

**FRASER VALLEY METROPOLITAN
RECREATION DISTRICT
FRASER, COLORADO**

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

DECEMBER 31, 2016

**FRASER VALLEY METROPOLITAN
RECREATION DISTRICT
FRASER, COLORADO**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Fraser Valley Metropolitan Recreation District
Fraser, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of the Fraser Valley Metropolitan Recreation District (the "District"), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities and each major fund of the Fraser Valley Metropolitan Recreation District, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through iv be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fraser Valley Metropolitan Recreation District's basic primary government financial statements. The budgetary comparison information is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 budgetary comparison information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Watson Coon + Associates P.C.

June 29, 2017
Greenwood Village, Colorado

Fraser Valley Metropolitan Recreation District
Fraser, Colorado
Management's Discussion and Analysis
For the Year Ended December 31, 2016

As management of the Fraser Valley Metropolitan Recreation District, Fraser, Colorado (the "District") we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our annual audited financial statements.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$8,819,491 (net position). Of this amount, \$7,283,130 was invested in capital assets (net of accumulated depreciation and related debt) of the District and may not be used to meet the District's ongoing obligations to citizens and creditors.
- The District's deposit portfolio decreased by \$1,800 during 2016. Overall, the District's total net position decreased by \$24,425.

Overview of the Financial Statements

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

The District's financial statements are comprised of four components: 1) government-wide financial statements, 2) fund financial statements 3) notes to the financial statements and 4) required supplementary information that provides comparisons of budget to actual on the Non-US GAAP (Accounting Principles Generally Accepted in the United States of America) budgetary basis.

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

- Statement of Net Position presents information on all of the District's assets, liabilities and deferred outflows and inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.
- Statement of Activities presents a comparison between direct expenses, general revenues and program revenues for each function of the District's government activities and the different business-like activities. The result represents how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.
- Fund financial statements are designed to provide readers with a broad overview of the general, conservation trust, debt service and golf-course funds.
- Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$8,819,491 at the close of the most recent fiscal year.

A portion of the District's net position, (83%), is invested in capital assets, less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

District Net Position

	Governmental Activities		Business Type Activities		Total Government		
	2016	2015	2016	2015	2016	2015	Variance
Current assets	\$3,104,669	\$3,067,074	\$555,969	\$557,241	\$3,660,638	\$3,624,315	\$36,323
Restricted assets	\$36,829	\$6,175	-	-	\$36,829	\$6,175	\$30,654
Capital assets, net of accumulated depreciation and amortization	\$17,384,843	\$17,808,290	\$6,571,117	\$6,761,519	\$23,955,960	\$24,569,809	\$(613,849)
Total assets	\$20,526,341	\$20,881,539	\$7,127,086	\$7,318,760	\$27,653,427	\$28,200,299	\$(546,872)
Deferred outflows of resources (Deferred charge on refunding)	\$1,918,300	\$2,028,187	-	-	\$1,918,300	\$2,028,187	\$(109,887)
Total liabilities	\$18,377,838	\$19,001,353	\$446,655	\$503,401	\$18,824,493	\$19,504,754	\$(680,261)
Deferred inflows of resources (Deferred property tax revenue)	\$1,927,743	\$1,879,814	-	-	\$1,927,743	\$1,879,814	\$47,929
Net investment in capital assets	\$1,122,136	\$1,045,495	\$6,160,994	\$6,318,084	\$7,283,130	\$7,363,579	\$(80,449)
Restricted	\$161,894	\$117,514	-	-	\$161,894	\$117,514	\$44,380
Unrestricted	\$855,030	\$865,548	\$519,437	\$497,275	\$1,374,467	\$1,362,823	\$11,644
Total net position	\$2,139,060	\$2,028,557	\$6,680,431	\$6,815,359	\$8,819,491	\$8,843,916	\$(24,425)

At the end of the current fiscal year, the District is able to report a positive net position.

Change in the District's Net Position

	Governmental Activities		Business Type Activities		Total Government		
	2016	2015	2016	2015	2016	2015	Variance
User Charges:							
Golf course	\$0	\$0	\$1,887,521	\$1,913,151	\$1,887,521	\$1,913,151	(\$25,630)
Program activities	\$1,166,396	\$1,132,686	\$0	\$0	\$1,166,396	\$1,132,686	\$33,710
Other non-operating revenues	\$72,584	\$190,403	\$445	\$3,108	\$73,029	\$193,511	(\$120,482)
Property and specific ownership taxes	\$1,992,583	\$2,023,747	\$0	\$0	\$1,992,583	\$2,023,747	(\$31,164)
Other	\$46,376	\$67,938	\$7,948	\$6,010	\$54,324	\$73,948	(\$19,624)
Total revenues	<u>\$3,277,939</u>	<u>\$3,414,774</u>	<u>\$1,895,914</u>	<u>\$1,922,269</u>	<u>\$5,173,853</u>	<u>\$5,337,043</u>	<u>(\$163,190)</u>
Expenses:							
Operating	\$2,769,439	\$2,809,260	\$2,030,842	\$2,029,245	\$4,800,281	\$4,838,505	(\$38,224)
Non-operating	\$397,998	\$357,231	\$0	\$0	\$397,998	\$357,231	\$40,767
Total expenses	<u>\$3,167,437</u>	<u>\$3,166,491</u>	<u>\$2,030,842</u>	<u>\$2,029,245</u>	<u>\$5,198,279</u>	<u>\$5,195,736</u>	<u>\$2,543</u>
Change in net position	\$110,502	\$248,283	(\$134,928)	(\$106,976)	(\$24,426)	\$141,307	(\$165,733)
Net position – beginning of year	<u>\$2,028,559</u>	<u>\$1,780,276</u>	<u>\$6,815,359</u>	<u>\$6,922,335</u>	<u>\$8,843,918</u>	<u>\$8,702,611</u>	<u>\$141,307</u>
Net position – end of year	\$2,139,061	\$2,028,559	\$6,680,431	\$6,815,359	\$8,819,492	\$8,843,918	(\$24,425)

Capital Asset and Debt Administration

Capital Assets: The District's investment in capital assets as of December 31, 2016 amounts to \$23,955,960 (net of accumulated depreciation of \$9,573,905). The investment in capital assets includes land, land improvements, buildings, equipment, leasehold improvements and vehicles.

