

## FAIRWAYS METROPOLITAN DISTRICT

### STATEMENT OF PURPOSES

This Statement of Purposes for Fairways Metropolitan District ("District") is submitted pursuant to requirements of Section 32-1-208, C.R.S.

1. Purpose for Organization. The District was organized on July 9, 1964, pursuant to an Order and Decree of the District Court for the Eighth Judicial District. The District was organized for the purpose of providing water and sanitation services, and was originally named Fairways Water and Sanitation District. Pursuant to a special election held September 3, 1985, the District was converted to a metropolitan district and is empowered to provide water, sanitation, street, safety control, television relay, and mosquito control services and facilities. The ballot question concerning the conversion to a metropolitan district specifically excluded park and recreation powers.

2. Services and Facilities. The services and facilities provided or to be provided by the District are:

(a) Water Services. Water services are currently provided by the Left Hand Canyon Water District.

(b) Street, Safety Control, Television Relay, and Mosquito Control Services. The District does not currently provide, nor at this time does it intend to provide, any street, safety control, television relay or mosquito control services or facilities.

(c) Sanitary Sewer Services. The District's primary function is to ensure orderly and uniform administration of its sanitary sewer system, which includes a complete collection, transmission, treatment and disposal system, together with all necessary, incidental and appurtenant facilities. The sanitary sewer system serves users within the boundaries of the District, consisting of approximately 720 single family homes.

In addition, the District may provide any other services and facilities of a metropolitan district consistent with Title 32, C.R.S., as it may be amended from time to time.

3. Areas Served. The District includes approximately 620 acres of subdivided land located three miles north of Boulder, Colorado. The District lies entirely within Boulder County. The land abuts Left Hand Valley Reservoir. A legal description of the District's boundaries is attached hereto as **Exhibit A**. This description shall be deemed to incorporate any inclusions or exclusions of District territory, pursuant to statute, which have been recorded with the Boulder County Clerk and Recorder.

4. In addition to the foregoing, but not as a limitation, this Statement of Purposes shall be deemed to incorporate as if fully set out herein the Petition of the District filed with the Boulder County District Court, and such agreements or plans as have been prepared and are either attached to this Statement of Purposes, or are otherwise of public record.

5. Pursuant to Section 32-1-208, C.R.S., this Statement of Purposes for Fairways Metropolitan District is submitted to the Board of County Commissioners of Boulder County and the Division of Local Government. No hearing is required on this Statement of Purposes.

## EXHIBIT

A

W 1/2 of NW 1/4 of Section 4, Township 1 North, Range 70, West of the 6th P.M.; W 1/2 of the SE 1/4 of the SW 1/4 of Section 29, Township 2 North, Range 70, West of the 6th P.M.; W 1/2 of the NE 1/4 of the NW 1/4 of Section 32, Township 2 North, Range 70, West of the 6th P.M.; and the SW 1/4 of the SW 1/4 of Section 29, the S 1/2, the S 1/2 of the N 1/2, and the NW 1/4 of the NW 1/4 of Section 32, all in Township 2 North, Range 70, West of the 6th P.M.; excepting all the land quit-claimed to the Left Hand Ditch Company by instrument recorded in Book 859 at Page 529, Boulder County records, which excepted property is more particularly described as follows:

Those portions of the Southwest Quarter of the Southwest Quarter of Section Twenty-nine and the West Half of the Northwest Quarter of Section Thirty-two, all in Township Two North, Range Seventy West of the 6th P.M., described as follows:

Beginning at the West Quarter Corner of said Section Thirty-two, thence North along the West line of said Section Thirty-two and along the West line of said Section Twenty-nine a distance of 4003.4 feet more or less to the Northwest Corner of said Southwest Quarter of the Southwest Quarter of said Section Twenty-nine, thence South  $87^{\circ} 20'$  East, 820.6 feet, thence South  $16^{\circ} 09'$  West, 744.0 feet, thence South  $2^{\circ} 49'$  East, 790.0 feet, thence South  $14^{\circ} 24'$  East, 389.8 feet, thence South  $33^{\circ} 24'$  East, 203.3 feet, thence South  $23^{\circ} 08'$  West, 592.6 feet, thence South  $1^{\circ} 18'$  West, 526.1 feet, thence South  $42^{\circ} 07'$  West, 687.7 feet, thence South  $7^{\circ} 47'$  West, 332.0 feet, thence South  $89^{\circ} 58'$  West, 106.5 feet more or less to the point of beginning.

