

**CHATFIELD GREEN  
METROPOLITAN DISTRICT**

**FINANCIAL STATEMENTS  
and  
SUPPLEMENTAL INFORMATION**

**DECEMBER 31, 1996**

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



# CHATFIELD GREEN METROPOLITAN DISTRICT

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**INDEPENDENT AUDITOR'S REPORT**

**Board of Directors  
Chatfield Green Metropolitan District  
Jefferson County, Colorado**

We have audited the accompanying general purpose financial statements of Chatfield Green Metropolitan District as of and for the year ended December 31, 1996, as listed in the foregoing Table of Contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose 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 the Chatfield Green Metropolitan District at December 31, 1996 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

The District has not yet established a revenue base sufficient to pay the debt service expenditures. As discussed in Note 7, the District is dependent upon the Developer of the District's service area to provide funds for such expenditures.

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 is not a required part of the general purpose financial statements of Chatfield Green 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.*

August 29, 1997, except for Note 10 as  
to which the date is December 22, 1997



## FINANCIAL STATEMENTS

**CHATFIELD GREEN METROPOLITAN DISTRICT**

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

**DECEMBER 31, 1996**

<u>ASSETS</u>	<u>Governmental Fund Types</u>	
	<u>General Fund</u>	<u>Capital Projects Fund</u>
<b>CURRENT ASSETS</b>		
Investments	\$ 11,835	\$ 884
Receivable - Developer		6,825
Property taxes receivable	8,041	
<b>PROPERTY</b>		
Total assets	<u>\$ 19,876</u>	<u>\$ 7,709</u>
 <u>LIABILITIES AND EQUITY</u>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 3,379	\$ 384
Deferred property tax revenue	8,041	
Total liabilities	<u>11,420</u>	<u>384</u>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>EQUITY</b>		
Investment in general fixed assets		
Fund balance		
Reserved	4,800	
Unreserved and undesignated	3,656	7,325
Total fund equity	<u>8,456</u>	<u>7,325</u>
Total liabilities and fund equity	<u>\$ 19,876</u>	<u>\$ 7,709</u>



<u>Account Groups</u>		<u>Total</u>
<u>General</u>	<u>General</u>	<u>(Memoran-</u>
<u>Fixed</u>	<u>Long-Term</u>	<u>dum Only)</u>
<u>Assets</u>	<u>Debt</u>	<u>1996</u>
\$	\$	\$ 12,719
		6,825
		8,041
57,529		57,529
<u>\$ 57,529</u>	<u>\$ -0-</u>	<u>\$ 85,114</u>
\$	\$	\$ 3,763
		8,041
		11,804
57,529		57,529
		4,800
		10,981
57,529		73,310
<u>\$ 57,529</u>	<u>\$ -0-</u>	<u>\$ 85,114</u>

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

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# CHATFIELD GREEN METROPOLITAN DISTRICT

## COMBINED STATEMENT OF REVENUE, EXPENDITURES AND CHANGES

### IN FUND BALANCE

#### ALL GOVERNMENTAL FUND TYPES

YEAR ENDED DECEMBER 31, 1996

	<u>Governmental Fund Types</u>		<u>Total (Memoran- dum Only) 1996</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	
<b>REVENUE</b>			
Property taxes	\$ 8,041	\$	\$ 8,041
Specific ownership taxes	782		782
Interest	721		721
Total revenue	<u>9,544</u>		<u>9,544</u>
<b>EXPENDITURES</b>			
Engineering		61,097	61,097
Easements		38,943	38,943
Legal	14,126	6,432	20,558
Administration	10,925		10,925
Directors' fees	2,525		2,525
Insurance	2,339		2,339
Election expense	585		585
Office supplies	382		382
Payroll taxes	214		214
County Treasurer's fees	120		120
Accounting	75		75
Total expenditures	<u>31,291</u>	<u>106,472</u>	<u>137,763</u>
<b>EXCESS OF REVENUE (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	<u>(21,747)</u>	<u>(106,472)</u>	<u>(128,219)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in (out)	(884)	884	
Developer advance/contribution	<u>23,794</u>	<u>126,010</u>	<u>149,804</u>
Total other financing sources	<u>22,910</u>	<u>126,894</u>	<u>149,804</u>
<b>EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES</b>	1,163	20,422	21,585
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>7,293</u>	<u>(13,097)</u>	<u>(5,804)</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 8,456</u>	<u>\$ 7,325</u>	<u>\$ 15,781</u>