District Capital Assets

	2016	2015	Variance
Land	\$4,488,787	\$4,488,787	\$0
Buildings and Improvements	\$25,560,981	\$25,471,997	\$88,984
Equipment and Vehicles	\$3,472,823	\$3,335,877	\$136,946
Intangibles	\$7,274	\$7,274	\$0
Total Cost:	<u>\$33,529,865</u>	<u>\$33,303,935</u>	<u>\$225,930</u>
Less: Accumulated Depreciation	<u>(\$9,573,905)</u>	<u>(\$8,734,126)</u>	<u>(\$839,779)</u>
Total	<u>\$23,955,960</u>	<u>\$24,569,809</u>	<u>(\$613,849)</u>

Long-term Debt: Changes in long-term obligations as of the year ended December 31, 2016 are as follows:

	Beginning Balance	Additions	Payments	Refunding	Ending Balance
2008 GO Bonds	\$ 850,000	--	\$ (425,000)	--	\$ 425,000
2013 GO Bonds	8,975,000	--	(100,000)	--	8,875,000
2015 GO Bonds	8,590,000	--	(50,000)	--	8,540,000
Premiums	323,472	--	(15,306)	--	308,166
Total	\$ 18,738,472	\$ --	\$ (590,306)	--	\$ 18,148,166

During 2016, the District paid \$607,294 interest on the bonds. Accrued interest at December 31, 2016 was \$48,738.

Board of Directors Emphasis for the 2016 Budget

In developing the budget for the 2017 fiscal year, the state of the economy was considered during budget review as well as capital expenditure needs for the District. The Assigned fund identifies reserves for future capital asset maintenance and replacement needs. The Unassigned fund includes reserves amounts that are available for any purpose. The final budget reflected reserves as follows:

RESERVES	2016 Budget	2016 Forecast	2017 Budget
CONSERVATION TRUST - Capital Reserve	\$32,326	\$36,829	\$64,479
TABOR RESERVES - State Mandate	65,169	65,169	65,169
DEBT SERVICE RESERVE FUND	120,677	119,037	118,899
GENERAL RESERVE FUND (UNASSIGNED)	336,078	336,328	342,481
GENERAL RESERVE FUND - POLE CREEK CAPITAL (ASSIGNED)	422,302	514,245	349,383
GENERAL RESERVE FUND - PARKS & REC CAPITAL (ASSIGNED)	343,151	475,074	348,875
TOTAL RESERVES	\$1,319,703	\$1,546,682	\$1,289,286

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Ann McConnell, Business Manager
Fraser Valley Metropolitan Recreation District
P.O. Box 3348
Winter Park, CO 80482
ann@fraservalleyrec.org

GOVERNMENT-WIDE FINANCIAL STATEMENTS

FRASER VALLEY METROPOLITAN RECREATION DISTRICT
Statement of Net Position
December 31, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 1,543,880	\$ 3,200	\$ 1,547,080
Accounts receivable:			
Property taxes receivable	1,927,743	--	1,927,743
Other taxes	9,085	--	9,085
Trade receivable	17,776	2,809	20,585
Member receivable	0	5,115	5,115
Other receivable	6,686	2,334	9,020
Internal balances	(460,400)	460,400	--
Inventory	7,765	43,497	51,262
Prepaid expenses	52,134	38,614	90,748
Restricted cash	36,829	--	36,829
Capital assets, net of accumulated depreciation of \$9,573,906	17,384,843	6,571,117	23,955,960
Total assets	20,526,341	7,127,086	27,653,427
Deferred outflows of resources:			
Deferred charge on refunding	1,918,300	--	1,918,300
Total deferred outflows of resources	1,918,300	--	1,918,300
Liabilities:			
Accounts payable	48,294	695	48,989
Accrued expenses	21,818	6,301	28,119
Accrued interest payable	48,738	--	48,738
Accrued compensated absence	20,892	12,161	33,053
Tournament deposits	--	--	-
Gift cards	5,822	14,875	20,697
Prepaid membership fees and golf passes	51,267	2,500	53,767
Leases payable:			
Due within one year	6,348	211,641	217,989
Due in more than one year	26,492	198,482	224,974
Bonds payable:			
Due within one year	580,000	--	580,000
Due in more than one year	17,568,167	--	17,568,167
Total liabilities	18,377,838	446,655	18,824,493
Deferred inflows of resources:			
Unavailable property tax revenue	1,927,743	--	1,927,743
Total deferred inflows of resources	1,927,743	--	1,927,743
Net position:			
Net investment in capital assets	1,122,136	6,160,994	7,283,130
Restricted for:			
TABOR	75,000	--	75,000
Debt Service Fund	50,065	--	50,065
Conservation Trust Fund	36,829	--	36,829
Unrestricted	855,030	519,437	1,374,467
Total net position	\$ 2,139,060	\$ 6,680,431	\$ 8,819,491

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

FRASER VALLEY METROPOLITAN RECREATION DISTRICT
Statement of Changes in Net Position
December 31, 2016

