (357,845) | -14.75% |
| Other Liabilities | 687,914 | 755,079 | (67,165) | 9.76% |
| Total Liabilities | \$3,522,581 | \$3,205,913 | (\$316,668) | -8.98% |
| Invested in Capital Assets, Net of Related Debt | (\$34,869) | \$96,145 | \$118,614 | -340.17% |
| Restricted Assets | | | | |
| Debt service | 175,601 | 396,903 | (88,570) | -50.44% |
| TABOR Amendment | 42,426 | 41,014 | (1,412) | -3.33% |
| Conservation Trust Fund | 81,116 | 97,113 | 15,997 | 19.72% |
| Unrestricted Net Assets | 713,230 | 649,249 | 258,291 | 36.21% |
| Total Net Assets | \$977,504 | \$1,280,424 | \$302,920 | 30.99% |

As can be seen from the chart above, total assets increased \$13,748 in 2019. Some of current assets were invested in the Colorado Surplus Asset Fund Trust (CSAFE) which is an investment vehicle established by state statute for local government entities in Colorado to pool surplus funds for investment purposes. Long Term Liabilities decreased by \$316,668 due to the yearly payments on the 2003 Revenue Refunding and Improvement Bond and the 2012 General Obligation Bond.

| Condensed Statements of Income and Changes in Net Assets | | | | |
|---|--------------------|--------------------|-------------------------|------------------------|
| | <u>2018</u> | <u>2019</u> | <u>\$ Change</u> | <u>% Change</u> |
| Operating Revenue | \$888,237 | \$826,472 | (\$61,765) | -6.95% |
| Non-Operating Revenue | 626,642 | 843,574 | 216,932 | 34.62% |
| Total Revenue | \$1,514,879 | \$1,670,046 | \$155,167 | 10.24% |
| Depreciation Expense | \$292,175 | \$266,288 | (\$25,887) | -8.86% |
| Operating Expenses | 1,160,038 | 975,949 | (184,089) | -15.87% |
| Non-Operating Expenses | 130,208 | 124,889 | (5,318) | -4.08% |
| Total Expenses | \$1,582,420 | \$1,367,126 | (\$215,294) | -13.61% |
| Change in Net Assets | 62,666 | 302,920 | \$240,254 | 383.39% |
| Beginning Net Assets | 914,838 | 977,504 | \$62,666 | 6.85% |
| Ending Net Assets | 977,504 | 1,280,424 | \$302,920 | 30.99% |

While the Statement of Net Assets shows the change in financial position of net assets, the Statement of Revenues, Expenses and Changes in Net Position provides answers as to the nature and source of these changes. As can be seen in the table above, 2019 total revenues of \$1,670,046 less 2019 total expenses of \$1,367,126 results in a positive change in net assets of \$302,920 which is an increase from 2018 of \$240,254.

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

| Cost Recovery through Fees and Charges | | | | |
|---|--------------------|--------------------|-------------------------|------------------------|
| | <u>2018</u> | <u>2019</u> | <u>\$ Change</u> | <u>% Change</u> |
| Operating Revenue | \$888,237 | \$826,472 | (\$61,765) | -6.95% |
| Operating Expenses | 1,160,038 | 975,949 | 184,089 | 7.09% |
| % Cost Recovery Through | | | | |
| Operating Fees and Charges | 76.60% | 84.68% | | |

BUDGETARY HIGHLIGHTS

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

At the end of 2018, the District had invested \$2,643,579 in capital assets which represents a broad range of infrastructure on the Golf Course and Touring Center as well as other assets in the Maintenance Department, Lounge / Restaurant, Touring Center, and General Recreation, as shown in the table below.

