



**CORDILLERA VALLEY CLUB  
METROPOLITAN DISTRICT**

**FINANCIAL STATEMENTS AND REPORT OF  
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

December 31, 2016



**RECEIVED**

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**INDEPENDENT AUDITOR'S REPORT**

April 13, 2017

Board of Directors  
Cordillera Valley Club Metropolitan District

We have audited the accompanying financial statements of the governmental activities and the major fund of Cordillera Valley Club Metropolitan District, as of and for the year ended December 31, 2016, 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 of 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 and the major fund of Cordillera Valley Club Metropolitan District as of December 31, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Board of Directors  
April 13, 2017  
Page Two

**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 3 through 6 and the budgetary comparison schedule on page 23 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 Cordillera Valley Club Metropolitan District's basic financial statements. The property tax collections schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. The property tax collections schedule has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Chadwick, Steinkirchner, Davis & Co., P.C.*

# Cordillera Valley Club Metropolitan District

## Management's Discussion and Analysis December 31, 2016

As management of Cordillera Valley Club Metropolitan District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2016.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise 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.

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

The Statement of Net Position presents information on all the District's assets, deferred outflows, liabilities, and deferred inflows with the difference between the amounts 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 government'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 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. (i.e. Uncollected taxes and earned but unused vacation leave.)

The governmental activity of the District is primarily operating and maintaining the roads within the District. There are no business-type activities within the District. The government-wide financial statements can be found on pages 7 and 8 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District currently has the General Fund which is a governmental fund.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. The governmental fund financial statements can be found on pages 9 and 10 of this report.

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 financing decisions. Both the expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**Overview of the Financial Statements (continued)**

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 11 through 21 of this report.

**Supplementary Information.** Supplementary information is contained on pages 22 through 23 and provides additional insight into how the District's actual operations compared to the budgeted operations and also provide information on the District's assessed value and property taxes levied.

**Government-wide Financial Analysis.** The District's primary source of revenue is property taxes. The property taxes levied by the District in 2015 are payable by the property owners in 2016. During 2016, the District also obtained funding from a real estate transfer assessment collected through Cordillera Valley Club Property Owners Association (Association) which was used to cover a portion of the cost of providing public safety services and certain capital expenditures. The Association also made a capital contribution which was used to pay a portion of the cost of the berm construction.

The following charts show the District's condensed Statement of Net Position and Condensed Statement of Activities for 2016 with comparative information for 2015:

**Cordillera Valley Club Metropolitan District's Net Position**

|                                | <u>2016</u>        | <u>2015</u>        |
|--------------------------------|--------------------|--------------------|
| <b>Assets:</b>                 |                    |                    |
| Current and other assets       | \$1,283,218        | \$1,074,423        |
| Capital assets                 | 3,708,774          | 3,645,759          |
| <b>Total assets</b>            | <u>4,991,992</u>   | <u>4,720,182</u>   |
| <b>Liabilities:</b>            |                    |                    |
| Current liabilities            | 144,258            | 86,064             |
| Long-term liabilities          | 0                  | 0                  |
| <b>Total liabilities</b>       | <u>144,258</u>     | <u>86,064</u>      |
| <b>Deferred Inflows:</b>       |                    |                    |
| Property Taxes                 | 476,638            | 475,382            |
| <b>Net position:</b>           |                    |                    |
| Net invested in capital assets | 3,708,774          | 3,645,759          |
| Restricted for emergencies     | 26,206             | 20,153             |
| Unassigned                     | 636,116            | 492,824            |
| <b>Total Net Position</b>      | <u>\$4,371,096</u> | <u>\$4,158,736</u> |

