

**FAIRWAYS
METROPOLITAN DISTRICT**

Financial Statements

December 31, 2019

FAIRWAYS METROPOLITAN DISTRICT

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Dazzio & Associates, PC

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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, 2019, 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.

March 23, 2020

BASIC FINANCIAL STATEMENTS

FAIRWAYS METROPOLITAN DISTRICT

STATEMENT OF NET POSITION

December 31, 2019

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Investments	\$ 116,211	\$ 236,940	\$ 353,151
Accounts Receivable	2,510	7,489	9,999
Receivable from County Treasurer	341	-	341
Prepaid Expense	395	-	395
Property Taxes Receivable	77,353	-	77,353
Capital Assets, Net of Accumulated Depreciation	-	2,346,474	2,346,474
Total Assets	196,810	2,590,903	2,787,713
Liabilities			
Accounts Payable	27,829	-	27,829
Noncurrent Liabilities:			
Due Within One Year	-	104,034	104,034
Due In More Than One Year	-	1,452,176	1,452,176
Total Liabilities	27,829	1,556,210	1,584,039
Deferred Inflows of Resources			
Property Taxes	77,353	-	77,353
Net Position			
Net Investment in Capital Assets	-	790,264	790,264
Restricted			
Emergency Reserves	2,400	-	2,400
Operation and Maintenance Reserve	-	32,257	32,257
Unrestricted	89,228	212,172	301,400
Total Net Position	\$ 91,628	\$ 1,034,693	\$ 1,126,321

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

FAIRWAYS METROPOLITAN DISTRICT

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019

<u>Function/Program Activities</u>	<u>Program Revenue</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expense</u>	<u>Permits, Fees, Fines, and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		
					<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities							
General Government	\$ 74,003	\$ -	\$ -	\$ -	\$ (74,003)	\$ -	\$ (74,003)
Business-type Activities							
Sewer	245,216	272,800	-	-	-	27,584	27,584
Total	<u>\$ 319,219</u>	<u>\$ 272,800</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(74,003)</u>	<u>27,584</u>	<u>(46,419)</u>
General Revenues:							
Property Taxes - Operating					71,876	-	71,876
Specific Ownership Taxes					3,831	-	3,831
Unrestricted Investment Earnings					1,763	6,686	8,449
Miscellaneous					-	3,273	3,273
Total General Revenues					<u>77,470</u>	<u>9,959</u>	<u>87,429</u>
Changes In Net Position					3,467	37,543	41,010
Net Position - Beginning					<u>88,161</u>	<u>997,150</u>	<u>1,085,311</u>
Net Position - Ending					<u>\$ 91,628</u>	<u>\$ 1,034,693</u>	<u>\$ 1,126,321</u>

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

FAIRWAYS METROPOLITAN DISTRICT

**BALANCE SHEET
GOVERNMENTAL FUND
December 31, 2019**

	General Fund
Assets	
Cash and Investments	\$ 116,211
Receivable from County Treasurer	341
Accounts Receivable	2,510
Prepaid Expenditures	395
Property Taxes Receivable	77,353
Total Assets	\$ 196,810
Liabilities	
Accounts Payable	\$ 27,829
Deferred Inflows of Resources	
Property Taxes	77,353
Fund Balance	
Nonspendable	395
Restricted for Emergency Reserves	2,400
Assigned for Subsequent Year's Expenditures	7,843
Unassigned	80,990
Total Fund Balance	91,628
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 196,810

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, 2019

	General Fund
Revenues	
Property Taxes	\$ 71,876
Specific Ownership Taxes	3,831
Net Investment Income	1,763
Total Revenues	77,470
Expenditures	
Current	
Accounting	20,745
Administrative services	24,861
Audit	4,714
Billing services	7,134
Directors' fees	1,700
Insurance	4,003
Legal	7,016
Supplies and expenses	1,937
County Treasurer's fees	1,079
Miscellaneous	814
Total Expenditures	74,003
Net Change in Fund Balance	3,467
Fund Balance - Beginning	88,161
Fund Balance - Ending	\$ 91,628

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, 2019

(With Comparative Actual Totals for the Year Ended December 31, 2018)