| Capital Asset Sheet | | | |
|--|--------------------|--------------------|-------------------------|
| | <u>2018</u> | <u>2019</u> | <u>\$ Change</u> |
| Capital Assets, not being depreciated | | | |
| Land | \$1,357,666 | \$1,357,666 | \$0 |
| Water Rights | 41,800 | 41,800 | 0 |
| Total Assets, not being depreciated | 1,399,466 | 1,399,466 | 0 |
| Capital Assets, being depreciated | | | |
| Building | \$1,614,275 | \$1,614,275 | \$0 |
| Improvements | 1,783,297 | 1,783,297 | 0 |
| Equipment | 1,804,517 | 1,801,301 | (3,216) |
| Total Assets, being depreciated | 5,202,089 | 5,198,873 | (3,216) |
| Less Accumulated Depreciation | (3,957,975) | (4,208,647) | (250,672) |
| Total Depreciable Capital Assets, Net | 1,244,114 | 990,226 | (253,888) |
| Total Capital Assets | \$2,643,580 | \$2,389,692 | (\$253,888) |

As can be seen in the chart above, the Total Capital Assets have decreased by \$253,888.

LONG TERM DEBT

At year-end, the District had \$2,425,832 in long term debt and capital leases, down from \$2,793,119 in 2018 for a decrease of \$367,287 or about -13.15%. As can be seen in the chart below, there were decreases in obligations for the Revenue Bond, General Obligation Bond.

| Condensed Statements of Long-Term Debt | | | | |
|--|--------------------|--------------------|--------------------|-----------------|
| | <u>2018</u> | <u>2019</u> | \$ Change | % Change |
| Golf Course Revenue Bonds | 160,000 | 130,000 | (\$30,000) | -18.75% |
| Golf Course General Obligation Bonds | 2,518,449 | 2,248,577 | (\$269,872) | -10.72% |
| Capital Leases | 114,670 | 47,255 | (\$67,415) | -58.79% |
| Total Long Term Debt & Capital Leases | 2,793,119 | 2,425,832 | (\$367,287) | -13.15% |

ECONOMIC FACTORS

Since the Grand Lake Metropolitan Recreation District's business is outdoor recreation, the weather plays a huge part of the fee based or operating revenues. Factors that impacted 2019 revenues are: favorable weather, and a change in the management team. Other economic factors that affect revenues are inflation, price of gas and overall health of the economy. The District continues their competitive pricing, marketing, and cost savings in hopes to offset any negative impact of the economy.

GRAND LAKE METROPOLITAN RECREATION DISTRICT

STATEMENT OF NET POSITION

December 31, 2019

Page 1 Of 2

Assets And Deferred Outflows Of Resources

Current Assets

| | |
|-----------------------------|------------------|
| Cash and cash equivalents | \$ 80,213 |
| Investments | 556,636 |
| Property tax receivable | 755,079 |
| Inventory | 36,246 |
| Prepaid insurance and other | 5,478 |
| Total Current Assets | <u>1,433,652</u> |

Property And Equipment

| | |
|--|------------------|
| Nondepreciable | 1,399,466 |
| Depreciable, net of accumulated depreciation | 990,226 |
| Net Property And Equipment | <u>2,389,692</u> |

Other Assets

| | |
|--------------------------------------|----------------|
| Restricted cash and cash equivalents | 157,835 |
| Restricted investments | 336,181 |
| Deposits | 965 |
| Total Other Assets | <u>494,981</u> |

Total Assets

4,318,325

Deferred Outflows Of Resources

| | |
|---|----------------|
| Deferred loss on 2012 Refunding General Obligation Bonds, net | <u>168,012</u> |
|---|----------------|

Total Assets And Deferred Outflows Of Resources

\$ 4,486,337

GRAND LAKE METROPOLITAN RECREATION DISTRICT

STATEMENT OF NET POSITION

December 31, 2019

Page 2 Of 2

Liabilities, Deferred Inflows Of Resources And Net Position

Current Liabilities

| | |
|---|----------------|
| Accounts payable | \$ 1,947 |
| Accrued liabilities | 23,055 |
| Bonds payable - current portion | 309,872 |
| Capital lease payable - current portion | 41,296 |
| Total Current Liabilities | <u>376,170</u> |