## Overview of the Financial Statements (continued)

### Cordillera Valley Club Metropolitan District's Statement of Activities

|                                    | <u>2016</u>        | <u>2015</u>        |
|------------------------------------|--------------------|--------------------|
| <b>Revenues:</b>                   |                    |                    |
| Program revenues:                  |                    |                    |
| Operating grants and contributions | \$219,315          | \$242,486          |
| Capital grants and contributions   | 152,000            | 0                  |
| General revenues:                  |                    |                    |
| Property taxes                     | 472,549            | 406,481            |
| Other taxes                        | 22,504             | 20,810             |
| Interest and other revenue         | 7,173              | 1,989              |
| <b>Total Revenues</b>              | <u>873,541</u>     | <u>671,766</u>     |
| <b>Expenses:</b>                   |                    |                    |
| General government                 | 64,066             | 49,076             |
| Public safety                      | 284,480            | 276,585            |
| Community operations               | 312,635            | 336,209            |
| Interest on long-term debt         | 0                  | 569                |
| <b>Total Expenses</b>              | <u>661,181</u>     | <u>662,439</u>     |
| <b>Change in Net Position</b>      | 212,360            | 9,327              |
| <b>Net Position - Beginning</b>    | <u>4,158,736</u>   | <u>4,149,409</u>   |
| <b>Net Position - Ending</b>       | <u>\$4,371,096</u> | <u>\$4,158,736</u> |

The District's overall financial position, as measured by net position, increased by \$212,360 during 2016. The increase is primarily attributable to the real estate transfer assessments that were received in 2016 and retained for future year capital expenditures.

#### Financial Analysis of the District's Funds

As mentioned earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the District's governmental fund is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

For the fiscal year, the District's fund balance increased \$149,345 which primarily is the result of contributions of real estate transfer assessments from the Association that were not expended in 2016. The fund balances at the end of the 2016 was \$662,322.

## **Financial Analysis of the District's Funds (continued)**

**Budget Variances.** The budget variance report is shown on page 22 of the report. The District had an election in 2016 to remove the \$450,000 cap so that property taxes are now only limited to the 25.000 mills, which resulted in a favorable \$22,549 revenue variance. The original budget was increased by \$501,000 to accommodate the construction of a berm.

**Capital Assets.** The District's net capital assets increased by \$63,015 during 2016 to \$3,708,774. This increase is due to the capitalization of the berm construction in progress. Additional information can be found in the Notes to the Financial Statement on page 19 of this report.

**Long-term Debt.** The District's long-term debt was paid off in 2015.

### **Request for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Marchetti & Weaver, LLC, 28 Second Street, Suite 213, Edwards, CO 81632 or you may call (970) 926-6060.

Cordillera Valley Club Metropolitan District

STATEMENT OF NET POSITION

December 31, 2016

|   |  | Governmental<br>Activities |
|---|--|----------------------------|
| <b>ASSETS</b>                                   |  |                            |
| <b>Current assets</b>                           |  |                            |
| Cash and investments                            | \$   | 795,249                    |
| Accounts receivable-Eagle County Treasurer      |  | 1,995                      |
| Property taxes receivable                       |  | 476,638                    |
| Accounts receivable                             |  | 2,139                      |
| Prepaid insurance                               |  | 7,197                      |
| <b>Noncurrent assets</b>                        |  |                            |
| Capital assets, net of accumulated depreciation |  | 3,708,774                  |
|   | <b>Total assets</b>  | <b>4,991,992</b>           |
| <br><b>LIABILITIES</b>                          |  |                            |
| <b>Current liabilities</b>                      |  |                            |
| Accounts payable                                |  | 144,258                    |
|   | <b>Total liabilities</b>                                   | <b>144,258</b>             |
| <br><b>DEFERRED INFLOWS OF RESOURCES</b>        |  |                            |
| Property taxes                                  |  | 476,638                    |
|   | <b>Total deferred inflows of resources</b>                 | <b>476,638</b>             |
|   | <b>Total liabilities and deferred inflows of resources</b> | <b>620,896</b>             |
| <br><b>NET POSITION</b>                         |  |                            |
| Net investment in capital assets                |  | 3,708,774                  |
| Restricted for emergencies                      |  | 26,206                     |
| Unrestricted                                    |  | 636,116                    |
|   | <b>Total net position</b>                                  | <b>\$ 4,371,096</b>        |

The accompanying notes are an integral part of this statement.