December 31, 2016

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Fund raising, Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Governmental activities:						
General recreation	\$ 378,307	\$ 161,612	1,500	\$ (215,195)	--	\$ (215,195)
Parks and facilities	287,312	90,290	6,000	(191,022)	--	(191,022)
Recreation center	1,401,946	914,494	8,308	(479,144)	--	(479,144)
Administration	397,998	--	30,568	(367,430)	--	(367,430)
Debt Service	701,875	--	--	(701,875)	--	(701,875)
Total governmental activities	3,167,438	1,166,396	46,376	(1,954,666)		(1,954,666)
Business activities:						
Golf course	2,030,842	1,887,521	7,948		\$ (135,373)	(135,373)
Total business activities	2,030,842	1,887,521	7,948		(135,373)	(135,373)
Total Primary Government	\$ 5,198,280	\$ 3,053,917	\$ 54,324	(1,954,666)	(135,373)	(2,090,039)
General revenues:						
Taxes				1,992,583	--	1,992,583
Interest				14,096	--	14,096
Grants				58,335	--	58,335
Miscellaneous				153	445	598
Total general revenues				2,065,167	445	2,065,612
Change in net position				110,501	(134,928)	(24,427)
Net position - beginning of year				2,028,559	6,815,359	8,843,918
Net position - end of year				\$ 2,139,060	\$ 6,680,431	\$ 8,819,491

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

FUND FINANCIAL STATEMENTS

FRASER VALLEY METROPOLITAN RECREATION DISTRICT
Balance Sheet
Governmental Funds
December 31, 2016

	General Fund	Debt Service	Conservation Trust Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,543,880	\$ --	\$ --	\$ 1,543,880
Accounts receivable:				
Property taxes receivable	683,500	1,244,243	--	1,927,743
Other taxes	6,165	2,920	--	9,085
Other receivable	24,458	--	--	24,458
Inventory	7,765	--	--	7,765
Prepaid expenses	52,134	--	--	52,134
Restricted cash	--	--	36,829	36,829
Total assets	\$ 2,317,902	\$ 1,247,163	\$ 36,829	\$ 3,601,894
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 48,290	\$ --	\$ --	\$ 48,290
Accrued liabilities	21,818	--	--	21,818
Gift cards	5,822	--	--	5,822
Internal balances	507,545	(47,145)	--	460,400
Prepaid membership fees	51,267	--	--	51,267
Total liabilities	634,742	(47,145)	--	587,597
Deferred inflows of resources:				
Unavailable property tax revenue	683,500	1,244,243	--	1,927,743
Total deferred inflows of resources	683,500	1,244,243	--	1,927,743
Fund balances				
Nonspendable for:				
Prepaid expenses and inventory	\$ 59,899	\$ --	\$ --	\$ 59,899
Restricted for:				
TABOR	75,000	--	--	75,000
Debt Service Fund	--	50,065	--	50,065
Conservation Trust Fund	--	--	36,829	36,829
Assigned for:				
Capital asset management	804,227	--	--	804,227
Unassigned	60,534	--	--	60,534
Total fund balances	999,660	50,065	36,829	1,086,554
Total liabilities, deferred inflows of resources and fund balances	\$ 2,317,902	\$ 1,247,163	\$ 36,829	

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.

17,384,843

Long-term liabilities, including earned benefits payable, accrued interest, leases and bonds payable are not due and payable in the current period and therefore, are not reported in the funds.

(16,332,337)

Net Position of Governmental Activities

\$ 2,139,060

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

FRASER VALLEY METROPOLITAN RECREATION DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the year ended December 31, 2016

	General	Debt Service	Conservation Trust	Totals
Revenues:				
Property taxes	\$ 669,868	\$ 1,205,722	\$ --	\$ 1,875,590
Specific ownership taxes	79,342	37,651	--	116,993
General recreation	161,612	--	--	161,612
Parks & facilities	90,290	--	--	90,290
Recreation center	914,494	--	--	914,494
Fund raising	12,983	--	--	12,983
Grants	61,160	--	--	61,160
Interest	11,977	2,033	86	14,096
Miscellaneous	152	--	--	152
Conservation trust income	--	--	30,568	30,568
Total revenues	2,001,878	1,245,406	30,654	3,277,938
Expenditures:				
General recreation	246,879	--	--	246,879
Parks & facilities	283,248	--	--	283,248
Recreation center	1,023,351	--	--	1,023,351
Administration	282,921	850	--	283,771
Debt Service:				
Bond principal	--	575,000	--	575,000
Bond interest	--	605,274	--	605,274
Bond issuance costs	--	--	--	--
Grant expenditures	11,726	--	--	11,726
Treasurer's fees	33,550	60,389	--	93,939
Capital outlay	122,256	--	--	122,256
Total expenditures	2,003,930	1,241,513	--	3,245,443
Excess (deficiency) of revenues over expenditures	(2,052)	3,893	30,654	32,495
Net change in fund balances	(2,052)	3,893	30,654	32,495
Fund balances - beginning of the year	1,001,712	46,172	6,175	1,054,059
Fund balances - end of the year	\$ 999,660	\$ 50,065	\$ 36,829	\$ 1,086,554

Net Changes in Fund Balance of the Governmental Fund

32,495

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital asset additions and contributed capital assets during the year.

(533,949)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount represents principal payments made during the year and the effect of debt refunding.

708,555

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not recorded as expenditures in governmental funds.