Long-Term Liabilities

| | |
|------------------------------------|------------------|
| Bonds payable | 2,068,705 |
| Capital lease payable | 5,959 |
| Total Long-Term Liabilities | <u>2,074,664</u> |

Total Liabilities

2,450,834

Deferred Inflows Of Resources

| | |
|-------------------------------|----------------|
| Deferred property tax revenue | <u>755,079</u> |
|-------------------------------|----------------|

Net Position

| | |
|----------------------------------|---------------------|
| Net investment in capital assets | 96,145 |
| Restricted for: | |
| Debt service | 396,903 |
| TABOR | 41,014 |
| Conservation trust funds | 97,113 |
| Unrestricted | <u>649,249</u> |
| Total Net Position | <u>\$ 1,280,424</u> |

GRAND LAKE METROPOLITAN RECREATION DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For The Year Ended December 31, 2019

| | |
|---|---------------------|
| Operating Revenues | |
| Golf course and other recreation | \$ 705,973 |
| Lounge and restaurant | 120,499 |
| Total Operating Revenues | <u>826,472</u> |
| Operating Expenses | |
| Cost of services | 271,162 |
| General and administrative | 704,787 |
| Depreciation | 266,288 |
| Total Operating Expenses | <u>1,242,237</u> |
| Operating Loss | <u>(415,765)</u> |
| Nonoperating Revenues (Expenses) | |
| Property taxes | 698,171 |
| Specific ownership taxes | 54,358 |
| Conservation Trust funds | 14,561 |
| Grant revenue | 43,200 |
| Interest income | 20,777 |
| Other income | 12,507 |
| Interest expense | (90,389) |
| Treasurer's fees | (34,500) |
| Total Nonoperating Revenues | <u>718,685</u> |
| Changes In Net Position | 302,920 |
| Net Position, Beginning Of Year | <u>977,504</u> |
| Net Position, End Of Year | <u>\$ 1,280,424</u> |

GRAND LAKE METROPOLITAN RECREATION DISTRICT

STATEMENT OF CASH FLOWS For The Year Ended December 31, 2019 Page 1 Of 2

| | |
|--|------------------|
| Cash Flows From Operating Activities | |
| Cash received from customers | \$ 846,668 |
| Cash paid to suppliers | (529,027) |
| Cash paid to employees | (442,335) |
| Net Cash Used In Operating Activities | <u>(124,694)</u> |
| | |
| Cash Flows From Noncapital Financing Activities | |
| Cash received from taxes | 730,536 |
| Conservation Trust funds received | 14,561 |
| Net Cash Provided By Noncapital Financing Activities | <u>745,097</u> |
| | |
| Cash Flows From Capital And Related Financing Activities | |
| Cash paid to acquire capital assets | (12,400) |
| Proceeds from federal grants | 43,200 |
| Principal paid on debt | (362,415) |
| Interest paid on bonds | (90,555) |
| Net Cash Used In Capital And Related Financing Activities | <u>(422,170)</u> |
| | |
| Cash Flows From Investing Activities | |
| Purchase of investments | (386,063) |
| Interest income | 20,777 |
| Net Cash Used In Investing Activities | <u>(365,286)</u> |
| | |
| Net Decrease In Cash And Cash Equivalents | (167,053) |
| | |
| Cash And Cash Equivalents, Beginning Of Year | <u>247,266</u> |
| | |
| Cash And Cash Equivalents, End Of Year | <u>\$ 80,213</u> |

GRAND LAKE METROPOLITAN RECREATION DISTRICT

STATEMENT OF CASH FLOWS For The Year Ended December 31, 2019 Page 2 Of 2

Reconciliation Of Operating Loss To Net Cash Used In Operating Activities

| | |
|----------------|---------------------|
| Operating loss | <u>\$ (415,765)</u> |
|----------------|---------------------|