Cordillera Valley Club Metropolitan District

STATEMENT OF ACTIVITIES

Year ended December 31, 2016

| Function/Programs               | Expenses   | Program Revenues                         |  | Net (Expense)<br>Revenue and Changes<br>in Net Position |
|---------------------------------|------------|--|--|---|
|                                 |            | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities                              |
| <b>Governmental activities:</b> |            |  |  |   |
| General government              | \$ 64,066  | \$ -                                     | \$ -                                   | \$ (64,066)   |
| Public safety                   | 284,480    | 219,315                                  | 152,000                                | 86,835  |
| Community operations            | 312,635    | -  | -                                      | (312,635)   |
| Total governmental activities   | \$ 661,181 | \$ 219,315                               | \$ 152,000                             | (289,866)   |
| <b>General revenues:</b>        |            |  |  |   |
| Property tax                    |            |  |  | 472,549   |
| Specific ownership tax          |            |  |  | 22,504  |
| Miscellaneous income            |            |  |  | 211   |
| Investment income               |            |  |  | 6,962   |
| Total general revenues          |            |  |  | 502,226   |
| Change in net position          |            |  |  | 212,360   |
| Net position - beginning        |            |  |  | 4,158,736   |
| Net position - ending           |            |  |  | \$ 4,371,096  |

The accompanying notes are an integral part of this statement.

Cordillera Valley Club Metropolitan District

BALANCE SHEET - GOVERNMENTAL FUND

December 31, 2016

|  | General      |
|--|--------------|
| <b>ASSETS</b>  |              |
| Cash and cash equivalents  | \$ 795,249   |
| Due from County Treasurer  | 1,995        |
| Property taxes receivable  | 476,638      |
| Accounts Receivable  | 2,139        |
| Prepaid insurance  | 7,197        |
| Total Assets   | 1,283,218    |
| <b>LIABILITIES</b>   |              |
| Liabilities  |              |
| Accounts payable   | 144,258      |
| Total Liabilities  | 144,258      |
| <b>DEFERRED INFLOWS OF RESOURCES</b>   |              |
| Property taxes   | 476,638      |
| Total Deferred Inflows of Resources  | 476,638      |
| Total Liabilities and Deferred Inflows of Resources  | 620,896      |
| <b>FUND EQUITY</b>   |              |
| Nonspendable   | 7,197        |
| Restricted for emergencies   | 26,206       |
| Unassigned   | 628,919      |
| Total Fund Equity  | \$ 662,322   |
| Fund balance reported above  | \$ 662,322   |
| Amounts reported in the Statement of Net<br>Position are different because:  |              |
| Capital and other assets used in governmental activities are not<br>financial resources and, therefore, are not reported in the funds. | 3,708,774    |
| Net Position of Governmental Activities  | \$ 4,371,096 |

The accompanying notes are an integral part of this statement.

Cordillera Valley Club Metropolitan District

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - GOVERNMENTAL FUND

Year ended December 31, 2016

|   | General    |
|---|------------|
| <b>Revenues</b>   |            |
| Taxes   | \$ 495,053 |
| Interest  | 6,962      |
| Contributions from CVCPOA   | 371,315    |
| Other   | 211        |
| Total revenues  | 873,541    |
| <b>Expenditures</b>   |            |
| General government  | 64,066     |
| Public safety   | 265,463    |
| Community operations  | 79,793     |
| Capital outlay  | 314,874    |
| Total expenditures  | 724,196    |
| Net change in fund balance  | 149,345    |
| Fund balance - beginning  | 512,977    |
| Fund balance - ending   | \$ 662,322 |
| <br>  |            |
| Net Change in Fund Balance  | \$ 149,345 |
| <br>  |            |
| Amounts reported 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 as depreciation expense. This is the amount by which capital outlays exceeded depreciation during the year (\$310,084 - \$247,069). | 63,015     |
| Change in Net Position of Governmental Activities   | \$ 212,360 |

The accompanying notes are an integral part of this statement.