And also excepting from said District a right-of-way 50 feet in width for the construction, maintenance and operation of a ditch, the center line of which right-of-way is described as follows; to-wit:

Beginning at a point whence the Northwest Corner of Section Thirty-two, Township Two North, Range Seventy West 6th P.M. bears North  $42^{\circ} 30'$  West 1147 feet, thence North  $66^{\circ} 59'$  East, 233.3 feet, thence North  $60^{\circ} 51'$  East, 122.6 feet, thence North  $52^{\circ} 51'$  East, 200.4 feet, thence North  $48^{\circ} 04'$  East, 91.8 feet more or less to the East line of the Northwest Quarter of the Northwest Quarter of said Section Thirty-two; and also,

Beginning at a point on the North line of the Southeast Quarter of the Northwest Quarter of said Section Thirty-two, 61.4 feet West of the Northeast Corner of said forty acres, thence South  $62^{\circ} 55'$  East, 275.0 feet, thence South  $73^{\circ} 28'$  East, 200.6 feet, thence South  $62^{\circ} 48'$  East, 199.1 feet, thence South  $81^{\circ} 21'$  East, 199.8 feet, thence South  $68^{\circ} 50'$  East, 286.0 feet, thence North  $59^{\circ} 45'$  East, 95.5 feet, thence North  $44^{\circ} 04'$  East, 197.5 feet, thence North  $88^{\circ} 14'$  East, 182.4 feet, thence North  $65^{\circ} 21'$  East, 202.0 feet, thence South  $81^{\circ} 13'$  East, 202.6 feet, thence South  $59^{\circ} 59'$  East, 203.1 feet, thence South  $76^{\circ} 18'$  East, 198.6 feet, thence North  $43^{\circ} 09'$  East, 198.0 feet, thence North  $16^{\circ} 45'$  East, 185.7 feet more or less to the North line of the Southeast Quarter of the Northeast Quarter of said Section Thirty-two.

C. D.	IND.	SET.	J. D.	C. B.
✓	✓			

CLAS. E. SENEVLY  
CLERK

1999 APR 27 11:23:35

FILED  
IN THE DISTRICT COURT  
OF THE STATE OF COLORADO

STATE OF COLORADO }  
COUNTY OF BOULDER } ss.

IN THE DISTRICT COURT FOR  
THE EIGHTH JUDICIAL DISTRICT

No. 17686

ASSIGNED TO JUDGE CARPENTER

IN RE THE ORGANIZATION OF )  
FAIRWAYS WATER AND )  
SANITATION DISTRICT, )  
BOULDER COUNTY, COLORADO )

P E T I T I O N

TO THE HONORABLE DISTRICT COURT OF THE EIGHTH JUDICIAL DISTRICT IN THE STATE OF COLORADO:

We, the undersigned taxpaying electors of the District hereinafter described, present this Petition for the organization of a water and sanitation district, pursuant to and in accordance with Chapter 89, Article 5, Colorado Revised Statutes 1953, as amended, and in support of the Petition state:

1. The name of the proposed district is "Fairways Water and Sanitation District", in Boulder County, Colorado.
2. The purposes of the District are as follows:
  - A. To provide a complete water supply, storage, transmission and distribution system, together with all necessary incidental and appurtenant facilities, and to provide for water treatment, if necessary, for said District and the inhabitants thereof;
  - B. To provide a complete sanitary sewage collection, transmission, treatment and disposal system and service, together with all necessary incidental and appurtenant facilities for said District and the inhabitants thereof.
3. A general description of the improvements to be acquired by purchase, contract, construction, installation or any other lawful means for said District is:

17686

ASSIGNED TO JUDGE CARPENTER

- A. A complete water storage, transmission and distribution system, which may include but shall not be limited to, transmission lines, distribution mains and laterals, storage facilities, land, easements and treatment facilities as required, and all necessary incidental and appurtenant facilities, together with extensions of and improvements to said system; said system may be connected to an available source or sources of water supply and treatment facilities, or such source or sources and treatment facilities may be acquired by the District as the needs thereof may require;
- B. A complete sanitary sewage collection, transmission, treatment and disposal system, which may include, but shall not be limited to, collection mains and laterals, transmission lines, land, easements and disposal facilities as required, and all necessary incidental and appurtenant facilities, together with necessary extensions of and improvements to said system; said treatment and disposal facilities may be provided by connection to available facilities or may be acquired by the District as the needs thereof may require.