Adjustments To Reconcile Operating Loss To Net Cash

| | |
|------------------------------------|----------|
| Depreciation | 266,288 |
| Changes in assets and liabilities: | |
| Property tax receivable | 20,196 |
| Inventory | (6,251) |
| Prepaid insurance | 27,384 |
| Accrued expenses | 942 |
| Accounts payable | (17,488) |

| | |
|------------------------|----------------|
| Net Adjustments | <u>291,071</u> |
|------------------------|----------------|

| | |
|--|---------------------|
| Net Cash Used In Operating Activities | <u>\$ (124,694)</u> |
|--|---------------------|

GRAND LAKE METROPOLITAN RECREATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

1. Summary Of Significant Accounting Policies

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

Reporting Entity

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

During 1996, the District created the Grand Lake Recreational Foundation (the Foundation). This not-for-profit entity, which is excluded from federal income tax under Internal Revenue Code Section 501(c)(3), was created for the benefit of the District. Its purposes include the furtherance of the recreational opportunities of the District and the establishment of means of fund-raising to support the efforts of the Foundation. For purposes of financial reporting, the Foundation is deemed to be a blended component unit of the District. Therefore, all financial activities are required to be included within the District's financial statements. The Foundation did not receive donations in 2019. The District is not a component unit of any other primary governmental entity.

Accounting Method

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

GRAND LAKE METROPOLITAN RECREATION DISTRICT

Notes To Financial Statements (*Continued*)

Enterprise Funds

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

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

Fund Equity

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

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

Capital Assets

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

Inventory Valuation

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

GRAND LAKE METROPOLITAN RECREATION DISTRICT

Notes To Financial Statements (*Continued*)

Budget Process

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

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

Property Tax

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

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

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

Cash, Cash Equivalents And Investments

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

GRAND LAKE METROPOLITAN RECREATION DISTRICT

Notes To Financial Statements (*Continued*)

Estimates

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

Deferred Outflows Of Resources

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

Deferred Inflows Of Resources

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

2. Cash And Investments

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance coverage must be collateralized. The eligible collateral is specified by PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of eligible collateral must be at least equal to 102% of the uninsured deposits. The State Regulatory Commissions for banks and savings and loan associations are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

GRAND LAKE METROPOLITAN RECREATION DISTRICT

Notes To Financial Statements (Continued)

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. At December 31, 2019, the District's cash deposits had a book balance of \$238,048 and a corresponding bank balance of \$364,117. The difference between the book and bank balances is due to outstanding checks and deposits not yet processed by the banks. The amount of \$250,000 was covered by federal depository insurance.

As of December 31, 2019, the District's deposits were not exposed to credit risk, as all deposits were either insured by the Federal Deposit Insurance Corporation or collateralized in accordance with PDPA.

Restricted Cash And Investments

In accordance with Colorado Revised Statutes, the District maintains a separate money market account for the Conservation Trust funds. At December 31, 2019, the balance of this fund was \$157,835.

The District restricted investments of \$336,181 to meet the bond reserve requirements for servicing of the bonds at December 31, 2019. The District did not have any restricted cash to meet bond reserve requirements at December 31, 2019.

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

| | |
|--|--------------------------|
| Cash and cash equivalents - unrestricted | \$ 80,213 |
| Cash and cash equivalents - restricted | <u>157,835</u> |
| Total Cash And Cash Equivalents | <u>\$ 238,048</u> |

Investments

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

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

GRAND LAKE METROPOLITAN RECREATION DISTRICT

Notes To Financial Statements (Continued)

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

The District had invested \$953,539 at December 31, 2019, in the Colorado Surplus Asset Fund Trust (CSAFE), an investment vehicle established by state statute for local government entities in Colorado to pool surplus funds for investment purposes and rated AAAM by Standard & Poor's. The State Securities Commissioner administers and enforces all state statutes governing CSAFE. The District's funds held with CSAFE at December 31, 2019 consists of \$892,817 of investments and a cash balance of \$60,722.