CORDILLERA VALLEY CLUB METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1. Organization**

Cordillera Valley Club Metropolitan District (the District) was established on January 1, 2003 as a quasi-municipal corporation and political subdivision of the State of Colorado. The District was formed primarily to finance, construct, operate, and maintain the basic public infrastructure as well as parks and recreation facilities and other improvements within the District's boundaries in Eagle County, Colorado.

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

**2. Reporting Entity**

The District is governed by an elected Board which is responsible for setting policy, appointing administrative personnel and adopting an annual budget in accordance with the provisions of the Colorado Special District Act.

The reporting entity consists of (a) the primary government; i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits, to, or to impose specific financial burdens on, the District. Consideration is also given to other organizations which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria discussed above, the District is not financially accountable for any other entity, nor is the District a component unit of any other government.

**3. Government-wide and Fund Financial Statements**

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type.

CORDILLERA VALLEY CLUB METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Government-wide Financial Statements**

In the government-wide Statement of Net Position, the governmental activities column is reported on a full accrual, economic resource basis, which recognizes all long-term assets, receivables and deferred outflows as well as deferred inflows, long-term debt and obligations. The District's net position is reported as net investment in capital assets, restricted for emergencies, and unrestricted.

The government-wide focus is on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

**Fund Financial Statements**

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures.

The fund focus is on current available resources and budget compliance.

**4. Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District currently has one fund, the General Fund, which is a governmental fund.

**Governmental Funds**

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference among governmental fund assets, deferred outflows, liabilities, and deferred inflows is reported as fund balance.

The District reports the following governmental funds:

**General Fund** – The General Fund is used to account for all financial resources of the District except those required to be accounted for in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Colorado and the bylaws of the District.

CORDILLERA VALLEY CLUB METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**5. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements.

**Long-Term Economic Focus and Accrual Basis**

Governmental activities in the government-wide financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

**Current Financial Focus and Modified Accrual Basis**

The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on long-term debt, if any, is recognized when due.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the District's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the District's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications—committed and then assigned fund balances before using unassigned fund balances.

**Financial Statement Presentation**

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

CORDILLERA VALLEY CLUB METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**6. Governmental Fund Balances**

In the governmental fund financial statements, fund balances are classified as follows:

- *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 set aside for planned or intended purposes. The intended use may be expressed by the Board of Directors or other individuals authorized to assign funds to be used for a specific purpose.
- *Unassigned fund balance* - The residual portion of fund balance that does not meet any of the above criteria. The District will only report a positive unassigned fund balance in the General Fund.

**7. Intergovernmental revenues**

For governmental funds, intergovernmental revenues, such as contributions awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available.

**8. Use of Estimates**

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

CORDILLERA VALLEY CLUB METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**9. Investments**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles and GASB Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

COLOTRUST (Colorado Local Government Liquid Asset Trust) is a Level 2 investment in the fair value hierarchy established by GASB Statement 72 and is valued using significant other inputs other than quoted market prices in active markets for similar securities.

**10. Capital Assets**

Capital assets, which include land, buildings, equipment, vehicles, and infrastructure assets, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at an estimated fair value at the date of donation. Construction in progress is not depreciated until the construction is completed.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated lives:

|                        |    |
|------------------------|----|
| Estimated lives:       |    |
| Infrastructure         | 40 |
| Landscape improvements | 15 |
| Equipment              | 7  |
| Vehicles               | 7  |

**11. Property taxes**

Property taxes are assessed in one year as a lien on the property, but not collected by the governmental entities until the subsequent year. In accordance with generally accepted accounting principles, the assessed but uncollected property taxes have been recorded as a receivable and as a deferred inflow.

Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2016 will be collected in 2017. Taxes are due on January 1st in the year of collection; however, they may be paid in either one installment (no later than April 30th) or two equal installments (not later than February 28th and June 15th) without interest or penalty. Taxes which are not paid within the prescribed time bear interest at the rate of one (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 15th.