(96,601)

Change in Net Position of Governmental Activities

\$ 110,500

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

FRASER VALLEY METROPOLITAN RECREATION DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances -
General Fund
For the year ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Property taxes	\$ 595,317	666,489	669,868	\$ 3,379
Specific ownership taxes	36,000	73,500	79,342	5,842
General recreation	126,500	136,000	161,612	25,612
Parks and facilities	61,100	76,000	90,290	14,290
Recreation center	935,150	905,500	914,494	8,994
Fundraising	20,000	20,000	12,983	(7,017)
Grants	--	--	61,160	61,160
Transfer to other funds	155,909	--	--	--
Interest	15,150	12,350	11,977	(373)
Miscellaneous	--	0	152	152
Total revenues	1,945,126	1,889,839	2,001,878	112,039
Expenditures:				
General recreation	235,746	251,580	246,879	4,701
Parks and facilities	267,054	278,604	283,248	(4,644)
Recreation center	1,089,587	1,032,980	1,023,351	9,629
Administration	251,537	287,724	282,921	4,803
Grant expenditures	5,500	7,500	11,726	(4,226)
Treasurer's fees	29,828	33,324	33,550	(226)
Capital outlay	97,055	152,200	122,256	29,944
Total expenditures	1,976,307	2,043,912	2,003,930	39,982
Excess of revenues over (under) expenditures	\$ (31,181)	\$ (154,073)	(2,052)	\$ 152,021
Fund balance - beginning of year			<u>1,001,712</u>	
Fund balance - end of year			<u>\$ 999,660</u>	

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

FRASER VALLEY METROPOLITAN RECREATION DISTRICT
Statement of Net Position
Golf Course Fund
December 31, 2016

ASSETS	
Cash and cash equivalents	\$ 3,200
Accounts receivable:	
Trade receivable	2,809
Member receivable	5,115
Other receivable	2,334
Internal balances	460,400
Inventory	43,497
Prepaid expenses	38,614
Capital assets, net of accumulated depreciation of \$4,924,220	6,571,117
Total assets	7,127,086
LIABILITIES AND FUND BALANCES	
Liabilities	
Accounts payable	695
Accrued salaries and wages	6,301
Compensated absence	12,161
Prepaid golf passes	2,500
Gift cards	14,875
Leases payable:	
Current	211,641
Long-term	198,482
Total liabilities	446,655
Net Position	
Net investment in capital assets	6,160,994
Unrestricted	519,437
Total net position	6,680,431
Total liabilities and net position	\$ 7,127,086

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

FRASER VALLEY METROPOLITAN RECREATION DISTRICT
Statement of Revenues, Expenses, and Changes in Net Position
Golf Course Fund
For the year ended December 31, 2016

Operating Revenues:	
Charges for sales and services:	
Merchandise sales	\$ 150,421
Food and beverage sales	584,413
Club rental	18,337
Golf cart rentals	211,902
Driving range	71,693
Green fees	546,074
Season Pass	133,211
Resident ID cards	55,810
Tournament premiums	96,399
Events	6,700
Tee sign revenue	5,875
Grounds maintenance income	6,686
Fund raising	7,948
Total operating revenues	1,895,469
Operating expenses:	
Cost of goods sold:	
Pro shop merchandise and rentals	85,618
Food and beverage	191,530
Payroll and related taxes	845,627
Advertising and marketing	12,511
Contracted services	10,436
Equipment	38,187
Repairs and maintenance	51,780
Turf maintenance and landscaping	5,081
Supplies and parts	165,615
Utilities	93,480
Other operating - general	95,965
Depreciation	435,012
Total operating expenses	2,030,842
Operating loss	(135,373)
Nonoperating revenues:	
Miscellaneous income	445
Gain on disposal of assets	0
Total nonoperating revenues	445
Net loss	(134,928)
Net position - beginning of year	6,815,359
Net position - end of year	\$ 6,680,431

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

FRASER VALLEY METROPOLITAN RECREATION DISTRICT
Statement of Cash Flows
Golf Course Fund
For the year ended December 31, 2016

Cash flows from operating activities:	
Cash received from customers and others	\$ 1,895,914
Cash paid to employees	(855,783)
Cash paid for goods and services	<u>(762,207)</u>
Net cash provided by operating activities	<u>277,924</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(244,612)
Payment on leases	<u>(33,312)</u>
Net cash (used) by capital and related financing activities	<u>(277,924)</u>
Increase in cash and cash equivalents	--
Cash and cash equivalents - beginning	<u>3,200</u>
Cash and cash equivalents - ending	<u><u>\$ 3,200</u></u>
Reconciliation of operating income/(loss) to net cash provided by operating activities:	
Operating loss	\$ (134,928)
Adjustments to reconcile operating loss to net cash provided/(used) by operating activities:	
Depreciation	435,012
(Increase) in accounts receivable	(7,271)
Decrease in prepaid expenses	(11,611)
(Increase) in inventory	1,034
Increase in accounts payable	(18,369)
(Decrease) in accrued salaries and wages	(10,156)
Increase in other liabilities	3,362
Increase in compensated absences	1,730
(Increase) in internal funds	<u>19,121</u>
Total Adjustments	<u>412,852</u>
Net cash provided by operating activities	<u><u>\$ 277,924</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

1. **Summary of significant accounting policies**

Nature of operations

The Fraser Valley Metropolitan Recreation District (the "District") was formed under Colorado statutes as a special district in 1979 to provide recreational programs and facilities to residents and visitors of eastern Grand County, Colorado. The District owns and operates the Pole Creek Golf Club, the Grand Park Community Recreation Center and the Fraser Valley Sports Complex which is also home to the IceBox Ice Rink. The District is governed by a five person elected Board of Directors.

Reporting entity

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governments ("US GAAP"). As required by US GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of such significant policies consistently applied in the preparation of the financial statements.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the Governmental Accounting Standards Board (GASB) Pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets 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 pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

Basis of presentation

Government-wide Statements: The statement of net position and the statement of changes in net position display information about the District. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed by fees charged to external parties.

FRASER VALLEY METROPOLITAN RECREATION DISTRICT
Notes to Financial Statements
December 31, 2016

The statement of changes in net position presents a comparison between direct expenses and program revenues for the different business-type activities of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include 1) fees or charges paid by the recipients for goods or services offered by the program, and 2) grants, contributions and other revenues that are restricted to use in the operational or capital requirements of a specific function or program. Other revenues not directly related to a particular function or program, if any, are reported separately as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental fund, each displayed in a separate column.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund.

The District reports the following major governmental funds:

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

Debt Service Fund – accounts for financial resources that are to be used by property taxes levied for debt payment on general obligation bonds.