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

3. Property And Equipment

A summary of changes in property and equipment during 2019 follows:

| | Balance December 31, 2018 | Additions | Deletions | Balance December 31, 2019 |
|--|---------------------------------|--------------|-----------|---------------------------------|
| Nondepreciable | | | | |
| Land | \$ 1,357,666 | \$ — | \$ — | \$ 1,357,666 |
| Water rights | 41,800 | — | — | 41,800 |
| Subtotal | 1,399,466 | — | — | 1,399,466 |
| Depreciable | | | | |
| Building | 1,614,275 | — | — | 1,614,275 |
| Improvements | 1,783,297 | — | — | 1,783,297 |
| Equipment | 1,804,517 | 12,400 | (15,616) | 1,801,301 |
| Subtotal | 5,202,089 | 12,400 | (15,616) | 5,198,873 |
| Accumulated Depreciation | (3,957,975) | (266,288) | 15,616 | (4,208,647) |
| Total Depreciable Capital Assets, Net | 1,244,114 | (253,888) | — | 990,226 |
| Total Capital Assets | \$ 2,643,580 | \$ (253,888) | \$ — | \$ 2,389,692 |

GRAND LAKE METROPOLITAN RECREATION DISTRICT

Notes To Financial Statements (Continued)

4. Long-Term Debt

Changes in long-term debt during 2019 were as follows:

| | Balance December 31, 2018 | Additions | Reductions | Balance December 31, 2019 | Current |
|-----------------------|---------------------------------|-------------|---------------------|---------------------------------|-------------------|
| Bonds | | | | | |
| 2003 Refunding | \$ 160,000 | \$ — | \$ (30,000) | \$ 130,000 | \$ 30,000 |
| 2012 Refunding | 2,475,000 | — | (265,000) | 2,210,000 | 275,000 |
| 2012 Premium | 43,449 | — | (4,872) | 38,577 | 4,872 |
| Capital Leases | | | | | |
| Capital lease | 114,670 | — | (67,415) | 47,255 | 47,255 |
| Total | \$ 2,793,119 | \$ — | \$ (367,287) | \$ 2,425,832 | \$ 357,127 |

Bonds

2003 Revenue Refunding Bonds

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

2012 General Obligation Refunding Bonds

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

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

GRAND LAKE METROPOLITAN RECREATION DISTRICT

Notes To Financial Statements (*Continued*)

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

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

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

A schedule of principal payments on bonds to maturity follows:

| Year | 2003 Revenue Refunding Bond | | 2012 Refunding Obligation Bond | | Total | |
|--------------|--------------------------------|------------------|-----------------------------------|-------------------|---------------------|-------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2020 | \$ 30,000 | \$ 6,825 | \$ 275,000 | \$ 58,044 | \$ 305,000 | \$ 64,869 |
| 2021 | 30,000 | 5,250 | 270,000 | 51,169 | 300,000 | 56,419 |
| 2022 | 35,000 | 3,675 | 275,000 | 44,419 | 310,000 | 48,094 |
| 2023 | 35,000 | 1,838 | 275,000 | 37,544 | 310,000 | 39,382 |
| 2024 | — | — | 275,000 | 30,669 | 275,000 | 30,669 |
| 2025 - 2028 | — | — | 840,000 | 47,250 | 840,000 | 47,250 |
| Total | \$ 130,000 | \$ 17,588 | \$ 2,210,000 | \$ 269,095 | \$ 2,340,000 | \$ 286,683 |

Debt Authorization

The District has approved the issuance of \$3,995,000 of general obligation indebtedness and \$575,000 of revenue bonds. The authorized but unissued debt at December 31, 2019 was \$5,000.