CORDILLERA VALLEY CLUB METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**12. Stewardship, Compliance, and Accountability**

**Budgets and Budgetary Accounting**

In the fall of each year, the District's Board of Directors formally adopts a budget with appropriations by fund for the ensuing year pursuant to the Colorado Local Budget Law. The budgets for governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

As required by Colorado statutes, the District followed the following timetable in approving and enacting a budget for the ensuing years:

1. For the 2016 budget year, prior to August 25, 2015, the County Assessor sent to the District the certified assessed valuation of all taxable property within the District's boundaries. The County assessor may change the assessed valuation on or before December 10, only once by a single notification to the District.
2. On or before October 15, 2015, the District's accountant submitted to the District's Board of Directors a recommended budget which detailed the necessary property taxes needed along with other available revenues to meet the District's operating requirements.
3. A public hearing on the proposed budget and capital program was held by the Board no later than 45 days prior to the close of the fiscal year.
4. Prior to December 15, 2015, the District computed and certified to the County Commissioners a rate of levy that derived the necessary property taxes as computed in the proposed 2016 budget.
5. For the 2016 budget, the budget and appropriating resolution was adopted prior to December 31, 2015.

After adoption of the budget resolution, the District may make the following changes: a) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; b) supplemental appropriations to the extent of revenues in excess of those estimated in the budget; c) emergency appropriations; and d) reduction of appropriations for which originally estimated revenues are insufficient.

The level of control in the budget at which expenditures exceed appropriations is at the fund level. All appropriations lapse at year end. A supplemental appropriation was made during 2016 that increased expenditures from \$530,609 to \$1,031,610.

CORDILLERA VALLEY CLUB METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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**NOTE B – CASH AND INVESTMENTS**

**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 levels must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

The State Regulatory Commissions 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 collateral pools.

At December 31, 2016, the District's cash deposits had a carrying balance and a bank balance as follows:

|         | <u>2016</u>       |                   |
|---------|-------------------|-------------------|
|         | <u>Carrying</u>   | <u>Bank</u>       |
|         | <u>Balance</u>    | <u>Balance</u>    |
| Deposit | <u>\$ 108,511</u> | <u>\$ 108,511</u> |

**Investments**

Colorado state statutes authorize the District to invest in U.S. Treasury bills, obligations of any other U.S. agencies, obligations of the World Bank, general obligation bonds of any state or any of their subdivisions, revenue bonds of any state or any of their subdivisions, bankers acceptance notes, commercial paper, repurchase agreements, money market funds and guaranteed investment contracts. All investments must be held by the District, in its name, or in custody of a third party on behalf of the local government.

The District owned the following investments as of December 31, 2016:

|                           | <u>2016</u>       |                   |
|---------------------------|-------------------|-------------------|
|                           | <u>Carrying</u>   | <u>Fair</u>       |
|                           | <u>Amount</u>     | <u>Value</u>      |
| Colotrust: AAAM (Level 2) | <u>\$ 686,738</u> | <u>\$ 686,738</u> |

The District had invested \$686,738 in the Colorado Local Government Liquid Asset Trust (the Trust). The Trust is 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 the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00.

CORDILLERA VALLEY CLUB METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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**NOTE B – CASH AND INVESTMENTS – CONTINUED**

Investments consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank.

The Trust directly holds all repurchase agreements. The custodian's internal records identify the investments owned by the Trust. The District does not categorize its participation in the Trust because the investment is not evidenced by securities specifically identifiable to the District.

The District places no limit on the amount the District may invest in any one issuer. More than 5 percent of the District's investments are in local government investment pools.