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

**CHATFIELD GREEN METROPOLITAN DISTRICT**  
**COMBINED STATEMENT OF REVENUE, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE**  
**ACTUAL AND BUDGET**  
**ALL GOVERNMENTAL FUND TYPES**  
**YEAR ENDED DECEMBER 31, 1996**

	<u>General Fund</u>		<u>Variance- Favorable (Unfavorable)</u>
	<u>Actual</u>	<u>Budget</u>	
<b>REVENUE</b>			
Property taxes	\$ 8,041	\$ 8,041	\$
Specific ownership taxes	782	500	282
Interest	721	200	521
Developer advance/contribution	23,794	36,007	(12,213)
Bond proceeds			
Operating transfer in			
Total revenue	<u>33,338</u>	<u>44,748</u>	<u>(11,410)</u>
<b>EXPENDITURES</b>			
Administration	10,925	15,000	4,075
Accounting	75	2,000	1,925
Directors' fees	2,525	1,500	(1,025)
Election expense	585	2,200	1,615
Insurance	2,339	5,000	2,661
Legal	14,126	15,000	874
Office supplies	382	1,000	618
Payroll taxes	214	125	(89)
County Treasurer's fees	120	125	5
Operating transfer out	884		(884)
Engineering		1,500	1,500
Easements			
Contingency			
Construction			
Total expenditures	<u>32,175</u>	<u>43,450</u>	<u>11,275</u>
<b>EXCESS REVENUE OVER (UNDER) EXPENDITURES</b>	1,163	1,298	(135)
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>7,293</u>	<u></u>	<u>7,293</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 8,456</u>	<u>\$ 1,298</u>	<u>\$ 7,158</u>

<b>Capital Projects Fund</b>		
<b><u>Actual</u></b>	<b><u>Budget</u></b>	<b><u>Variance- Favorable (Unfavorable)</u></b>
\$	\$	\$
126,010	640,000	(513,990)
884	4,310,000	(4,310,000)
<u>126,894</u>	<u>4,950,000</u>	<u>884</u> <u>(4,823,106)</u>
	85,000	85,000
6,432	15,000	8,568
61,097	90,000	28,903
38,943	200,000	161,057
	871,000	871,000
	<u>3,689,000</u>	<u>3,689,000</u>
<u>106,472</u>	<u>4,950,000</u>	<u>4,843,528</u>
20,422		20,422
<u>(13,097)</u>		<u>(13,097)</u>
<u>\$ 7,325</u>	<u>\$ -0-</u>	<u>\$ 7,325</u>

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

# CHATFIELD GREEN METROPOLITAN DISTRICT

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1996

### NOTE 1) DEFINITION OF REPORTING ENTITY

Chatfield Green Metropolitan District (District) is a quasi-municipal corporation, organized by District Court Order dated January 24, 1994, governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Jefferson County, Colorado and entirely within the City of Littleton (City). The District was established to finance the construction of water, irrigation, sanitary sewer and drainage systems, street and safety protection improvements and streetscape, as well as operation and maintenance of streetscaping.

The service plan approved by the City of Littleton for the District restricts the District as follows:

- The District shall not levy a property tax mill rate greater than 60 mills
- Bond proceeds may not be used for operations and maintenance
- Bonds to be issued are limited to \$4.5 million with a repayment period not to exceed 30 years from issuance
- No fees, rates, tolls, penalties or charges for debt service may be imposed until 40 single family residences have been certified for occupancy by the City. The District may charge a development fee not to exceed \$3,000 to be adjusted from 1993 dollars for debt service
- Limited sewer service to 854 single family equivalent taps
- Initiate dissolution of the District at such time as debt is repaid

The District has been in an organizational and set up phase through 1996 with limited activity since formation (see Note 7).

