

**FAIRWAYS  
METROPOLITAN DISTRICT**

**Financial Statements**

**December 31, 2016**



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**FAIRWAYS METROPOLITAN DISTRICT**

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Dazzio & Associates, PC

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Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Fairways Metropolitan District  
Boulder County, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Fairways 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, the business-type activities, and each major fund of Fairways Metropolitan District, as of December 31, 2016, and the respective changes in financial position, and where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fairways Metropolitan District's financial statements. The Supplementary Information and the Other Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements.

The Supplementary Information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The Supplementary Information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Other Information 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.

*Dassio & Associates, P.C.*

July 26, 2017

## **BASIC FINANCIAL STATEMENTS**

**FAIRWAYS METROPOLITAN DISTRICT**

**STATEMENT OF NET POSITION**

**December 31, 2016**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and Investments	\$ 109,421	\$ 198,062	\$ 307,483
Accounts Receivable	-	6,156	6,156
Loan Receivable	-	1,200,718	1,200,718
Receivable from County Treasurer	330	-	330
Prepaid Expense	3,580	-	3,580
Property Taxes Receivable	71,029	-	71,029
Capital Assets Not Being Depreciated	-	905,154	905,154
Capital Assets, Net of Accumulated Depreciation	-	441,535	441,535
<b>Total Assets</b>	<b>184,360</b>	<b>2,751,625</b>	<b>2,935,985</b>
<b>Liabilities</b>			
Accounts Payable	3,586	159,843	163,429
Retainage Payable	-	31,170	31,170
Noncurrent Liabilities:			
Due Within One Year	-	86,484	86,484
Due In More Than One Year	-	1,574,656	1,574,656
<b>Total Liabilities</b>	<b>3,586</b>	<b>1,852,153</b>	<b>1,855,739</b>
<b>Deferred Inflows of Resources</b>			
Property Taxes	71,029	-	71,029
<b>Net Position</b>			
Net Investment in Capital Assets Restricted	-	699,583	699,583
Emergency Reserves	2,240	-	2,240
Operation and Maintenance Reserve	-	27,700	27,700
Unrestricted	107,505	172,189	279,694
<b>Total Net Position</b>	<b>\$ 109,745</b>	<b>\$ 899,472</b>	<b>\$ 1,009,217</b>

The notes to the financial statements are an integral part of this statement.



**FAIRWAYS METROPOLITAN DISTRICT**

**BALANCE SHEET  
GOVERNMENTAL FUND  
December 31, 2016**

	<b>General Fund</b>
<b>Assets</b>	
Cash and Investments	\$ 109,421
Receivable from County Treasurer	330
Prepaid Expenditures	3,580
Property Taxes Receivable	71,029
<b>Total Assets</b>	<b>\$ 184,360</b>
<b>Liabilities</b>	
Accounts Payable	\$ 3,586
<b>Deferred Inflows of Resources</b>	
Property Taxes	71,029
<b>Fund Balance</b>	
Nonspendable	3,580
Restricted for Emergency Reserves	2,240
Assigned	103,925
<b>Total Fund Balance</b>	<b>109,745</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 184,360</b>

The notes to the financial statements are an integral part of this statement.

**FAIRWAYS METROPOLITAN DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUND**  
**For the Year Ended December 31, 2016**

	<b>General Fund</b>
<b>Revenues</b>	
Property Taxes	\$ 70,930
Specific Ownership Taxes	3,597
<b>Total Revenues</b>	<b>74,527</b>
<b>Expenditures</b>	
Current	
Accounting	13,589
Administrative services	23,694
Audit	5,957
Billing services	6,605
Directors' fees	2,300
Elections	743
Insurance	5,073
Legal	4,669
Supplies and expenses	2,671
County Treasurer's fees	1,065
Miscellaneous	692
<b>Total Expenditures</b>	<b>67,058</b>
<b>Net Change in Fund Balance</b>	<b>7,469</b>
<b>Fund Balance - Beginning</b>	<b>102,276</b>
<b>Fund Balance - Ending</b>	<b>\$ 109,745</b>

The notes to the financial statements are an integral part of this statement.