Said water and sewer facilities may be provided at one time, or from time to time, as the needs of the District may require.

4. The estimated cost of the proposed water improvements is the amount of \$900,000, and the estimated cost of the proposed sewer improvements is the amount of \$600,000.

5. The proposed district is located in Boulder County, Colorado, more particularly described as follows:

W 1/2 of NW 1/4 of Section 4, Township 1 North, Range 70, West of the 6th P.M.; W 1/2 of the SE 1/4 of the SW 1/4 of Section 29, Township 2 North, Range 70, West of the 6th P.M.; W 1/2 of the NE 1/4 of the NW 1/4 of Section 32, Township 2 North, Range 70, West of the 6th P.M.; and the SW 1/4 of the SW 1/4 of Section 29, the S 1/2, the S 1/2 of the N 1/2, and the NW 1/4 of the NW 1/4 of Section 32, all in Township 2 North, Range 70, West of the 6th P.M.; excepting all the land quit-claimed to the Left Hand Ditch Company by instrument recorded in Book 859 at Page 529, Boulder County records, which excepted property is more particularly described as follows:

Those portions of the Southwest Quarter of the Southwest Quarter of Section Twenty-nine and the West Half of the Northwest Quarter of Section Thirty-two, all in Township Two North, Range Seventy West of the 6th P.M., described as follows:

Beginning at the West Quarter Corner of said Section Thirty-two, thence North along the West line of said Section Thirty-two and along the West line of said Section Twenty-nine a distance of 4003.4 feet more or less to the Northwest Corner of said Southwest Quarter of the Southwest Quarter of said Section Twenty-nine, thence South 87° 20' East, 820.6 feet, thence South 16° 09' West, 744.0 feet, thence South 2° 49' East, 790.0 feet, thence South 14° 24' East, 389.8 feet, thence South 33° 24' East, 203.3 feet, thence South 23° 08' West, 592.6 feet, thence South 1° 18' West, 526.1 feet, thence South 42° 07' West, 687.7 feet, thence South 7° 47' West, 332.0 feet, thence South 89° 58' West, 106.5 feet more or less to the point of beginning.

And also excepting from said District a right-of-way 50 feet in width for the construction, maintenance and operation of a ditch, the center line of which right-of-way is described as follows; to-wit:

Beginning at a point whence the Northwest Corner of Section Thirty-two, Township Two North, Range Seventy West 6th P.M. bears North 42° 30' West 1147 feet, thence North 66° 59' East, 233.3 feet, thence North 60° 51' East, 122.6 feet, thence North 52° 51' East, 200.4 feet, thence North 48° 04' East, 91.8 feet more or less to the East line of the Northwest Quarter of the Northwest Quarter of said Section Thirty-two; and also,



Beginning at a point on the North line of the Southeast Quarter of the Northwest Quarter of said Section Thirty-two, 61.4 feet West of the Northeast Corner of said forty acres, thence South  $62^{\circ} 55'$  East, 275.0 feet, thence South  $73^{\circ} 28'$  East, 200.6 feet, thence South  $62^{\circ} 48'$  East, 199.1 feet, thence South  $81^{\circ} 21'$  East, 199.8 feet, thence South  $68^{\circ} 50'$  East, 286.0 feet, thence North  $59^{\circ} 45'$  East, 95.5 feet, thence North  $44^{\circ} 04'$  East, 197.5 feet, thence North  $88^{\circ} 14'$  East, 182.4 feet, thence North  $65^{\circ} 21'$  East, 202.0 feet, thence South  $81^{\circ} 13'$  East, 202.6 feet, thence South  $59^{\circ} 59'$  East, 203.1 feet, thence South  $76^{\circ} 18'$  East, 198.6 feet, thence North  $43^{\circ} 09'$  East, 198.0 feet, thence North  $16^{\circ} 45'$  East, 185.7 feet more or less to the North line of the Southeast Quarter of the Northeast Quarter of said Section Thirty-two.

WHEREFORE, Petitioners pray that this Honorable Court will enter such orders and decrees as may be necessary or proper for the organization of said District, in accordance with law.