Conservation Trust Fund – accounts for financial resources that are to be used for the acquisition, operation, or maintenance of capital assets for recreational use approved by the State of Colorado.

The District reports the following proprietary fund:

Golf Course Fund – accounts for revenues and expenses associated with the District's golf course and clubhouse. This fund includes golf fees, pro shop, turf maintenance and food and beverage services.

Measurement focus, basis of accounting

The government-wide and proprietary 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 the related cash flow. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, including property taxes. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

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 *available* when they are collectible within the

FRASER VALLEY METROPOLITAN RECREATION DISTRICT
Notes to Financial Statements
December 31, 2016

current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. The exceptions to this general rule are that principal and interest on general long-term debt are recognized when due.

Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance

Deposits and investments

The District considers cash and cash equivalents to be cash on hand, demand deposits and unrestricted investments with an original maturity of three months or less to be cash and cash equivalents. The District does not hold any investments as of December 31, 2016.

Receivables

The District considered all receivables collectible as of December 31, 2016.

Property taxes

Property taxes are levied on December 15 of each year, and attach as an enforceable lien on property as of January 1. Taxes are due as of January 1 of the following year and are payable in two equal installments, due February 28 and June 15 if paid in installments, or April 30 with a single payment. Taxes are delinquent as of June 16. If the taxes are not paid within subsequent statutory periods, the property tax lien will be sold at public auction. The County bills and collects the property taxes and remits collections to the District on a monthly basis. The District records an allowance for uncollectible taxes of 1.5% based on historical experience of the accounts. In accordance with US GAAP, the assessed but uncollected property taxes have been recorded as a receivable and as deferred revenue.

Inventory

Inventories are valued at cost using the first-in, first-out (FIFO) method.

Capital assets

The District's policy is to capitalize all capital purchases that are individually greater than \$2,500. Capital purchases with a cost less than \$2,500 are expensed as incurred. The District records capital assets at historical cost. Donated capital assets are valued at their estimated fair value on the date donated. Depreciation is provided in amounts sufficient to relate the cost of depreciable capital assets to operations over the estimated service lives. Depreciation and amortization is provided under the straight-line method, with estimated service lives as follows:

Buildings	10- 40 years
Equipment	5-10 years
Land improvements	40 years
Leasehold improvements	10 years
Vehicles	5-10 years

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position 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 that applies to a future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category, the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position 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 that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported in the governmental funds Balance Sheet and Statement of Net Position. The governmental funds report unavailable revenue only from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Compensated absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid, accumulated vacation leave balances. The liability has been calculated based on the District's policy to permit employees to carry over up to 80 hours from year to year with management approval.

Long-term obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums are deferred and amortized over the life of the bonds.

Fund equity

The District follows GASB Statement 54 – *Fund Balance Reporting and Governmental Fund Type Definitions*, which provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. In the fund financial statements, the District considered all restricted and unrestricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. The District considers all committed, assigned, or unassigned amounts to have been spent when expenditure is incurred for the purposes for which amounts in any of those unrestricted fund balance classifications could be used.

The non-spendable fund balance in the General Fund in the amount of \$59,899 represents prepaid expenditures and inventory.

FRASER VALLEY METROPOLITAN RECREATION DISTRICT
Notes to Financial Statements
December 31, 2016

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$75,000 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of \$50,065 is restricted for the repayment of debt.

The restricted fund balance in the Conservation Trust Fund in the amount of \$36,829 is restricted for the payment of capital assets or improvements in accordance with State requirements.

The assigned fund balance was authorized by the Board of Directors of the District to reserve funds for future capital asset maintenance and replacement in the amount of \$804,227.

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

It is the District's policy to use restricted resources first when expenditure is incurred for purposes for which more than one classification is available.

Net position

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District reports three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the District will use the most restricted net position first.

Internal balances

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are reported in the funds as "internal balances". These amounts are eliminated in the Statement of Net Position.

Fair value of financial instruments

The District's financial instruments include cash and cash equivalents, accounts receivable, inventory, prepaid expenses, accrued liabilities, and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2016 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Stewardship, compliance and accountability

Budgetary information

Budgets are adopted on a US GAAP basis for the governmental funds. The budget for the proprietary fund is adopted on a non-GAAP basis where depreciation and gain on disposal of assets are not budgeted and capital outlay is budgeted. State law requires the District to adopt annual appropriated budgets for all funds.

The District conforms to the following procedures, in compliance with Colorado Revised Statutes, in establishing the budgetary data reflected in the financial statements: On or before October 15, of each year the District's accountant submits to the Board of Directors a recommended budget which detailed the necessary property taxes needed along with other available revenues to meet the District's operating requirements.

After a required publication of "Notice of Proposed Budget" and a public hearing, the District adopted the proposed budget and an appropriating resolution, which legally appropriated expenditures for the upcoming year.

In 2016, the general fund was over expended by \$2,052. This difference was covered by available funds.

After adoption of the budget resolution, the District may make the following changes: (a) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; (b) it may approve supplemental appropriations to the extent of revenues in excess of the estimated revenues in the budget; (c) it may approve emergency appropriations; and (d) it may approve the reduction of appropriations for which originally estimated revenues are insufficient. The budget is only amended in conformity with Colorado Revised Statutes that allows the District to amend the budget and adopt a supplementary appropriation if money for a specific purpose, other than ad valorem taxes, becomes available to meet a contingency.

TABOR Amendment - Revenue and Spending Limitation Amendment

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

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year general revenues (excluding bonded debt service) for the fiscal year ended December 31, 2016.

The District's management believes it is in compliance with the provisions of TABOR, as it is currently understood. However, TABOR is complex and subject to interpretation. Many of the provisions may not become fully understood without judicial review.

2. Detailed notes

Deposits - custodial credit risk

The Colorado Public Deposit Protection Act ("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 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 is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be equal to 102% of the aggregate uninsured deposits.