Summary of Cash Deposits and Investments

Cash deposits and investments are reflected on the December 31, 2016 Balance Sheet is as follows:

|                                  |                   |
|----------------------------------|-------------------|
|                                  | <u>2016</u>       |
| Cash and investments             | \$ 795,249        |
| Total                            | <u>\$ 795,249</u> |
| Deposits                         | \$ 108,511        |
| Local government investment pool | <u>686,738</u>    |
| Total cash and investments       | <u>\$ 795,249</u> |

CORDILLERA VALLEY CLUB METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE C – CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year ended December 31, 2016:

|   | <u>Beginning<br/>Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending<br/>Balance</u> |
|---|------------------------------|------------------|------------------|---------------------------|
| Capital assets not being depreciated        |                              |                  |                  |                           |
| Construction in progress                    | \$ –                         | \$ 304,000       | \$ –             | \$ 304,000                |
| Capital assets being depreciated            |                              |                  |                  |                           |
| Landscape improvements                      | 710,259                      | –                | –                | 710,259                   |
| Landscape design and entitlement            | 655,742                      | –                | –                | 655,742                   |
| Equipment                                   | 68,307                       | 6,084            | –                | 74,391                    |
| Infrastructure                              | 3,576,013                    | –                | –                | 3,576,013                 |
| Gate House                                  | 88,760                       | –                | –                | 88,760                    |
| Vehicles                                    | <u>21,161</u>                | <u>–</u>         | <u>–</u>         | <u>21,161</u>             |
| Total capital assets being depreciated      | <u>5,120,242</u>             | <u>6,084</u>     | <u>–</u>         | <u>5,126,326</u>          |
| Less accumulated depreciation for:          |                              |                  |                  |                           |
| Landscape improvements                      | (450,176)                    | (47,351)         | –                | (497,527)                 |
| Landscape design and entitlement            | (468,385)                    | (93,677)         | –                | (562,062)                 |
| Equipment                                   | (44,094)                     | (9,045)          | –                | (53,139)                  |
| Infrastructure                              | (481,251)                    | (90,139)         | –                | (571,390)                 |
| Gate House                                  | (16,973)                     | (3,834)          | –                | (20,807)                  |
| Vehicles                                    | <u>(13,604)</u>              | <u>(3,023)</u>   | <u>–</u>         | <u>(16,627)</u>           |
| Total accumulated depreciation              | <u>(1,474,483)</u>           | <u>(247,069)</u> | <u>–</u>         | <u>(1,721,552)</u>        |
| Total capital assets being depreciated, net | <u>3,645,759</u>             | <u>(240,985)</u> | <u>–</u>         | <u>3,404,774</u>          |
| Total governmental capital assets, net      | <u>\$ 3,645,759</u>          | <u>\$ 63,015</u> | <u>\$ –</u>      | <u>\$ 3,708,774</u>       |

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

|                            |                   |
|----------------------------|-------------------|
| Community operations       | \$ 231,167        |
| Public safety              | <u>15,902</u>     |
| Total depreciation expense | <u>\$ 247,069</u> |

**NOTE D – 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; or injuries to employees. The District is insured for such risks as a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by intergovernmental agreement to provide property and general liability, automobile physical damage and liability, public officials liability and boiler and machinery coverage to its members. The Pool provides coverage for property claims up to the values declared and liability coverage for claims up to \$1,000,000. Settled claims have not exceeded this coverage in any of the past three fiscal years.

CORDILLERA VALLEY CLUB METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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**NOTE D – RISK MANAGEMENT – CONTINUED**

The District pays annual premiums to the Pool for liability, property and public official's 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.

A summary of audited statutory basis financial information for the Pool as of and for the year ended December 31, 2015 (latest information available) is as follows:

|  |                      |
|--|----------------------|
| Assets                                   | <u>\$ 44,054,744</u> |
| Liabilities                              | \$ 24,739,781        |
| Capital and surplus                      | <u>19,314,963</u>    |
| Total                                    | <u>\$ 44,054,744</u> |
| Revenues                                 | \$ 16,356,266        |
| Investment income and other              | <u>205,186</u>       |
| Total revenue                            | <u>16,561,452</u>    |
| Expenses                                 | <u>14,839,993</u>    |
| Excess of revenues over (under) expenses | <u>\$ 1,721,459</u>  |

**NOTE E – COMMITMENTS AND CONTINGENCIES**

During the normal course of business, the District may incur claims and other assertions against it from various agencies and individuals. Management of the District and their legal representatives have disclosed that there are no material outstanding claims against the District at December 31, 2016.