**FAIRWAYS METROPOLITAN DISTRICT**

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

**GENERAL FUND**

**For the Year Ended December 31, 2016**

	<b>Original and Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>Revenues</b>			
Property Taxes	\$ 70,915	\$ 70,930	\$ 15
Specific Ownership Taxes	3,660	3,597	(63)
<b>Total Revenues</b>	<b>74,575</b>	<b>74,527</b>	<b>(48)</b>
<b>Expenditures</b>			
Current			
Accounting	11,500	13,589	(2,089)
Administrative services	26,500	23,694	2,806
Audit	5,000	5,957	(957)
Billing services	5,000	6,605	(1,605)
Directors' fees	3,000	2,300	700
Elections	1,000	743	257
Insurance	4,025	5,073	(1,048)
Legal	5,000	4,669	331
Supplies and expenses	3,000	2,671	329
County Treasurer's fees	1,064	1,065	(1)
Miscellaneous	630	692	(62)
Contingency	50,000	-	50,000
Emergency Reserves	2,237	-	2,237
<b>Total Expenditures</b>	<b>117,956</b>	<b>67,058</b>	<b>50,898</b>
<b>Net Change in Fund Balance</b>	<b>(43,381)</b>	<b>7,469</b>	<b>50,850</b>
<b>Fund Balance - Beginning</b>	<b>107,129</b>	<b>102,276</b>	<b>(4,853)</b>
<b>Fund Balance - Ending</b>	<b>\$ 63,748</b>	<b>\$ 109,745</b>	<b>\$ 45,997</b>

The notes to the financial statements are an integral part of this statement.

**FAIRWAYS METROPOLITAN DISTRICT**

**STATEMENT OF NET POSITION**

**PROPRIETARY FUND**

**December 31, 2016**

	<b>Enterprise Fund</b>
<b>Assets</b>	
<b>Current Assets</b>	
Cash and Investments	\$ 198,062
Accounts Receivable - Service Fees	6,156
Loan Receivable	1,200,718
Total Current Assets	1,404,936
<b>Capital Assets</b>	
Construction in Process	905,154
Sewer System	1,909,692
Accumulated Depreciation	(1,468,157)
Total Capital Assets	1,346,689
Total Assets	2,751,625
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts Payable	159,843
Retainage Payable	31,170
Loan Payable - Current	86,484
Total Current Liabilities	277,497
<b>Noncurrent Liabilities</b>	
Loan Payable	1,574,656
Total Noncurrent Liabilities	1,574,656
Total Liabilities	1,852,153
<b>Net Position</b>	
Net Investment in Capital Assets	699,583
Restricted	
Operation and Maintenance Reserve	27,700
Unrestricted	172,189
Total Net Position	\$ 899,472

The notes to the financial statements are an integral part of this statement.

**FAIRWAYS METROPOLITAN DISTRICT**

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

**PROPRIETARY FUND**

**For the Year Ended December 31, 2016**

	<b>Enterprise Fund</b>
<b>Operating Revenues</b>	
Sewer Service Fees	\$ 192,521
<b>Operating Expense</b>	
Engineering	12,008
Supplies	100
Plant Maintenance and Repair	2,753
Plant Operator	12,619
Permits and Testing	7,764
Chemicals	5,542
LVGC Maintenance Agreement	6,050
Utilities	18,021
Treasurer Fees	245
Depreciation	29,548
Total Operating Expenses	94,650
<b>Operating Income</b>	97,871
<b>Nonoperating Revenues</b>	
Net Investment Income	1,019
Other Revenue	50
Total Nonoperating Revenues	1,069
<b>Change In Net Position</b>	98,940
<b>Net Position - Beginning</b>	800,532
<b>Net Position - Ending</b>	\$ 899,472

The notes to the financial statements are an integral part of this statement.