GRAND LAKE METROPOLITAN RECREATION DISTRICT

Notes To Financial Statements (*Continued*)

5. Tax, Spending And Debt Limitations

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

TABOR also requires the District to establish an "emergency reserve" which must be equal to 3% of current-year's expenditures. Conditions under which these reserves may be spent are severely limited. The District has emergency reserves of \$41,014 at December 31, 2019.

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

6. Risk Management

The District is exposed to various risks of loss related to torts; thefts of, damage to or destruction of assets; errors or omissions; injuries to employees or acts of God.

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

The District pays annual premiums to the Pool for property, general liability and public official liability coverage. Members of the Pool may be required to make additional surplus contributions in the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to the distribution formula. During the year ended December 31, 2019, the Pool made no distributions to the District.

GRAND LAKE METROPOLITAN RECREATION DISTRICT

Notes To Financial Statements (Continued)

7. Deferred Compensation Plan

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

The Plan is funded through contributions of up to a maximum limit set by the Internal Revenue Service. The District contributes 6.2% of gross wages to the Plan on behalf of all full-time employees. For the year ended December 31, 2019, the District contributed \$12,519 to the Plan. The District has no liability for losses under the Plan, as it is not the Trustee. Consequently, the Plan is not reported in the District's financial statements.

8. Capital Leases

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

The following schedule presents the future minimum lease payments at December 31, 2019:

| <u>Year Ending December 31,</u> | <u>Amount</u> |
|--|------------------|
| 2020 | \$ 41,296 |
| 2021 | 6,632 |
| Total Lease Payments | 47,928 |
| Less: Interest | 673 |
| Present Value Of Minimum Lease Payments | \$ 47,255 |

The following schedule presents the gross amount of assets recorded under the capital lease and the accumulated amortization related to the assets at December 31, 2019:

| | |
|--------------------------|--------------------------|
| Leased equipment | \$ 432,544 |
| Accumulated depreciation | <u>242,483</u> |
| Total | \$ <u>190,061</u> |

GRAND LAKE METROPOLITAN RECREATION DISTRICT

Notes To Financial Statements *(Continued)*

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

9. Economic Dependency

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

10. Subsequent Events

Management evaluates subsequent events through the date financial statements are available for issue, which is the date of the Independent Auditors' Report.

Required Supplementary Information

GRAND LAKE METROPOLITAN RECREATION DISTRICT

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL For The Year Ended December 31, 2019

| | Original And Final Budget | Actual | Variance Favorable (Unfavorable) |
|--|---------------------------------|-------------------|--|
| Revenues | | | |
| General recreation | \$ 52,666 | \$ 71,580 | \$ 18,914 |
| Pro shop | 715,289 | 615,688 | (99,601) |
| Property management | 77,721 | 71,736 | (5,985) |
| General administrative | 488,868 | 626,808 | 137,940 |
| Lounge and restaurant | 137,544 | 158,499 | 20,955 |
| Touring center | 201,712 | 125,735 | (75,977) |
| Total Revenues | 1,673,800 | 1,670,046 | (3,754) |
| Expenditures | | | |
| General recreation | 52,666 | 44,595 | 8,071 |
| Lounge and restaurant | 165,131 | 153,157 | 11,974 |
| Administration | 488,868 | 594,950 | (106,082) |
| Pro shop | 289,861 | 160,323 | 129,538 |
| Maintenance | 397,841 | 305,086 | 92,755 |
| Property management | 77,721 | 60,294 | 17,427 |
| Touring center | 201,712 | 139,976 | 61,736 |
| Total Expenditures | 1,673,800 | 1,458,381 | 215,419 |
| Change In Net Position (Non-GAAP Basis) | \$ — | 211,665 | \$ 211,665 |
| Adjustments To GAAP | | | |
| Debt service - principal | | 362,415 | |
| Depreciation and amortization | | (271,160) | |
| Total Adjustments | | 91,255 | |
| Change In Net Position (GAAP Basis) | | \$ 302,920 | |