As of December 31, 2016, all of the District's deposits were either insured by the Federal Deposit Insurance Corporation or held in eligible public depositories as required by PDPA.

At December 31, 2016 the District's deposit portfolio consisted of the following:

Cash and cash equivalents	
Checking	\$ 76,977
Money market	1,465,678
Cash on hand - Golf Course	\$3,200
Cash on hand	1,225
	<u>\$ 1,547,080</u>
 Restricted money market	 <u>\$ 36,829</u>

FRASER VALLEY METROPOLITAN RECREATION DISTRICT
Notes to Financial Statements
December 31, 2016

Deposits – credit risk

The District money markets accounts are with Centennial Bank, and are unrated.

Capital assets

The following schedule shows changes in capital assets, by category for the year ended December 31, 2016:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
<u>Governmental Activities:</u>					
Not being depreciated:					
Land	\$ 3,553,505	\$ --	\$ --	\$ --	\$ 3,553,505
Total not being depreciated	3,553,505	--	--	--	3,553,505
Being depreciated:					
Building and improvements	16,936,815	8,694	--	--	16,945,509
Vehicles and equipment	1,436,593	101,809	(40,500)	30,341	1,528,243
Intangibles	7,274	-	--	--	7,274
Total being depreciated	18,380,682	110,503	(40,500)	30,341	18,481,026
Less accumulated depreciation and amortization	(4,125,897)	(533,948)	40,500	(30,341)	(4,649,686)
Net capital assets – Governmental Activities	\$ 17,808,290	\$ (423,445)	--	--	\$ 17,384,845
	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
<u>Business-type Activities:</u>					
Not being depreciated:					
Land	\$ 935,282	\$ --	\$ --	\$ --	\$ 935,282
Total not being depreciated	935,282	--	--	--	935,282
Being depreciated:					
Building and improvements	8,535,182	80,290	--	--	8,615,472
Vehicles and equipment	1,899,284	164,318	(88,681)	(30,341)	1,944,580
Total being depreciated	10,434,466	244,608	(88,681)	(30,341)	10,560,052
Less accumulated depreciation and amortization	(4,608,229)	(435,012)	88,681	30,341	(4,924,219)
Net capital assets – Business-type Activities	\$ 6,761,519	\$ (190,404)	\$ --	--	\$ 6,571,117
Net capital assets	\$ 24,569,809	\$ (613,849)	\$ --	--	\$ 23,955,960

FRASER VALLEY METROPOLITAN RECREATION DISTRICT
Notes to Financial Statements
December 31, 2016

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:		
General recreation	\$	9,171
Parks and facilities		137,619
Recreation center		378,595
Administration		8,563
Total depreciation expense – Governmental activities	\$	<u>533,948</u>
Business-type activities:		
Golf Course	\$	<u>435,012</u>
Total depreciation expense – Business-type activities	\$	<u>435,012</u>

As of December 31, 2016, the District had capital assets under a capital leases in the Governmental activities and Business-type activities in the original amount of \$92,050 and \$1,022,403, respectively, with accumulated depreciation of \$53,743 and \$551,919, respectively.

Capital lease payable

The following represents the changes in capital lease payable for the year ended December 31, 2016:

	Beginning Balance	Additions	Payments/ Retirements	Ending Balance
Governmental activities:				
Equipment lease	\$ 13,499	\$ -	\$ (13,499)	\$ --
Mini Bus	39,009	-	(6,170)	32,839
Total lease payable- Governmental activities	\$ 52,508	\$ -	\$ (19,669)	\$ 32,839
Business-type activities:				
Golf Cart 2013	\$ 156,406	\$ -	\$ (76,933)	\$ 79,473
Equipment lease	65,548	-	(32,242)	33,306
Equipment lease	15,907	-	(5,105)	10,802
Equipment lease	75,863	-	(24,347)	51,516
Equipment lease	21,658	-	(6,951)	14,707
2015 Chevy Silverado	40,471	-	(8,228)	32,243
Toro Turn	67,582	-	(15,635)	51,947
Toro Turf Equipment #12055	-	149,198	(29,902)	119,296
Toro Turf Equipment #12056	-	15,120	(3,030)	12,090
Total lease payable - Business-type activities	\$ 443,435	\$ 164,318	\$ (202,374)	\$ 405,380

FRASER VALLEY METROPOLITAN RECREATION DISTRICT
Notes to Financial Statements
December 31, 2016

In March 2012, the District entered into a lease agreement for maintenance equipment for Parks and Facilities. The lease requires payments in the amount of \$831 per month with interest accruing at 6.05%.

In May 2014, the District entered into a lease agreement for a Mini Bus for the Recreation Center. The lease term is for 85 months with payments of \$600 and interest accruing at 2.85%.

In April 2013, the District entered into a lease agreement for 100 electric golf carts. The lease requires payments in the amount of \$26,997 during the months of June, July and August with the final payment due June 2018. During the remaining months of the year, interest accrues on the lease at 3.25% and is added to the outstanding balance of the lease.

In March 2013, the District entered into a lease agreement for turf maintenance equipment. The lease requires payments in the amount of \$11,437 during the months of June through August with the final payment due August 2017. Interest accrues on the lease at 3.25%.

In January 2014, the District entered into three lease agreements for turf maintenance equipment. The leases require payments in the amounts of \$1,898, \$9,052, and \$2,584 during the months of June through August with a term of 56 months. Interest accrues on the leases at 3.75%.

In April 2015 the District entered into a lease for a Chevy Silverado. The lease term is 60 months. The District will make monthly payments of \$912, Interest is not stated, but is implicitly 7.375%.

In February 2015 the District entered into a lease for a Toro Workman, Toro Greensmaster & Toro Sand Pro 3040 bunker rake. The lease term began March 2, 2015 and ends on September 1, 2019. Seasonal monthly payments of \$3,157 are due each April, May, June, July, August, and September. Interest accrues at 5.7%.