**FAIRWAYS METROPOLITAN DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**For the Year Ended December 31, 2016**

	<b>Enterprise Fund</b>
<b>Cash Flows from Operating Activities</b>	
Cash Received from Customers	\$ 194,995
Cash Payments to Suppliers for Goods and Services	(100,262)
Other Cash Received	50
Net Cash Provided by Operating Activities	94,783
<b>Cash Flows from Capital and Related Financing Activities</b>	
Loan Proceeds	606,446
Acquisition and Construction of Capital Assets	(537,103)
Principal Paid on Long-Term Debt	(78,185)
Net Cash Required by Capital and Related Financing Activities	(8,842)
<b>Cash Flows from Investing Activities</b>	
Net Investment Income	1,019
<b>Net Increase in Cash and Cash Equivalents</b>	86,960
<b>Cash and Cash Equivalents - Beginning</b>	111,102
<b>Cash and Cash Equivalents - Ending</b>	\$ 198,062
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
Operating Income	\$ 97,871
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	29,548
Miscellaneous Nonoperating Income	50
Effect of Changes In Operating Assets and Liabilities	
Accounts Receivable	2,474
Accounts Payable	(35,160)
Total Adjustments	(3,088)
Net Cash Provided by Operating Activities	\$ 94,783

The notes to the financial statements are an integral part of this statement.

**FAIRWAYS METROPOLITAN DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2016**

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**NOTE 1 – DEFINITION OF REPORTING ENTITY**

Fairways Metropolitan District (District), a quasi-municipal corporation, was originally organized on July 9, 1964, as the Fairways Water and Sanitation District. The District was established to provide financing for the design, acquisition and construction of water and sanitation services. Pursuant to a special election the District was also empowered to provide street improvements, safety control, television relay, mosquito control and parks and recreation improvements. Subsequent to this election, the District converted to the Fairways Metropolitan District on September 9, 1985. The District is governed pursuant to the provisions of the Colorado Special District Act. The District's service area is located in Boulder County, Colorado.

The District has no employees and all operations and administrative functions are contracted.

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

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

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Government-wide and Fund Financial Statements**

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Both statements distinguish between governmental activities, which normally are supported by taxes and intergovernmental revenues, and business-type activities, which rely to significant extent on fees and charges for support.

**FAIRWAYS METROPOLITAN DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2016**

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The statement of net position reports all financial and capital resources of the District, the difference between the assets and deferred outflows of resources, and liabilities and deferred inflows of resources of the District being reported as net position.

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and redemption of bonds and notes are recorded as a reduction in liabilities.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after year-end. The major sources of revenue susceptible to accrual are property taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

## FAIRWAYS METROPOLITAN DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

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The District reports the following major governmental fund:

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

The District reports the following major proprietary fund:

The *Enterprise Fund* accounts for the sewer operations that are financed and operated in a manner where the intent of the District is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

Proprietary funds distinguish between operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. Operating expenses for enterprise funds include repairs and maintenance on the sewer collection systems, administrative expenses and depreciation on capital assets. All expenses not meeting this definition are reported as nonoperating expenses. The District's enterprise fund recognizes as capital contributions the entire portion of tap fees, as they are intended to recover the cost of the capital investment in the sewer distribution systems.

#### **Budgets**

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

The District has amended its annual budget for the year ended December 31, 2016.

#### **Pooled Cash and Investments**

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are

**FAIRWAYS METROPOLITAN DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2016**

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allocated periodically to the participating funds based upon each fund's average equity balance in the total cash and investments.

Cash and investments are presented in the basic financial statements at fair value.

For purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

**Property Taxes**

Property taxes are levied by the District's Board of Directors. Property taxes are levied by December 15 of each year and are due in full the following year. The lien date is January 1 following the levy. Taxes may be paid in two equal installments, on or before February 28 and June 15; or in full, on or before April 30. Delinquent taxpayers are notified in August and generally, sales of the tax liens on delinquent properties are held in November or December. Property taxes are collected by Arapahoe County and then remitted, net of a 1% collection fee, to the District. Taxes are recorded as a receivable and a deferred inflow of resources when levied, and subsequently recorded as revenue in the year they are available or collected.

**Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The District currently capitalizes expenditures that cost more than \$5,000 and have a life of one year or more. Such capital assets are recorded at historical cost or at estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed and depreciated over their remaining useful lives.

Capital assets of the District are depreciated, using the straight-line method over their estimated useful lives:

Sewer system      25 years

**FAIRWAYS METROPOLITAN DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2016**

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**Deferred Outflows/Inflows of Resources**

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

In addition to liabilities, the statement of financial position/balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reports unavailable revenue for property taxes to be collected in the subsequent period and therefore not yet available.

**Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, even if withheld from the actual new proceeds received, are reported as debt service expenditures.

**Use of Estimates**

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. An example of such an estimate that has been made by management is depreciation expense.

**FAIRWAYS METROPOLITAN DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2016**

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**Net Position and Fund Equity**

Net Position

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

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

Restricted Net Position is subject to restrictions by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provision or enabling legislation

Unrestricted Net Position represents assets that do not have any third-party limitations on their use.

For government-wide presentation purposes, when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

Fund Balances

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned.

Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

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

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

**FAIRWAYS METROPOLITAN DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2016**

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The District reports the following Restricted Fund Balance:

*Restricted for TABOR Emergencies*

Emergency reserves have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 11).

*Committed fund balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

*Assigned fund balance* – The portion of fund balance that is constrained by the government’s intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

The District reports the following Assigned Fund Balance:

*Assigned for Subsequent Year's Expenditures*

Represents amounts assigned by the Board of Directors to eliminate the projected budgetary deficit in the 2017 budget.

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

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

**NOTE 3 – CASH DEPOSITS AND INVESTMENTS**

The District’s deposits and investments are presented as follows at December 31, 2016:

	<u><b>Governmental Activities</b></u>	<u><b>Business-Type Activities</b></u>	<u><b>Total</b></u>
Cash	\$ 99,714	\$ 102,121	\$ 201,835
Investments	9,707	95,941	105,648
Total	<u>\$ 109,421</u>	<u>\$ 198,062</u>	<u>\$ 307,483</u>

**FAIRWAYS METROPOLITAN DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2016**

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**Cash Deposits**

Custodial credit risk

Custodial risk for deposits is the risk that, in the event of a failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The Colorado Public Deposit Protection Act (PDPA) governs the investment of public funds. PDPA requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels (\$250,000) must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The institution's internal records identify the collateral by depositor and as such, these deposits are considered to be uninsured but collateralized. 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 the collateral pools. At December 31, 2016, the District's bank deposits amounting to \$614,181 were insured by federal depository insurance and consequently were not exposed to custodial credit risk.

**Investments**

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

The District generally limits its concentration of investments to obligations of the United States, certain U.S. government agency securities and Local Government Investment Pools, which are believed to have minimal credit risk; minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

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

**FAIRWAYS METROPOLITAN DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

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

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

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. 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 is an external investment pool that records its investments at fair value. The investment in Colotrust is categorized as a Level 2 investment.

At December 31, 2016, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Colorado Government Liquid Asset Trust (COLOTRUST)	Weighted Average under 60 Days	<u>\$ 105,648</u>

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

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rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as a custodian for Colotrust’s portfolios pursuant to a custodian agreement. The custodian acts as a safekeeping agent for Colotrust’s investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian’s internal records segregate investments owned by Colotrust. Colotrust is rated AAAM by Standard & Poor’s.