<u>NAME</u>	<u>ADDRESS</u>
Chas. E. Vitt	4481 Broadway Boulder, Colo.
Mary Ann Vitt	4481 - Broadway Boulder, Colo.
Leonard Loupman	Box 32 A Longmont Colo.
Reino Loupman	R# 3 Longmont Colo.
Frank E. Mitchell	Box 281 - Mead Colo.

Charles E. Loupman  
510 American National Bank Bldg.  
215 17th St  
Denver, Colo.

STATE OF COLORADO )  
                          ) ss.  
COUNTY OF BOULDER )

Leonard Laukon being first duly sworn on  
oath, deposes and says:

That he is one of the petitioners named in the foregoing  
Petition; that he has read said Petition and knows the contents  
thereof and that the same is true to the best of affiant's knowl-  
edge, information and belief.

Affiant further states that he knows the persons whose  
names are subscribed to the foregoing Petition, and that the sig-  
natures thereon are true, genuine and correct signatures of said  
persons.

Affiant further states that the persons whose names are  
subscribed to the foregoing Petition are persons who are qualified  
to vote at general elections in the State of Colorado, and that  
said persons have paid a general tax on real or personal property  
owned by them within the District within the twelve (12) months  
immediately preceding the date of this Affidavit, exclusive of the  
payment of a specific ownership tax on a motor vehicle or trailer.

Affiant further states that he has made an investigation  
as to the total number of persons within the proposed District who  
are qualified to sign the Petition for the organization of said  
District, and that, according to affiant's best information and  
belief, there are thine persons so qualified.

Leonard Laukon

Subscribed and Sworn to before me this 21<sup>st</sup> day of  
April, 1964.

My commission expires November 30, 1964

( S E A L )

Clayton W. Bell  
Notary Public

FAIRWAYS  
METROPOLITAN DISTRICT

GENERAL PURPOSE FINANCIAL STATEMENTS  
and  
SUPPLEMENTAL INFORMATION

DECEMBER 31, 1997

**Van**  
**Schooneveld and Co., Inc.**  
Certified Public Accountants

**FAIRWAYS METROPOLITAN DISTRICT**

**TABLE OF CONTENTS**

**DECEMBER 31, 1997**

	<u>Page</u>
<b>Independent Auditor's Report</b>	1
<b>General Purpose Financial Statements</b>	
Combined Balance Sheet - All Fund Types and Account Group	2-3
Debt Service Fund - Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual	4
Sewer Utility Fund - Statement of Operations and Changes in Accumulated (Deficit)	5
Sewer Utility Fund - Statement of Cash Flows	6
Notes to Financial Statements	7-14
<b>Supplemental Information</b>	
Sewer Utility Fund - Schedule of Revenue, Expenditures and Changes in Funds Available - Budget and Actual (Budgetary Basis)	15
Sewer Utility Fund - Reconciliation of Budgetary Basis (Actual) to Statement of Operations	16
Summary of Assessed Valuation, Mill Levy and Property Taxes Collected	17



Principals  
Jack C. Schroeder  
Larry R. Beardsley  
Richard M. Carlson  
Mark D. Elmshäuser  
Kevin F. Collins

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Fairways Metropolitan District  
Boulder County, Colorado

We have audited the accompanying general purpose financial statements of Fairways Metropolitan District as of and for the year ended December 31, 1997, as listed in the foregoing Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Fairways Metropolitan District at December 31, 1997 and the results of its operations and the cash flows of its proprietary fund for the year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplemental information as listed in the Table of Contents is presented for purposes of additional analysis and legal compliance and is not a required part of the general purpose financial statements of Fairways Metropolitan District. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

*Van Schooneveld and Co., Inc.*

April 22, 1998

6000 Greenwood Plaza Blvd., #110 • Greenwood Village, CO 80111-4817

303-779-4000 • FAX 303-770-9276 • E-mail: vscoepas@vscoepa.com

Members: American Institute of Certified Public Accountants - S.E.C. and Private Practice Sections • Colorado Society of Certified Public Accountants