In April 2016 the District entered into a lease for a Club Car Carryall. The lease term began April 1, 2016 and ends October 1, 2020. Seasonal monthly payments of \$548 are due each April, May, June, July, August, and September. Interest accrues at 3.750% .

Future minimum capital lease payments

Governmental activities:

		Principal		Interest		Total
2017	\$	6,348	\$	852	\$	7,200
2018		6,530		670		7,200
2019		6,719		481		7,200
2020		6,913		287		7,200
2021		6,330		70		6,400
Total	\$	32,840	\$	2,360	\$	35,200

FRASER VALLEY METROPOLITAN RECREATION DISTRICT
Notes to Financial Statements
December 31, 2016

Business-type activities:

	Principal	Interest	Total
2017	\$ 206,897	\$ 14,646	\$ 221,543
2018	98,276	7,966	106,242
2019	61,897	3,741	65,638
2020	38,305	1,099	39,404
2021	--	--	--
Total	\$ 405,375	\$ 27,452	\$ 432,827

Long-term debt

The District issued General Obligation bonds in February 2008 in the amount of \$19,500,000 at an interest rate ranging from 3.5% to 5.375% and at a premium of \$735,261. The Series 2008 Bonds are subject to mandatory sinking fund redemption requirements beginning December 1, 2022. Interest on the Bonds is payable semi-annually on June 1 and December 1 beginning June 1, 2008. The 2008 bonds were partially refinanced by the 2015 refunding bonds – see note below.

During 2013, the District issued General Obligation Refunding Bonds in the amount of \$9,375,000 at an interest rate ranging from 2.0% to 3.125% and at a premium of \$44,524. The proceeds were used to advance refund \$7,540,000 of outstanding Series 2008 Bonds which had interest rates ranging from 3.5% to 5.375%. The net proceeds of \$9,294,197 (after payment of \$125,327 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, a portion of the Series 2008 Bonds are considered defeased and the liability for those bonds has been removed from the Statement of Net Position.

The reacquisition price exceeded the net carrying amount of the old debt by \$1,495,277. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. The government advance refunded a portion of the Series 2008 Bonds to reduce its total debt service payments by \$578,519 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$454,615.

During 2015, the District issued General Obligation Refunding Bonds in the amount of \$8,780,000 at an interest rate ranging from 2.0% to 4% and at a premium of \$293,661. The proceeds were used to advance refund \$8,050,000 of outstanding Series 2008 Bonds which had interest rates ranging from 3.5% to 5.375%. The net proceeds of \$9,141,332 (after payment of \$141,798 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, a portion of the Series 2008 Bonds are considered defeased and the liability for those bonds has been removed from the Statement of Net Position.

The reacquisition price exceeded the net carrying amount of the old debt by \$768,960. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt.

FRASER VALLEY METROPOLITAN RECREATION DISTRICT
Notes to Financial Statements
December 31, 2016

The government advance refunded a portion of the Series 2008 Bonds to reduce its total debt service payments by \$1,127,180 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$755,878.

Changes in long-term obligations as of the year ended December 31, 2016 are as follows:

	Beginning Balance	Additions	Payments	Refunding	Ending Balance
2008 GO Bonds	\$ 850,000	\$ --	\$ (425,000)	--	\$ 425,000
2013 GO Bonds	8,975,000	--	(100,000)	--	8,875,000
2015 GO Bonds	8,590,000	--	(50,000)	--	8,540,000
Premiums	323,472	--	(15,306)	--	308,166
Total	<u>\$ 18,738,472</u>	<u>\$ --</u>	<u>\$ (590,306)</u>	<u>--</u>	<u>\$ 18,148,166</u>

During 2016, the District paid \$607,294 interest on the bonds. Accrued interest at December 31, 2016 was \$48,738.

The District's annual debt service requirements to maturity are as follows:

	Principal	Interest	Total
2017	\$ 580,000	\$ 584,845	\$ 1,164,845
2018	655,000	560,225	1,215,225
2019	665,000	542,095	1,207,095
2020	655,000	522,769	1,177,769
2021	675,000	503,669	1,178,669
2022-2026	3,815,000	2,161,400	5,976,400
2027-2031	4,375,000	1,563,001	5,938,001
2032-2036	5,245,000	792,806	6,037,806
2037	1,175,000	41,125	1,216,125
	<u>\$ 17,840,000</u>	<u>\$ 7,271,935</u>	<u>\$ 25,111,935</u>

Debt Authorization

In 2007, a majority of the qualified electors of the District who voted in the election authorized the issuance of indebtedness of \$19,500,000 for capital projects.

3. Other information

Risk management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In order to manage these risks, the District has purchased commercial insurance with various deductibles. Settled claims have not exceeded the District's coverage limits in any of the past three years.

Operating leases

In November 2009, the District entered into a lease for office equipment with an initial term of 60 months. The lease was renewed in December 2015 for an additional 60 months and monthly payments of \$1,045. During 2016, total rent expense incurred on the office equipment lease was \$12,625.

5. Commitments and contingencies

There were no commitments or contingencies as of December 31, 2016.

6. Post-Retirement Benefits

Defined contribution plan

The District provides pension benefits for all of the District's employees through a defined contribution plan administered by the Colorado County Officials and Employees Retirement Association. Under a defined contribution plan, benefits depend solely on the amounts contributed to the plan plus investment earnings. All employees are required to participate in the plan. Under the plan the District contributes 3.75% of each covered employee's compensation.

Under the plan, the employees are fully vested in the District's contribution plus any applicable investment earnings upon entry into the plan. During 2016, the District contributed \$65,252 to the plan.