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b><u>Business-type Activities</u></b>				
Capital Assets Not Being Depreciated				
Construction in Process	\$ 181,367	\$ 723,787	\$ -	\$ 905,154
Capital Assets Being Depreciated				
Sewer System	1,909,692	-	-	1,909,692
Less Accumulated Depreciation for				
Sewer System	(1,438,609)	(29,548)	-	(1,468,157)
Total Capital Assets Being Depreciated, Net	<u>471,083</u>	<u>(29,548)</u>	<u>-</u>	<u>441,535</u>
	<u>\$ 652,450</u>	<u>\$ 694,239</u>	<u>\$ -</u>	<u>\$ 1,346,689</u>

**NOTE 5 – LONG-TERM DEBT**

Long-term debt of the District is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Within One Year</u>
<b><u>Business-type Activities:</u></b>					
CWRPDA Loan, 2013	\$ 1,407,325	\$ -	\$ 78,185	\$ 1,329,140	\$ 78,184
CWRPDA Loan, 2016	-	332,000	-	332,000	8,300
	<u>\$ 1,407,325</u>	<u>\$ 332,000</u>	<u>\$ 78,185</u>	<u>\$ 1,661,140</u>	<u>\$ 86,484</u>

**Colorado Water Resources and Power Development Authority Loans**

**2013 Loan**

On May 15, 2013, the District entered into a \$1,563,694 Loan Agreement with the Colorado Water Resources and Power Development Authority (2013 CWRPDA Loan). The 2013 CWRPDA Loan bears an interest rate of 0%. The 2013 CWRPDA Loan requires semi-annual principal only

**FAIRWAYS METROPOLITAN DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

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payments of \$39,092 on May 1 and November 1 beginning on May 1, 2014 and continuing through November 1, 2033. The loan may be prepaid at any time without penalty.

The 2013 CWRPDA Loan was obtained to fund capital improvements consisting of the installation of a sodium hypochlorite feed system, upgrading the existing lagoon treatment system by lining the aerated ponds, and adding tertiary filtration.

Security for the 2013 CWRPDA loan is provided by a pledge of the net revenue (gross revenue after deducting operation and maintenance expenses) of the District, excluding certain revenues as defined in the Loan Agreement. Additionally, the District has covenanted to establish and collect such rates, fees and charges, together with other available revenues that will be at least sufficient to pay the sum of: a) operation and maintenance expenses, b) 110% of the debt services on the 2013 CWRDPA Loan, c) the amount, if any, to be paid into any debt service reserve account in connection with any obligations secured by a lien on the Pledged Property, as defined in the 2013 CWRPDA Loan Agreement, which lien is on a parity with the lien of the 2013 CWRPDA Loan on the net revenue, d) a sum equal to the debt service on any obligations secured by a lien on the net revenue which lien is subordinate to the lien of the 2013 CWRPDA Loan on the Pledged Property, and e) amounts necessary to pay and discharge all charges and liens or other indebtedness not described above and payable out of the gross revenue of the District.

For the year ended December 31, 2016, the District believes it is in compliance with the covenants.

**2016 Loan**

On December 21, 2016, the District entered into a \$332,000 Loan Agreement with the Colorado Water Resources and Power Development Authority (2016 CWRPDA Loan). The 2016 CWRPDA Loan bears an interest rate of 0%. The 2016 CWRPDA Loan requires semi-annual principal only payments of \$8,300 on May 1 and November 1 beginning on November 1, 2017 and continuing through May 1, 2037. The loan may be prepaid at any time without penalty.

The 2016 CWRPDA Loan was obtained to provide additional funding towards the project described for the 2013 CWRPDA Loan above, as well as to provide funding for redundant effluent pump station and filter staircase, and to provide financial contingency for the project to allow for any change orders during construction, if necessary.

The 2016 CWRPDA Loan contains the same security and covenant provisions as the 2013 CWRPDA Loan, as described above.

**FAIRWAYS METROPOLITAN DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2016**

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For the year ended December 31, 2016, the District believes it is in compliance with the covenants.