**GENERAL PURPOSE FINANCIAL STATEMENTS**

**FAIRWAYS METROPOLITAN DISTRICT**

**COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUP**

DECEMBER 31, 1997

	<u>Governmental Fund Type</u>	<u>Proprietary Fund Type</u>	<u>Account Group</u>
<u>ASSETS AND OTHER DEBITS</u>	<u>Debt Service</u>	<u>Sewer Utility Fund</u>	<u>General Long-Term Obligation</u>
<b>ASSETS</b>			
Cash deposits and investments	\$ 14,068	\$ 218,522	\$
Prepaid expenses	2,350		
Property taxes receivable	13,693	48,069	
Plant and equipment			
Sewer system		1,104,998	
Office furniture and equipment		749	
Accumulated depreciation		(436,418)	
<b>OTHER DEBITS</b>			
Amount available in Debt Service Fund			16,418
Amount to be provided for retirement of general long-term obligation			30,582
Total assets and other debits	<u>\$ 30,111</u>	<u>\$ 935,920</u>	<u>\$ 47,000</u>
<b>LIABILITIES AND EQUITY</b>			
Accounts payable	\$	\$ 1,465	\$
Deferred property tax revenue	13,693	48,069	
General obligation bonds payable			47,000
Total liabilities	<u>13,693</u>	<u>49,534</u>	<u>47,000</u>
<b>EQUITY</b>			
Contributed capital			
Tap fees		719,427	
Developer		644,352	
Accumulated deficit		(477,393)	
Fund balance			
Reserved for Debt Service	16,418		
Total equity	<u>16,418</u>	<u>886,386</u>	
Total liabilities and equity	<u>\$ 30,111</u>	<u>\$ 935,920</u>	<u>\$ 47,000</u>



<b>Totals</b>	
<b>(Memorandum Only)</b>	
<u>1997</u>	<u>1996</u>
\$ 232,590	\$ 190,452
2,350	2,750
61,762	58,721
1,104,998	1,104,998
749	749
(436,418)	(399,972)
16,418	16,435
<u>30,582</u>	<u>38,565</u>
<u>\$ 1,013,031</u>	<u>\$ 1,012,698</u>
\$ 1,465	\$ 3,477
61,762	58,721
<u>47,000</u>	<u>55,000</u>
<u>110,227</u>	<u>117,198</u>
719,427	719,427
644,352	644,352
(177,393)	(484,714)
<u>16,418</u>	<u>16,435</u>
<u>902,804</u>	<u>895,500</u>
<u>\$ 1,013,031</u>	<u>\$ 1,012,698</u>

The accompanying notes are an integral part of the financial statements.

**FAIRWAYS METROPOLITAN DISTRICT**

**DEBT SERVICE FUND**

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE -**

**BUDGET AND ACTUAL**

**YEAR ENDED DECEMBER 31, 1997**

(with comparative totals for the year ended December 31, 1996)

	<u>Budget</u>	<u>1997 Actual</u>	<u>Variance- Favorable (Unfavorable)</u>	<u>1996 Actual</u>
<b>REVENUE</b>				
Property taxes	\$ 13,500	\$ 13,483	\$ (17)	\$ 14,244
<b>EXPENDITURES</b>				
Principal	8,000	8,000		6,300
Interest	5,500	5,500		8,000
	<u>13,500</u>	<u>13,500</u>		<u>14,300</u>
<b>EXCESS REVENUE OVER (UNDER) EXPENDITURES</b>		(17)	(17)	(56)
<b>FUND BALANCE - BEGINNING OF YEAR</b>		16,435	16,435	16,491
<b>FUND BALANCE - END OF YEAR</b>	\$ -0-	\$ 16,418	\$ 16,418	\$ 16,435

The accompanying notes are an integral part of the financial statements.

## FAIRWAYS METROPOLITAN DISTRICT

## SEWER UTILITY FUND

## STATEMENT OF OPERATIONS AND CHANGES IN ACCUMULATED (DEFICIT)

YEAR ENDED DECEMBER 31, 1997

(with comparative totals for the year ended December 31, 1996)

	<u>1997</u>	<u>1996</u>
<b>OPERATING REVENUE</b>		
Sewer service fees	\$ 39,875	\$ 39,785
<b>OPERATING EXPENSES</b>		
Contract labor	3,300	3,575
Utilities	7,577	7,972
Repairs and maintenance	21,611	15,948
Depreciation	36,446	36,446
Permits and testing	5,646	4,592
	<u>74,580</u>	<u>68,533</u>
Gross (loss) from operations	<u>(34,705)</u>	<u>(28,748)</u>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Administrative services	9,045	10,610
Legal	698	7,600
Directors' fees	975	1,075
Accounting and audit	3,200	3,200
Insurance	3,325	3,635
Office supplies and expenses	1,200	1,787
Other	101	1,596
	<u>18,544</u>	<u>29,503</u>
(LOSS) FROM OPERATIONS	<u>(53,249)</u>	<u>(58,251)</u>
<b>NONOPERATING REVENUE AND (EXPENSE)</b>		
Property taxes	45,214	49,713
Specific ownership taxes	4,946	5,070
Interest income	11,291	8,376
County Treasurer's fees	(881)	(854)
Net nonoperating revenue	<u>60,570</u>	<u>62,305</u>
NET INCOME	7,321	4,054
ACCUMULATED (DEFICIT) - BEGINNING OF YEAR	<u>(484,714)</u>	<u>(488,768)</u>
ACCUMULATED (DEFICIT) - END OF YEAR	<u>\$ (477,393)</u>	<u>\$ (484,714)</u>