**NOTE F – AGREEMENTS WITH CORDILLERA VALLEY CLUB PROPERTY OWNERS ASSOCIATION**

Security Services Agreement

The District entered into an agreement with Cordillera Valley Club Property Owners Association (CVCPOA) on October 1, 2011, whereby the District is to provide Security Services pursuant to the Protective Covenants as set forth in the agreement. The funds necessary to provide the Security Services will be derived from the District's power to raise funds within its boundaries through fees, charges and ad valorem taxes and through contributions from CVCPOA as the parties consider necessary. The term of the agreement commenced on October 1, 2011 and allows for renewal terms each year.

CORDILLERA VALLEY CLUB METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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**NOTE F – AGREEMENTS WITH CORDILLERA VALLEY CLUB PROPERTY OWNERS ASSOCIATION – CONTINUED**

**Construction and Funding Agreement**

The District entered into a Construction Agreement with Wind Rose Properties, LLC on August 16, 2016, for the construction of a berm at an estimated cost of \$2,500,000. The District also entered into an agreement with Cordillera Valley Club Property Owners Association (CVCPOA) on August 9, 2016, whereby The CVCPOA agrees to pay up to \$1,250,000 in matching funds to assist the District in the construction of the berm.

**NOTE G – TABOR AMENDMENT**

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20; commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocable and held for payments in all future fiscal years.

TABOR also requires local governments to establish an emergency reserve to be used for declared emergencies only. The reserve is calculated at 3% of fiscal year spending. Fiscal year spending excludes bonded debt service, expenditure of bond proceeds and enterprise spending. The District has reserved \$26,206, which is the approximate required reserve at December 31, 2016.

On November 5, 2002, the District's voters approved taxes to be increased \$450,000 annually, or by such lesser amount as may be necessary to pay for the District's operations, maintenance, and other expenses. The voter approval also limited the mill levy to 25.000 mills. On November 8, 2016, the District's voters removed the \$450,000 cap, so that property taxes are now only limited by the 25.000 mills. All tax increases constitute voter-approved revenue changes and are to be collected and spent by the District without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20, of the Colorado Constitution, and without limiting in any year the amount of other revenues that may be collected and spent by the District.