The loans mature as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 86,484	\$ -	\$ 86,484
2018	94,784	-	94,784
2019	94,785	-	94,785
2020	94,784	-	94,784
2021	94,785	-	94,785
2022-2026	473,923	-	473,923
2027-2031	473,925	-	473,925
2032-2036	239,370	-	239,370
2037	8,300	-	8,300
	<u>\$ 1,661,140</u>	<u>\$ -</u>	<u>\$ 1,661,140</u>

**NOTE 6 – DEBT AUTHORIZATION**

As of December 31, 2016, the District has no authorized but unissued debt.

**NOTE 7 – AGREEMENTS**

The District entered into an Agreement with Lake Valley Golf Club (LVGC) on October 24, 1996, later amended and restated on November 29, 2009. The Agreement provides for LVGC to monitor effluent levels of ponds located on the golf course, transfer effluent between the ponds and maintain a road adjacent to the golf course. LVGC also agreed to accept for disposal, wastewater effluent generated by the District's wastewater treatment facilities. In consideration for these services, the District is to pay LVGC \$400 a month. During 2015, the agreement was amended to change the monthly fee from \$400 to \$550 a month beginning October 1, 2015. For the year ended December 31, 2016, the District remitted \$6,050 to LVGC in accordance with the Agreement.

**FAIRWAYS METROPOLITAN DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2016**

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**NOTE 8 – RISK MANAGEMENT**

The District is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters.

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

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

**NOTE 9 – RELATED PARTY**

A member of the Board of Directors of the District has an ownership interest in the Lake Valley Golf Club and may have a conflict of interest in dealing with transactions between LVGC and the District.

**NOTE 10 – COMMITMENTS AND CONTINGENCIES**

**Construction Commitment**

At December 31, 2016, a commitment regarding a construction contract for upgrading the Waste Water Treatment Facility amounted to approximately \$708,000. This contract will be paid in future periods as work is performed. Payment will be made with proceeds remaining from past loan issues.

**Litigation**

On July 21, 2017, one of the District's contractors provided a notice of claim dated July 18, 2017, to the District claiming additional incurred and unpaid costs to the existing construction contract amounting to approximately \$350,000 to \$475,000. The District is denying the allegation and will be defending against it. The eventual outcome of this matter cannot be predicted and it is not clear at this time what impact, if any, it will have on the District.

**FAIRWAYS METROPOLITAN DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2016**

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**NOTE 11 – TAX SPENDING AND DEBT LIMITATIONS**

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

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provision of TABOR.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

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

The District’s management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits, may require judicial interpretation.

**SUPPLEMENTARY INFORMATION**

**FAIRWAYS METROPOLITAN DISTRICT**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUNDS AVAILABLE -  
BUDGET AND ACTUAL (BUDGETARY BASIS)**

**ENTERPRISE FUND**

**For the Year Ended December 31, 2016**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>Revenues</b>				
Sewer Service Fees	\$ 190,739	\$ 190,739	\$ 192,521	\$ 1,782
Net Investment Income	460	460	1,019	559
Loan Proceeds	-	-	332,000	332,000
Miscellaneous Revenue	-	-	50	50
<b>Total Revenues</b>	<b>191,199</b>	<b>191,199</b>	<b>525,590</b>	<b>334,391</b>
<b>Expenditures</b>				
Engineering	9,000	9,000	12,008	(3,008)
Supplies	1,000	1,000	100	900
Plant Maintenance and Repair	15,000	15,000	2,753	12,247
Plant Operator	17,000	17,000	12,619	4,381
Permits and Testing	13,500	13,500	7,764	5,736
Chemicals	7,500	7,500	5,542	1,958
Jetting and Televising	17,000	17,000	-	17,000
LVGC Maintenance Agreement	6,600	6,600	6,050	550
Utilities	24,000	24,000	18,021	5,979
Treasurer Fees	250	250	245	5
Loan Principal	78,185	78,185	78,185	-
Capital Outlay	1,404,533	989,250	723,787	265,463
<b>Total Expenditures</b>	<b>1,593,568</b>	<b>1,178,285</b>	<b>867,074</b>	<b>311,211</b>
<b>Excess Revenue Over (Under)</b>				
<b>Expenditures</b>	(1,402,369)	(987,086)	(341,484)	645,602
<b>Funds Available - Beginning</b>	1,594,484	1,594,484	1,555,407	(39,077)
<b>Funds Available - Ending</b>	<b>\$ 192,115</b>	<b>\$ 607,398</b>	<b>\$ 1,213,923</b>	<b>\$ 606,525</b>