The accompanying notes are an integral part of the financial statements.

## FAIRWAYS METROPOLITAN DISTRICT

## SEWER UTILITY FUND

## STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 1997

(with comparative totals for the year ended December 31, 1996)

	<u>1997</u>	<u>1996</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss) from operations	\$ (53,249)	\$ (58,251)
Adjustments to reconcile (loss) from operations to net cash (required) by operating activities		
Depreciation	36,446	36,446
Changes in assets and liabilities related to operations (Decrease) increase in accounts payable	<u>(2,012)</u>	<u>(527)</u>
Total adjustments	<u>34,434</u>	<u>35,919</u>
Net cash (required) by operating activities	<u>(18,815)</u>	<u>(22,332)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Property taxes	45,214	42,733
Specific ownership taxes	4,946	5,070
County Treasurer's fees	<u>(881)</u>	<u>(854)</u>
Net cash provided by noncapital financing activities	<u>49,279</u>	<u>46,949</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	<u>11,291</u>	<u>8,376</u>
Net cash provided by investing activities	<u>11,291</u>	<u>8,376</u>
<b>NET INCREASE IN CASH</b>	41,755	32,993
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>176,767</u>	<u>143,774</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 218,522</u>	<u>\$ 176,767</u>

The accompanying notes are an integral part of the financial statements.

**FAIRWAYS METROPOLITAN DISTRICT****NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 1997

**NOTE 1) DEFINITION OF REPORTING ENTITY**

The District, a quasi-municipal corporation is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Boulder County, Colorado. The District was established to provide water, sanitation, mosquito control, safety protection, street improvements and television relay and translation services. Currently the primary function of the District is to ensure orderly and uniform administration of the sanitation system. All roads are owned and maintained by Boulder County. Water services are provided by the Left Hand Canyon Water District.

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:

**a) Fund Accounting**

The accounts of the District are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. Fund types and account group used by the District are described below.

**Government Fund Types**

**General Fund** - The General Fund is the general operating fund of most metropolitan districts. Fairways Metropolitan District has no general operations except those related to furnishing sanitation services which are accounted for in the Sewer Utility Fund. Consequently, no general fund is presented.

**Debt Service Fund** - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of general obligation street improvement bond principal, interest and related costs.

### **Proprietary Fund Types**

**Enterprise Fund** - The Sewer Utility Fund accounts for 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; or where the District has decided that periodic determination of revenue earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The District has elected to follow Governmental Accounting Standards Board pronouncements. Therefore, statements issued by the Financial Accounting Standards Board after November 30, 1989 are not applied.

### **Account Group**

**General Long-Term Obligation Account Group** - This group of accounts is established to account for all long-term obligations of the District, except those accounted for in the proprietary fund type.

#### **b) Basis of Accounting**

The modified accrual basis of accounting is followed in the governmental fund types. Revenue is recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The major source of revenue which is susceptible to accrual is property tax. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred or the long-term obligation paid.

The accrual basis of accounting is utilized in the proprietary fund type (sewer utility fund). Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for plant and equipment are shown as increases in assets and redemption of long-term debt is recorded as a reduction in liabilities. Contributed assets are recorded as contributed capital when received.

c) **Budgets**

In accordance with the State Budget Law, 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.

Encumbrance accounting (open purchase orders, contracts in process and other commitments for the expenditures of funds in future periods) is not used by the District for budget or financial reporting purposes.

d) **Pooled Cash**

The District follows the practice of pooling cash of all funds. 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.

e) **Cash Equivalents**

For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased, to be cash equivalents.

f) **Plant and Equipment**

Plant and equipment are recorded at cost except for certain sewer assets which have been contributed to the District. The contributed assets are stated at their estimated fair market value at the date of contribution. Depreciation expense has been computed using the straight-line method over estimated useful lives ranging from 5 to 30 years.

g) **Property Taxes**

Property taxes are levied by the District Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayers election, in February and June. Delinquent taxpayers are notified in August and generally sales of the liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred revenue in the year they are levied and measurable. The deferred property tax revenue are recorded as revenue in the year they are available or collected.