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

**REQUIRED SUPPLEMENTARY  
INFORMATION**

Cordillera Valley Club Metropolitan District

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL**

Year Ended December 31, 2016

|                                      | Original<br>Budget | Final Budget      | Actual            | Variance<br>Favorable<br>(Unfavorable) | 2015<br>Actual    |
|--------------------------------------|--------------------|-------------------|-------------------|--|-------------------|
| <b>Revenues</b>                      |                    |                   |                   |  |                   |
| <b>Taxes:</b>                        |                    |                   |                   |  |                   |
| Property Taxes                       | \$ 450,000         | \$ 450,000        | \$ 472,549        | \$ 22,549                              | \$ 406,481        |
| Specific Ownership Taxes             | 20,929             | 20,929            | 22,504            | 1,575                                  | 20,810            |
| Interest                             | 1,500              | 1,500             | 6,962             | 5,462                                  | 1,892             |
| Other income                         | -                  | -                 | 211               | 211                                    | 97                |
| Contributions from CVCPOA            | 100,000            | 430,500           | 371,315           | (59,185)                               | 242,486           |
| <b>Total Revenues</b>                | <b>572,429</b>     | <b>902,929</b>    | <b>873,541</b>    | <b>(29,388)</b>                        | <b>671,766</b>    |
| <b>Expenditures</b>                  |                    |                   |                   |  |                   |
| <b>General government:</b>           |                    |                   |                   |  |                   |
| Administration and management        | 31,796             | 31,796            | 39,484            | (7,688)                                | 22,000            |
| Office expense                       | 1,273              | 1,273             | 1,533             | (260)                                  | 1,075             |
| Insurance                            | 4,885              | 4,885             | 4,616             | 269                                    | 4,522             |
| Professional fees                    | 7,000              | 7,000             | 4,183             | 2,817                                  | 9,255             |
| Treasurer's fees                     | 13,951             | 13,952            | 14,250            | (298)                                  | 12,224            |
| Public safety                        | 285,398            | 285,398           | 265,463           | 19,935                                 | 276,585           |
| Community operations                 | 124,306            | 124,306           | 79,793            | 44,513                                 | 77,526            |
| <b>Debt service</b>                  |                    |                   |                   |  |                   |
| Principal                            | -                  | -                 | -                 | -                                      | 21,202            |
| Interest                             | -                  | -                 | -                 | -                                      | 933               |
| Capital outlay                       | 62,000             | 563,000           | 314,874           | 248,126                                | 44,323            |
| <b>Total Expenditures</b>            | <b>530,609</b>     | <b>1,031,610</b>  | <b>724,196</b>    | <b>307,414</b>                         | <b>469,645</b>    |
| <b>Net Change in Fund Balance</b>    | <b>41,820</b>      | <b>(128,681)</b>  | <b>149,345</b>    | <b>278,026</b>                         | <b>202,121</b>    |
| <b>Total Fund Balance- beginning</b> | <b>430,075</b>     | <b>512,977</b>    | <b>512,977</b>    | <b>-</b>                               | <b>310,856</b>    |
| <b>Total Fund Balance- ending</b>    | <b>\$ 471,895</b>  | <b>\$ 384,296</b> | <b>\$ 662,322</b> | <b>\$ 278,026</b>                      | <b>\$ 512,977</b> |

**OTHER INFORMATION**

Cordillera Valley Club Metropolitan District

SUMMARY OF ASSESSED VALUATION, MILL LEVY PROPERTY TAXES COLLECTED

Year Ended December 31, 2016

| Year Ending<br>December 31, | Prior Year<br>Assessed Valuation<br>for Current<br>Year Property<br>Tax Levy | Mills<br>Levied | Total Property Tax |            | Percent<br>Collected<br>to Levied |
|-----------------------------|--|-----------------|--------------------|------------|-----------------------------------|
|                             |  |                 | Levied             | Collected  |                                   |
| 2004                        | \$ 15,613,190  | 25.000          | \$ 390,330         | \$ 389,677 | 99.8%                             |
| 2005                        | 15,588,790   | 25.000          | 389,720            | 389,720    | 100.0%                            |
| 2006                        | 16,218,050   | 25.000          | 405,451            | 405,451    | 100.0%                            |
| 2007                        | 15,838,730   | 25.000          | 395,968            | 394,244    | 99.6%                             |
| 2008                        | 20,538,920   | 25.000          | 513,473            | 513,473    | 100.0%                            |
| 2009                        | 20,865,150   | 25.000          | 521,629            | 519,972    | 99.7%                             |
| 2010                        | 25,957,960   | 25.000          | 648,949            | 645,474    | 99.5%                             |
| 2011                        | 25,016,480   | 25.000          | 625,412            | 625,412    | 100.0%                            |
| 2012                        | 17,181,880   | 25.000          | 429,547            | 419,784    | 97.7%                             |
| 2013                        | 17,071,190   | 26.297          | 448,921            | 448,921    | 100.0%                            |
| 2014                        | 15,357,600   | 25.000          | 383,940            | 383,939    | 100.0%                            |
| 2015                        | 15,373,720   | 26.440          | 406,481            | 406,481    | 100.0%                            |
| 2016                        | 19,015,270   | 25.000          | 475,382            | 472,549    | 99.4%                             |
| 2017                        | 19,065,510   | 25.000          | 476,638            |            |                                   |

**Note:**

Property taxes collected in any one year include collection of delinquent property taxes assessed in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.