Funds Available is Computed as Follows:

Current Assets	\$ 1,404,936
Current Liabilities and Deferred Inflows of Resources	(277,497)
Add Current Portion of Long-Term Debt	86,484
	<b>\$ 1,213,923</b>

See the Independent Auditor's Report

## **OTHER INFORMATION**

**FAIRWAYS METROPOLITAN DISTRICT**

**Schedule of Future Debt Service Requirements to Maturity  
December 31, 2016**

**\$1,563,694 Water Pollution Control Revolving Fund Loan**

**Interest Rate 0%**

**Principal and Due May 1 and November 1**

Year	Principal	Interest	Total
2017	\$ 78,184	\$ -	\$ 78,184
2018	78,184	-	78,184
2019	78,185	-	78,185
2020	78,184	-	78,184
2021	78,185	-	78,185
2022	78,184	-	78,184
2023	78,185	-	78,185
2024	78,184	-	78,184
2025	78,185	-	78,185
2026	78,185	-	78,185
2027	78,185	-	78,185
2028	78,185	-	78,185
2029	78,185	-	78,185
2030	78,185	-	78,185
2031	78,185	-	78,185
2032	78,185	-	78,185
2033	78,185	-	78,185
	<u>\$ 1,329,140</u>	<u>\$ -</u>	<u>\$ 1,329,140</u>

**FAIRWAYS METROPOLITAN DISTRICT**

**Schedule of Future Debt Service Requirements to Maturity  
December 31, 2016**

**\$332,000 Water Pollution Control Revolving Fund Loan  
Interest Rate 0%  
Principal and Due May 1 and November 1**

Year	Principal	Interest	Total
2017	\$ 8,300	\$ -	\$ 8,300
2018	16,600	-	16,600
2019	16,600	-	16,600
2020	16,600	-	16,600
2021	16,600	-	16,600
2022	16,600	-	16,600
2023	16,600	-	16,600
2024	16,600	-	16,600
2025	16,600	-	16,600
2026	16,600	-	16,600
2027	16,600	-	16,600
2028	16,600	-	16,600
2029	16,600	-	16,600
2030	16,600	-	16,600
2031	16,600	-	16,600
2032	16,600	-	16,600
2033	16,600	-	16,600
2034	16,600	-	16,600
2035	16,600	-	16,600
2036	16,600	-	16,600
2037	8,300	-	8,300
	<u>\$ 332,000</u>	<u>\$ -</u>	<u>\$ 332,000</u>

**FAIRWAYS METROPOLITAN DISTRICT**

**SCHEDULE OF ASSESSED VALUATION, MILL LEVY AND  
PROPERTY TAXES COLLECTED**

Levy Year	Collection Year	Assessed Valuation	Mill Levy			Total Levy	Current Collection	Collection Rate
			General	Debt	Total			
2011	2012	\$ 18,658,732	3.651	0.000	3.651	\$ 68,123	\$ 68,114	99.99%
2012	2013	18,668,856	3.651	0.000	3.651	68,160	68,155	99.99%
2013	2014	18,461,328	3.651	0.000	3.651	67,402	63,374	94.02%
2014	2015	18,116,982	3.651	0.000	3.651	66,145	66,145	100.00%
2015	2016	19,444,600	3.647	0.000	3.647	70,914	70,930	100.02%
Estimated for year ending December 31, 2016		\$ 19,454,719	3.651	0.000	3.651	\$ 71,029		

**Note:**

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

**Source:** Boulder County Assessor and Treasurer