The District is entirely dependent on the only major property owner and developer (First City Realty Investment Corporation) to provide cash for operations, capital projects and debt service.

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 groups used by the District are described below.

#### **Governmental Fund Types**

**General Fund** - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in other funds.

**Capital Projects Fund** - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

#### **Account Groups**

**General Fixed Assets Account Group** - This group of accounts is established to account for recorded fixed assets of the District.

**General Long-Term Debt Account Group** - This group of accounts is established to account for all long-term obligations of the District.

### **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 sources of revenue which are susceptible to accrual are property taxes. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation paid.

**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 amended upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting. The Debt Service Fund had appropriations totaling \$4,510,000; however, the District did not issue bonds and therefore did not utilize the Debt Service Fund in 1996.

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) Property**

**General Fixed Asset Account Group**

Property is stated at cost except for those assets contributed which are stated at estimated fair market value at the date of contribution or at the developer's cost. No depreciation is provided on general fixed assets.

**e) Property Taxes**

Property taxes are levied by the District's 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 tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property tax credits result from the adjustments by the County to the taxpayers valuation after the taxes have been paid and remitted to the District. The credits are eliminated in the subsequent year as taxes are withheld from distribution 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.



**f) Fund Equity**

**Fund Balance**

The fund balances have been reserved for that portion of the fund balance that is legally segregated or is not subject to future appropriation. Designations of unreserved fund balances indicate management's intention for future utilization of such funds and are subject to change by management.

The District considers all unreserved fund balances to be "reserves" for future operations or capital replacement as defined within Article X, Section 20 of the Constitution of the State of Colorado (see Note 9).

**Reserved Fund Balance**

Article X, Section 20 of the Constitution of the State of Colorado requires the District to establish Emergency Reserves (see Note 9). \$4,800 of the fund balance has been reserved in compliance with this requirement.

**g) Totals (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 or results of operations, in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTE 3) CASH DEPOSITS AND INVESTMENTS**

**Deposits**

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

The District had no cash deposits during 1996 since COLOTRUST has check clearing services.

## 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 mutual funds
- Guaranteed investment contracts
- Local government investment pools

The District's investments at December 31, 1996 consisted of the following:

	<u>Market Value</u>	<u>Carrying Value</u>
Pooled Investment Trust (COLOTRUST)	<u>\$ 12,649</u>	<u>\$ 12,649</u>

As of December 31, 1996, the District had invested 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, 1996, the District had \$12,649 invested in the COLOTRUST PRIME.

The District had no other investments during 1996.

## NOTE 4) PROPERTY

An analysis of the changes in property for the year ended December 31, 1996 follows:

	<u>Balance at January 1, 1996</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at December 31, 1996</u>
Engineering design and legal	<u>\$ -0-</u>	<u>\$ 57,529</u>	<u>\$ -0-</u>	<u>\$ 57,529</u>

The District's Service Plan requires the transfer of water lines and assets, when completed, to be transferred to the Denver Water Board under the City's total service contract. Sanitation lines and assets are to be transferred when completed to Ken-Caryl Water and Sanitation District. Acquired easements are for the benefit and ownership of these two utilities. Streets are to be transferred to the City for perpetual maintenance and ownership. Design and construction in process are recorded until the assets are transferred.

Upon final acceptance of the improvements, the District will remove the costs from its General Fixed Asset Account Group.

#### **NOTE 5) LONG-TERM OBLIGATION**

##### **Authorized Debt**

On November 2, 1993, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$4,500,000 for the following purposes at an interest rate not to exceed 15 % per annum.

Sanitary sewer and drainage	\$ 1,935,000
Water	1,485,000
Streets and streetscape	1,000,000
Safety protection	80,000
	<u>\$ 4,500,000</u>

No debt had been issued under this authorization through December 31, 1996.