7. Reconciliation of government-wide and fund financial statements

Explanation of differences between the Governmental Funds Balance Sheet and the Government-wide Statement of Net Position

The Governmental Funds Balance Sheet and the government-wide Statement of Net Position includes a reconciling column. Explanation of the adjustments included in the reconciling column is as follows:

Capital assets of \$22,034,530 less accumulated depreciation of \$4,649,687 or a net book value of \$17,384,843 are not financial resources and therefore are not reported in the governmental funds.

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in

FRASER VALLEY METROPOLITAN RECREATION DISTRICT
Notes to Financial Statements
December 31, 2016

the funds.

Deferred charge on refunding	\$ (1,918,300)
Accrued compensated absences	20,892
Accrued interest payable	48,738
Leases payable: Due within one year	6,348
Leases payable: Due in more than one year	26,492
Bonds payable: Due within one year	580,000
Bonds payable: Due in more than one year	17,568,167
Net adjustment	\$ <u>16,332,337</u>

Explanation of differences between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities

Governmental funds report capital outlay as expenditures. However, in the Statement of changes in Net Position, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Depreciation expense	\$ (628,530)
Capital outlay	113,886
Net adjustment	\$ <u>(514,644)</u>

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Bond principal payments	\$ 575,000
Capital lease payments	19,669
	\$ <u>594,669</u>

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not recorded as expenditures in governmental funds.

Accrued interest expense	\$ 2,020
	\$ <u>2,020</u>

OTHER SUPPLEMENTARY INFORMATION

FRASER VALLEY METROPOLITAN RECREATION DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual
Debt Service Fund
For the year ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Property taxes	\$ 1,210,824	\$ 1,210,824	\$ 1,205,722	\$ (5,102)
Specific ownership taxes	35,000	35,000	37,651	2,651
Interest	1,500	1,500	2,033	533
Total revenues	1,247,324	1,247,324	1,245,406	(1,918)
Expenditures/expenses:				
Administration	600	600	850	(250)
Bond principal	575,000	575,000	575,000	--
Bond interest	609,094	609,094	605,274	3,820
Bond issuance costs			-	--
Treasurer's fees	60,665	60,665	60,389	276
Total expenditures/expenses	1,245,359	1,245,359	1,241,513	3,846
Excess (deficiency) of revenues over expenditures	1,965	1,965	3,893	1,928
Other Financing Sources (Uses):				
Refunding bonds issued	--	--	-	--
Payment to refunded bond escrow agent	--	--	-	--
Total other financing sources (uses)	--	--	-	-
Net change in fund balances	\$ 1,965	\$ 1,965	3,893	\$ 1,928
Fund balance - beginning of year			46,172	
Fund balance - end of year			\$ 50,065	

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

FRASER VALLEY METROPOLITAN RECREATION DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual
Conservation Trust Fund
For the year ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Conservation trust income	\$ 26,000	\$ 26,000	\$ 30,568	\$ 4,568
Interest income	150	150	86	(64)
Total revenues	26,150	26,150	30,654	4,504
Expenditures/expenses:				
Capital outlay	\$ -	\$ -	\$ -	\$ -
Transfers to other funds	--	--	--	--
Total expenditures/expenses	--	--	--	--
Excess of revenues over expenditures	\$ 26,150	\$ 26,150	30,654	\$ (4,504)
Fund balance - beginning of year			6,175	
Fund balance - end of year			\$ 36,829	

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

FRASER VALLEY METROPOLITAN RECREATION DISTRICT
Schedule of Revenues, Expenses, and Changes in Fund Net Position -
Budget (non-US GAAP Basis) to Actual
Golf Course Fund
For the year ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Operating Revenues:				
Charges for sales and services:				
Merchandise sales	\$ 152,000	\$ 152,000	\$ 150,421	\$ (1,579)
Food and beverage sales	560,500	560,500	584,413	23,913
Club rental	16,500	16,500	18,337	1,837
Golf cart rentals	208,000	208,000	211,902	3,902
Driving range	68,000	68,000	71,693	3,693
Green fees	527,000	527,000	546,074	19,074
Season Pass	110,000	110,000	133,211	23,211
Resident ID cards	58,000	58,000	55,810	(2,190)
Tournament premiums	103,000	103,000	96,399	(6,601)
Events	8,000	8,000	6,700	(1,300)
Tee sign revenue	6,000	6,000	5,875	(125)
Grounds maintenance income	5,500	5,500	6,686	1,186
Fund raising	--	--	7,948	7,948
Total operating revenues	1,822,500	1,822,500	1,895,469	72,969
Operating expenses:				
Cost of goods sold:				
Pro shop merchandise and rentals	90,000	90,000	85,618	4,382
Food and beverage	170,400	170,400	191,530	(21,130)
Payroll and related taxes	861,507	861,507	845,627	15,880
Advertising and marketing	17,500	17,500	12,511	4,989
Contracted services	12,500	12,500	10,436	2,064
Equipment	91,900	91,900	38,187	53,713
Repairs and maintenance	49,500	49,500	51,780	(2,280)
Turf maintenance and landscaping	5,000	5,000	5,081	(81)
Supplies and parts	165,650	165,650	165,615	35
Utilities	62,675	62,675	93,480	(30,805)
Other operating - general	102,039	102,039	95,965	6,074
Capital outlay	236,000	236,000	244,610	(8,610)
Total operating expenses	1,864,671	1,864,671	1,840,440	24,231
Operating income	(42,171)	(42,171)	55,029	97,200
Nonoperating revenues (expenses):				
Miscellaneous income	--	--	445	445
Total nonoperating revenues	--	--	445	445
Net income/(loss)	\$ (42,171)	\$ (42,171)	55,474	\$ 97,645
Reconciliation to GAAP Basis				
Capital outlay			(244,610)	
Depreciation			435,012	
Gain on disposal of assets			-	
Total reconciliation to GAAP Basis			190,402	
Net income/(loss) on GAAP Basis			(134,928)	
Net position - beginning of year			6,815,359	
Net position - end of year			\$ 6,680,431	

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