**h) Equity - Reserved for Debt Service**

The fund balance in the Debt Service Fund is reserved for future debt service requirements of the general obligation street improvement bonds.

**i) Total (Memorandum Only)**

Total columns on the combined statements are captioned "(Memorandum Only)" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. Data in these columns do not present financial position, in conformity with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

**j) Comparative Data**

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

**NOTE 3) CASH DEPOSITS AND INVESTMENTS**

**Cash Deposits**

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels 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 the aggregate uninsured deposits.

The State Regulatory Commissions for banks and financial services are required by Statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.



At December 31, 1997, the District's cash deposits had a bank balance and a carrying balance as follows:

	<u>Bank Balance</u>	<u>Carrying Balance</u>
Cash with County Treasurer	\$	\$ 375
Insured deposits	48,852	46,456
	<u>\$ 48,852</u>	<u>\$ 46,831</u>

Cash of \$3,100 is considered to be restricted as an Emergency Reserve as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 8).

**Investments**

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

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

Investments in local government investment pools or money market funds are stated at fair value and are not categorized because they are not evidenced by securities that exist in physical or book entry form.

As of December 31, 1997, the District had invested \$185,759 in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. 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 repurchase agreements collateralized by certain obligations of U.S. government agencies. 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. As of December 31, 1997, the District had \$185,759 invested in COLOTRUST PRIME.

**NOTE 4) GENERAL OBLIGATION BONDS PAYABLE**

The following is an analysis of changes in general obligation street improvement bonds payable for the year ended December 31, 1997:

	<u>Balance at January 1, 1997</u>	<u>New Issues</u>	<u>Reduction of Obligations</u>	<u>Balance at December 31, 1997</u>
G.O. Bonds - 1986	\$ 55,000	\$ -0-	\$ 8,000	\$ 47,000

The \$100,000 General Obligation Street Improvement Bonds, as described above, dated July 15, 1986, principal is due annually through 2001 and interest at the rate of 10% is due semiannually. The bonds are callable on any interest payment date at par.

The District's general obligation street improvement bonds mature as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1998	\$ 9,000	\$ 4,700	\$ 13,700
1999	10,000	3,800	13,800
2000	11,000	2,800	13,800
2001	17,000	1,700	18,700
	<u>\$ 47,000</u>	<u>\$ 13,000</u>	<u>\$ 60,000</u>

**NOTE 5) CHANGES IN FUND EQUITY**

The following is an analysis of the changes in fund equity - sewer utility fund for the year ended December 31, 1997:

	<u>Contributed Capital</u>		<u>Accumulated Deficit</u>	<u>Total Fund Equity</u>
	<u>Tap Fees</u>	<u>Developer</u>		
<b>BALANCE - DECEMBER 31, 1996</b>	\$ 719,427	\$ 644,352	\$ (484,714)	\$ 879,065
Net income			7,321	7,321
<b>BALANCE - DECEMBER 31, 1997</b>	<u>\$ 719,427</u>	<u>\$ 644,352</u>	<u>\$ (477,393)</u>	<u>\$ 886,386</u>

**NOTE 6) RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God. The District is one of 176 special districts which are members of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 1996. The Pool is an organization created by intergovernmental agreement to provide property, general and automobile liability, public officials coverage, boiler and machinery, Inland Marine, and money and securities to its members. The Pool provides coverage for property claims up to the values declared and liability

coverage for claims up to \$1,000,000. The Pool is reinsured for 80% of the first \$250,000 of all claims and 100% for claims in excess of \$250,000.

Employment claims related to wrongful termination are shared 50% with the Pool up to \$200,000 (\$100,000 Pool and \$100,000 District). The District is responsible for all claims in excess of \$200,000.