#### **NOTE 6) COMMITMENTS**

##### **Ken-Caryl Ranch Water and Sanitation District - Intergovernmental Agreement**

The land comprising the District has also been included in the Ken-Caryl Ranch Water and Sanitation District (Ken-Caryl) on April 18, 1996. The agreement requires the District to construct and acquire various facilities and improvements for sanitary sewer service which shall be conveyed to Ken-Caryl at such time as Ken-Caryl shall require. Upon acceptance, Ken-Caryl will maintain and operate all sewer facilities and improvements.

#### **NOTE 7) RELATED PARTY TRANSACTIONS**

One of the members of the Board of Directors of the District is an officer of the developer within the District. Through 1996, the Developer was First City Realty Investment Corporation (First City or Developer).

### **Developer Reimbursement Agreement**

A reimbursement agreement between the District and First City Realty Investment Corporation (First City) in August 1994 established guidelines for the repayment of any administrative expenditures paid on behalf of the District and advances made by First City to the District.

The District agreed, to the extent allowed under the laws existing at the time of the transaction, to reimburse First City, at First City's option, by a credit for future systems development fees or from proceeds of a future bond issue prior to December 31, 1998, or direct cash from other revenue of the District if, in the sole discretion of the District, cash is available, by December 31, 1998. If the District has not imposed systems development fees or issued bonds, the obligation to reimburse is null and void.

In 1995, the District began paying its own operating costs directly using developer cash advances to do so. The costs paid by and advances from First City were expended on engineering, legal and other operating expenditures and organization costs.

During 1996, the District requested cash in the amount of \$149,804 from First City. These funds were to enable the District to pay its administrative expenditures in the General and Capital Projects Funds.

The 1997 budget anticipates that the Developer will be requested to provide advances of approximately \$32,000 for administrative expenditures.

The advances and costs through 1996 are as follows:

	<b>Balance at December 31, 1996</b>
Payments by First City on behalf of the District	\$ 142,589
Developer advances to the District	<u>230,266</u>
	<u><u>\$ 372,855</u></u>

On December 1, 1997, the District and First City agreed on a resolution to this agreement. See subsequent event Note 10.

### **NOTE 8) RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; errors or omissions; or acts of God. The District carries commercial insurance coverage only for public officials liability. No claims have been submitted since inception.

**NOTE 9) TAX, SPENDING AND DEBT LIMITATIONS**

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

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.

At the organizational election on November 2, 1993, the District voters approved a property tax mill levy increase up to 60 mills for general operations and waived other statutory tax limitations. The voters also approved the collection and spending of up to \$540,000 annually of development fees, and \$180,000 annually of capital improvement fees after the forty-first (41<sup>st</sup>) certificate of occupancy is issued for single family residences, with both revenue in excess of any limits imposed by TABOR.

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.

**NOTE 10) SUBSEQUENT EVENT**

On December 1, 1997, the District and First City settled on a termination and waiver agreement with the final settlement closed on December 22, 1997 as a result of a land sale escrow closing on that date. This agreement states that all cash advanced to or on behalf of the District will be deemed a contribution from First City to the District. The Developer Reimbursement Agreement, discussed in Note 7, was terminated as of December 1, 1997 and First City waives all future claims against the District.

## **SUPPLEMENTAL INFORMATION**

**CHATFIELD GREEN METROPOLITAN DISTRICT**  
**SUMMARY OF ASSESSED VALUATION, MILL LEVY**  
**AND PROPERTY TAXES COLLECTED**  
**DECEMBER 31, 1996**

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mills Levied</u>	<u>Total Property Taxes</u>		<u>Percent Collected to Levied</u>
			<u>Levied</u>	<u>Collected</u>	
1995	\$ 110,250	30	\$ 3,308	\$ 3,308	100%
1996	\$ 268,030	30	\$ 8,041	\$ 8,041	100%
Estimated for the year ending December 31, 1997	\$ 268,030	30	\$ 8,041		

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