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)	2018 Actual
Revenues				
Property Taxes	\$ 71,876	\$ 71,876	\$ -	\$ 74,809
Specific Ownership Taxes	4,313	3,831	(482)	3,989
Net Investment Income	700	1,763	1,063	1,164
Total Revenues	76,889	77,470	581	79,962
Expenditures				
Current				
Accounting	15,514	20,745	(5,231)	21,107
Administrative services	28,500	24,861	3,639	33,084
Audit	8,000	4,714	3,286	7,913
Billing services	6,500	7,134	(634)	8,097
Directors' fees	3,000	1,700	1,300	2,600
Elections	-	-	-	1,290
Insurance	6,500	4,003	2,497	6,032
Legal	7,000	7,016	(16)	11,467
Supplies and expenses	3,000	1,937	1,063	2,804
County Treasurer's fees	1,078	1,079	(1)	1,123
Miscellaneous	230	814	(584)	1,582
Contingency	20,000	-	20,000	-
Total Expenditures	99,322	74,003	25,319	97,099
Net Change in Fund Balance	(22,433)	3,467	25,900	(17,137)
Fund Balance - Beginning	101,291	88,161	(13,130)	105,298
Fund Balance - Ending	\$ 78,858	\$ 91,628	\$ 12,770	\$ 88,161

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

FAIRWAYS METROPOLITAN DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUND

December 31, 2019

	Enterprise Fund
Assets	
Current Assets	
Cash and Investments	\$ 236,940
Accounts Receivable - Service Fees	7,489
Total Current Assets	<u>244,429</u>
Capital Assets	
Sewer System	4,075,749
Accumulated Depreciation	(1,729,275)
Total Capital Assets	<u>2,346,474</u>
Total Assets	<u>2,590,903</u>
Liabilities	
Current Liabilities	
Loans Payable - Current	104,034
Total Current Liabilities	<u>104,034</u>
Noncurrent Liabilities	
Loans Payable	1,452,176
Total Noncurrent Liabilities	<u>1,452,176</u>
Total Liabilities	<u>1,556,210</u>
Net Position	
Net Investment in Capital Assets	790,264
Restricted - Operation and Maintenance Reserve	32,257
Unrestricted	212,172
Total Net Position	<u><u>\$ 1,034,693</u></u>

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, 2019

	Enterprise Fund
Operating Revenues	
Sewer Service Fees	<u>\$ 272,800</u>
Operating Expense	
Engineering	30,964
Insurance	3,087
Plant Repair and Maintenance	10,626
Plant Operator	12,991
Permits and Testing	10,666
Chemicals	6,468
Jetting and Televising	12,154
LVGC Maintenance Agreement	6,600
Utilities	35,470
Depreciation	<u>116,190</u>
Total Operating Expenses	<u>245,216</u>
Operating Income	<u>27,584</u>
Nonoperating Revenues	
Net Investment Income	6,686
Miscellaneous Revenue	<u>3,273</u>
Total Nonoperating Revenues	<u>9,959</u>
Change In Net Position	37,543
Net Position - Beginning	<u>997,150</u>
Net Position - Ending	<u><u>\$ 1,034,693</u></u>

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, 2019

	Enterprise Fund
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 272,746
Cash Payments to Suppliers for Goods and Services	(129,026)
Other Cash Received	3,273
Net Cash Provided by Operating Activities	<u>146,993</u>
Cash Flows from Capital and Related Financing Activities	
Acquisition and Construction of Capital Assets	(21,875)
Principal Paid on Long-Term Debt	(104,035)
Net Cash Required by Capital and Related Financing Activities	<u>(125,910)</u>
Cash Flows from Investing Activities	
Net Investment Income	<u>6,686</u>
Net Increase (Decrease) in Cash and Cash Equivalents	27,769
Cash and Cash Equivalents - Beginning	209,171
Cash and Cash Equivalents - Ending	<u><u>\$ 236,940</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	<u>\$ 27,584</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	116,190
Miscellaneous Nonoperating Income	3,273
Effect of Changes In Operating Assets and Liabilities	
Accounts Receivable	(54)
Total Adjustments	<u>119,409</u>
Net Cash Provided by Operating Activities	<u><u>\$ 146,993</u></u>

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

FAIRWAYS METROPOLITAN DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

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, 2019

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, 2019

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.

Pooled Cash and Investments

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

FAIRWAYS METROPOLITAN DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

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 Boulder 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
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FAIRWAYS METROPOLITAN DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

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, 2019

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, 2019

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 9).

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 for the portion of the year-end fund balance which is appropriated in the subsequent year's 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.

FAIRWAYS METROPOLITAN DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 3 – CASH DEPOSITS AND INVESTMENTS

The District's deposits and investments are presented as follows at December 31, 2019:

	Governmental	Business-Type	
	Activities	Activities	Total
Cash	\$ 25,193	\$ 51,365	\$ 76,558
Investments	91,018	185,575	276,593
Total	<u>\$ 116,211</u>	<u>\$ 236,940</u>	<u>\$ 353,151</u>

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, 2019, the District's bank deposits amounting to \$76,558 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.

