



AGENDA

BOARD OF DIRECTORS WORK SESSION
Wednesday, May 26, 2021 10am
ELECTRONIC MEETING VIA ZOOM

Directors: Mike Zelenak (President), Nina Campfield (Vice President), Ted Boyett (Secretary), Donna Coon (Treasurer), Mark McIntosh (Assistant Secretary), Randy Howard (Assistant Treasurer), Kathi Bachelor, Carol Crothers, Christine Gallegos, Bart Hillyer, Bev Lawless, Don Weaver, Scott Somers (CEO non-voting)

AGENDA TOPICS

Surplus Formula Calculation



Green Valley Recreation, Inc.

Board of Directors Work Session

Prepared By: Cheryl Moose, CFO

Meeting Date: May 26, 2021

Presented By: David Webster,
Director of Accounting

Consent Agenda: No

Originating Committee / Department: Finance

Action Requested: Discuss and recommend Board approval of an accounting calculation to determine the financial surplus/loss from GVR Operations at year end.

Strategic Plan Goal: NA

Background Justification: In past years there have been differences of opinion on how to determine if a surplus or loss from operations exists at year end. Establishing this Board-approved calculation will ensure that the surplus/loss from Operations will be developed on an accurate and consistent basis.

The recommended calculation was approved by the Fiscal Affairs Committee to be brought forward for Board consideration.

Independent CPA, Susan Vos, is presenting her recommendation on the calculation, which is based on Generally Accepted Accounting Principles (GAAP) statements.

Fiscal Impact: Dependant upon Board direction.

Board Options:

- 1) Recommend that Susan Vos' recommendations for calculating the year end surplus/loss, as presented in the accompanying documents, be put on the agenda of the next regular Board meeting for approval.
- 2) Recommend to put on the agenda at the next regular Board meeting, to approve a different calculation for determining the year end surplus/loss.
- 3) Recommend the Board propose a different direction to staff.

Staff Recommendation:

Option #1

Recommended Motion:

NA

Attachments:

1. Susan Vos Report
2. Surplus calculation from Susan Vos



Operating Surplus Calculation

At the end of each fiscal year, the Board of Directors shall determine the amount, if any, to contribute from operational surpluses. Operating Surplus or deficit is calculated as follows:

- a. *Begin with the Change in Net Assets from the Audited Financial Statements*
- b. *Deduct unrealized gains/losses on operating accounts,*
- c. *Deduct net investment income on reserve accounts/investments*
- d. *Add depreciation expense*
- e. *Deduct current year purchases of Capital Assets (cost basis, before accumulated depreciation)*
- f. *Add reserve cash amounts that were used to purchase Capital Assets*
- g. *Add expenses that were paid using reserve cash (i.e. repairs and maintenance expenses paid for using MMR funds)*
- h. *Deduct funding cash transfers to reserve funds during the year (i.e. required MMR funding)*
- i. *Add or deduct any other non-cash items (i.e. in-kind capital donations)*

The intent of the calculation is to determine if there is a surplus of operating revenue over operating expenses each year that can be transferred to a reserve fund. The calculation is to remove non-cash items such as depreciation and unrealized gains/losses. Additionally, adjustments are to be made to take into consideration operating cash used for Capital Asset purchases. Reserve fund cash used to pay for Capital Asset purchases and operating expenses should not be included in the operating cash surplus.

GVR Operating Surplus Calculation:

	12/31/2020	
a Change in Net Assets per audited FS	\$ 1,237,658.00	
b Less: Unrealized gains/add: unrealized losses on operating accounts	-	
c Less: Net investment income on reserve accounts/investments	(986,599.00)	
d Add: Depreciation Expense	1,668,559.00	Statement of Functional Expenses from audited FS
e Less: Current year Capital Asset purchases (including CIP)	(1,819,429.00)	Statement of Cash Flows from audited FS
f Add: Reserve funds used for capital asset purchases	1,547,839.00	see below calculation
g Add: Expenses paid with reserve cash	293,302.00	from MMR Operating Expenditures report
h Less: Funding of reserves during year	(1,497,215.00)	from GVR Cash Requirements Report
i Any other non cash item (i.e. in-kind capital donations)	(63,913.00)	included in revenue, but is non-cash
	<u> </u>	
Operating Cash Surplus	<u> \$ 380,202.00 </u>	

f: reserve funds used for capital asset purchases in 2020	Outlays of Cash for Capital Assets
MMR (from YTD Capital Expenditures)	494,583.00
Initiatives(purchases plus in-kind donation) from YTD Capital Expenditures	<u>2,266,117.00</u>
	2,760,700.00
Reimburse Operations for Construction in Process (previous year cash outlay)	(1,148,948.00)
Donated Cap Asset (non-cash, increased capital assets but no cash out)	(63,913.00)
2020 Reserve Cash outlay for capital assets	<u>1,547,839.00</u>

	<u>Net Investment Income</u>	
<i>Obtained from audited financial statements</i>	Reserves	Total
Unrealized gain/loss	766,032.00	766,032.00
Realized loss	34,101.00	(140,314.00)
Investment Fees	(65,265.00)	(81,888.00)
Interest & Dividends	251,731.00	295,527.00
	<u>986,599.00</u>	<u>839,357.00</u>