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

A summary of the most recently available audited financial information for the Pool as of and for the year ended December 31, 1996 is as follows:

Assets	<u>\$ 1,689,592</u>
Liabilities	\$ 532,693
Capital and surplus	<u>1,156,899</u>
	<u>\$ 1,689,592</u>
Revenue	\$ 561,594
Underwriting expenses	<u>437,659</u>
Underwriting gain	123,935
Other income	<u>91,800</u>
Net income	<u>\$ 215,735</u>

There is no current or long-term debt outstanding. The above liabilities represent incurred claims and an estimated liability for incurred but not reported claims at December 31, 1996.

#### NOTE 7) RELATED PARTY TRANSACTIONS

The District paid total fees of \$3,700 and \$2,400, respectively, to the Lake Valley Golf Club for maintenance activities for the years ended December 31, 1997 and 1996. A member of the Board of Directors is associated with this company.

#### NOTE 8) 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.

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 will require judicial interpretation.

SUPPLEMENTAL INFORMATION

**FAIRWAYS METROPOLITAN DISTRICT**

**SEWER UTILITY FUND**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN**

**FUNDS AVAILABLE - BUDGET AND ACTUAL**

(BUDGETARY BASIS)

YEAR ENDED DECEMBER 31, 1997

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
<b>REVENUE</b>			
Sewer service fees	\$ 41,160	\$ 39,875	\$ (1,285)
Property taxes	45,221	45,214	(7)
Specific ownership taxes	4,500	4,946	446
Interest income	8,000	11,291	3,291
Other	100	(100)	(100)
	<u>98,981</u>	<u>101,326</u>	<u>2,345</u>
<b>EXPENDITURES</b>			
Contract labor	3,900	3,300	600
Utilities	8,500	7,577	923
Repairs and maintenance	20,100	21,611	(1,511)
Permits and testing	5,000	5,646	(646)
Administrative services	10,320	9,045	1,275
Legal	3,000	698	2,302
Accounting and audit	3,200	3,200	
Insurance	4,000	3,325	675
Office supplies and expense	1,500	1,200	300
Treasurer's fees	881	881	
Other	1,615	101	1,514
Director's fees	1,500	975	525
Contingency	35,465	35,465	(0)
	<u>98,981</u>	<u>57,559</u>	<u>41,422</u>
<b>EXCESS REVENUE OVER EXPENDI- TURES (BUDGETARY BASIS)</b>		43,767	43,767
<b>FUNDS AVAILABLE - BEGINNING OF YEAR</b>	<u>189,733</u>	<u>173,290</u>	<u>(16,443)</u>
<b>FUNDS AVAILABLE - END OF YEAR</b>	<u>\$ 189,733</u>	<u>\$ 217,057</u>	<u>\$ 27,324</u>
Funds available is computed as follows:			
Current assets		\$ 266,591	
Current liabilities		(49,534)	
		<u>\$ 217,057</u>	

**FAIRWAYS METROPOLITAN DISTRICT**  
**SEWER UTILITY FUND**  
**RECONCILIATION OF BUDGETARY BASIS (ACTUAL) TO STATEMENT**  
**OF OPERATIONS**  
**YEAR ENDED DECEMBER 31, 1997**

Revenue (budgetary basis)	<u>\$ 101,326</u>
Total revenue per statement of operations	<u>101,326</u>
Expenditures (budgetary basis)	57,559
Depreciation	<u>36,446</u>
Total expense per statement of operations	<u>94,005</u>
Net income per statement of operations	<u>\$ 7,321</u>

**FAIRWAYS METROPOLITAN DISTRICT**  
**SUMMARY OF ASSESSED VALUATION, MILL LEVY**  
**AND PROPERTY TAXES COLLECTED**  
**DECEMBER 31, 1997**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied			Total Property Taxes		Percent Collected to Levied
		Sewer Utility	Debt Service	Total	Levied	Collected	
1993	\$ 5,948,590	4.653	2.424	7.077	\$ 42,098	\$ 42,086	99.9%
1994	\$ 7,858,860	4.271	1.727	6.299	\$ 49,503	\$ 49,614	100.2%
1995	\$ 10,282,110	4.271	1.362	5.633	\$ 57,919	\$ 57,919	99.9%
1996	\$ 11,634,020	3.671(1)	1.230	4.901	\$ 57,019	\$ 56,965	100.0%
1997	\$ 11,831,750	3.823	1.140	4.963	\$ 58,721	\$ 58,697	100.0%
Estimated for the year ending December 31, 1998	\$ 13,165,920	3.651	1.040	4.691	\$ 61,762		

**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.

(1) Net of a temporary mill levy reduction of 0.600.