FAIRWAYS METROPOLITAN DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

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

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

- Obligations of the United States, certain U.S. government agency securities and securities of the World Bank
- General obligation and revenue bonds of 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

At December 31, 2019, the District had the following investments:

Investment	Maturity	Amount
Colorado Government Liquid Asset Trust (COLOTRUST)	Weighted Average under 60 Days	<u>\$ 276,593</u>

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), 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. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust'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 the Trust. COLOTRUST is rated AAAm by Standard & Poor's. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net

FAIRWAYS METROPOLITAN DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Business-type Activities</u>				
Capital Assets Being Depreciated				
Sewer System	\$ 4,055,533	\$ 20,216	\$ -	\$ 4,075,749
Less Accumulated Depreciation for				
Sewer System	(1,613,085)	(116,190)	-	(1,729,275)
Total Capital Assets Being				
Depreciated, Net	<u>\$ 2,442,448</u>	<u>\$ (95,974)</u>	<u>\$ -</u>	<u>\$ 2,346,474</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>Due Within One Year</u>
<u>Business-type Activities:</u>					
CWRPDA Loan, 2013	\$ 1,172,770	\$ -	\$ 78,185	\$ 1,094,585	\$ 78,184
CWRPDA Loan, 2016	307,100	-	16,600	290,500	16,600
CWRPDA Loan, 2018	180,375	-	9,250	171,125	9,250
	<u>\$ 1,660,245</u>	<u>\$ -</u>	<u>\$ 104,035</u>	<u>\$ 1,556,210</u>	<u>\$ 104,034</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 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.

FAIRWAYS METROPOLITAN DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

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.

During the year ended December 31, 2019, the District was in compliance with the rate covenant.

Additionally, the 2013 CWRPDA Loan requires the District to maintain an operations and reserve fund in an amount equal to three months of operations and maintenance expenses, excluding depreciation. Accordingly, the District has restricted \$32,257 of the Enterprise Fund's net position, calculated as follows:

Total Expenses	\$ 245,216
Less Depreciation	<u>(116,190)</u>
Operations and Maintenance Expenses	<u>\$ 129,026</u>
3 Months of Operations and Maintenance	<u>\$ 32,257</u>

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.

FAIRWAYS METROPOLITAN DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

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.

2018 Loan

On July 19, 2018, the District entered into a \$185,000 Loan Agreement with the Colorado Water Resources and Power Development Authority (2018 CWRPDA Loan). The 2018 CWRPDA Loan bears an interest rate of 0%. The 2018 CWRPDA Loan requires semi-annual principal only payments of \$4,625 on May 1 and November 1 beginning on November 1, 2018 and continuing through May 1, 2038. The loan may be prepaid at any time without penalty.

The 2018 CWRPDA Loan was obtained to provide additional funding towards the project described for the 2013 CWRPDA Loan above.

The 2018 CWRPDA Loan contains the same security and covenant provisions as the 2013 CWRPDA Loan, as described above.

The CWRPDA Loans mature as follows:

Year	Principal	Interest	Total
2020	104,034	-	104,034
2021	104,034	-	104,034
2022	104,034	-	104,034
2023	104,034	-	104,034
2024	104,034	-	104,034
2025-2029	520,175	-	520,175
2030-2034	441,990	-	441,990
2035-2038	73,875	-	73,875
	<u>\$1,556,210</u>	<u>\$ -</u>	<u>\$1,556,210</u>

FAIRWAYS METROPOLITAN DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

NOTE 6 – DEBT AUTHORIZATION

As of December 31, 2019, 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, 2019, the District remitted \$6,600 to LVGC in accordance with the Agreement.

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.

FAIRWAYS METROPOLITAN DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

NOTE 9 – 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, 2019

(With Comparative Actual Totals for the Year Ended December 31, 2018)

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)	2018 Actual
Revenues				
Sewer Service Fees	\$ 273,600	\$ 272,800	\$ (800)	\$ 244,156
Net Investment Income	1,500	6,686	5,186	4,375
Loan Proceeds	-	-	-	411,396
Miscellaneous Revenue	-	3,273	3,273	25,000
Total Revenues	275,100	282,759	7,659	684,927
Expenditures				
Engineering	15,000	30,964	(15,964)	29,575
Supplies	500	-	500	50
Insurance	-	3,087	(3,087)	-
Plant Repair and Maintenance	15,000	10,626	4,374	9,709
Plant Operator	15,000	12,991	2,009	12,600
Permits and Testing	8,000	10,666	(2,666)	9,226
Chemicals	6,700	6,468	232	8,177
Jetting and Televising	17,000	12,154	4,846	14,601
Collection System Repair	2,500	-	2,500	-
LVGC Maintenance Agreement	6,600	6,600	-	6,600
Utilities	30,000	35,470	(5,470)	31,987
Treasurer Fees	500	-	500	1,157
Loan Principal	104,035	104,035	-	99,410
Capital Outlay	15,000	20,216	(5,216)	38,945
Plant System Upgrades	17,500	-	17,500	34,506
Collection System Improvements	6,000	-	6,000	-
Total Expenditures	259,335	253,277	6,058	296,543
Excess Revenue Over (Under)				
Expenditures	15,765	29,482	13,717	388,384
Funds Available - Beginning	188,940	214,947	26,007	(173,437)
Funds Available - Ending	\$ 204,705	\$ 244,429	\$ 39,724	\$ 214,947
Funds Available is Computed as Follows:				
Current Assets		\$ 244,429		\$ 216,606
Current Liabilities		(104,034)		(105,693)
Add Current Portion of Long-Term Debt		104,034		104,034
		\$ 244,429		\$ 214,947

See the Independent Auditor's Report

OTHER INFORMATION

FAIRWAYS METROPOLITAN DISTRICT

**Schedules of Future Debt Service Requirements to Maturity
December 31, 2019**

**\$1,563,694 Water Pollution Control
Revolving Fund Loan
Dated May 13, 2013
Interest Rate 0%
Principal Due May 1 and November 1**

**\$332,000 Water Pollution Control
Revolving Fund Loan
Dated December 21, 2016
Interest Rate 0%
Principal Due May 1 and November 1**

Year	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 78,184	\$ -	\$ 78,184	\$ 16,600	\$ -	\$ 16,600
2021	78,184	-	78,184	16,600	-	16,600
2022	78,184	-	78,184	16,600	-	16,600
2023	78,184	-	78,184	16,600	-	16,600
2024	78,184	-	78,184	16,600	-	16,600
2025	78,185	-	78,185	16,600	-	16,600
2026	78,185	-	78,185	16,600	-	16,600
2027	78,185	-	78,185	16,600	-	16,600
2028	78,185	-	78,185	16,600	-	16,600
2029	78,185	-	78,185	16,600	-	16,600
2030	78,185	-	78,185	16,600	-	16,600
2031	78,185	-	78,185	16,600	-	16,600
2032	78,185	-	78,185	16,600	-	16,600
2033	78,185	-	78,185	16,600	-	16,600
2034	-	-	-	16,600	-	16,600
2035	-	-	-	16,600	-	16,600
2036	-	-	-	16,600	-	16,600
2037	-	-	-	8,300	-	8,300
2038	-	-	-	-	-	-
	<u>\$ 1,094,585</u>	<u>\$ -</u>	<u>\$ 1,094,585</u>	<u>\$ 290,500</u>	<u>\$ -</u>	<u>\$ 290,500</u>

**\$185,000 Water Pollution Control
Revolving Fund Loan
Dated July 19, 2018
Interest Rate 0%**

Year	Principal Due May 1 and November 1			Totals		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 9,250	\$ -	\$ 9,250	\$ 104,034	\$ -	\$ 104,034
2021	9,250	-	9,250	104,034	-	104,034
2022	9,250	-	9,250	104,034	-	104,034
2023	9,250	-	9,250	104,034	-	104,034
2024	9,250	-	9,250	104,034	-	104,034
2025	9,250	-	9,250	104,035	-	104,035
2026	9,250	-	9,250	104,035	-	104,035
2027	9,250	-	9,250	104,035	-	104,035
2028	9,250	-	9,250	104,035	-	104,035
2029	9,250	-	9,250	104,035	-	104,035
2030	9,250	-	9,250	104,035	-	104,035
2031	9,250	-	9,250	104,035	-	104,035
2032	9,250	-	9,250	104,035	-	104,035
2033	9,250	-	9,250	104,035	-	104,035
2034	9,250	-	9,250	25,850	-	25,850
2035	9,250	-	9,250	25,850	-	25,850
2036	9,250	-	9,250	25,850	-	25,850
2037	9,250	-	9,250	17,550	-	17,550
2038	4,625	-	4,625	4,625	-	4,625
	<u>\$ 171,125</u>	<u>\$ -</u>	<u>\$ 171,125</u>	<u>\$ 1,556,210</u>	<u>\$ -</u>	<u>\$ 1,556,210</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%
2016	2017	19,454,719	3.651	0.000	3.651	71,029	71,029	100.00%
2017	2018	20,104,885	3.722	0.000	3.722	74,830	74,809	99.97%
2018	2019	\$ 20,077,138	3.580	0.000	3.580	71,876	71,876	100.00%
Estimated for year ending December 31, 2020		\$ 21,820,335	3.545	0.000	3.545	\$ 77,353		

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