


CHATFIELD GREEN  
METROPOLITAN DISTRICT

FINANCIAL STATEMENTS  
and  
SUPPLEMENTAL INFORMATION

DECEMBER 31, 1997

an  
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, 1997, 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, 1997 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 operations and capital expenditures. 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.*

May 18, 1998



## GENERAL PURPOSE FINANCIAL STATEMENTS

CHATFIELD GREEN METROPOLITAN DISTRICT

BALANCE SHEET - GENERAL FUND

DECEMBER 31, 1997

(with comparative totals for December 31, 1996)

	<u>Governmental Fund Type General Fund 1997</u>	<u>Total Memoran- dum Only) 1996</u>
<u>ASSETS</u>		
ASSETS		
Investment	\$ 4,529	\$ 12,719
Receivable - County Treasurer	77	
Receivable - Developer		6,825
Property taxes receivable	9,930	8,041
Property		57,529
Total assets	<u>\$ 14,536</u>	<u>\$ 85,114</u>
<u>LIABILITIES AND EQUITY</u>		
LIABILITIES		
Accounts payable	\$ 588	\$ 3,763
Deferred property tax revenue	9,930	8,041
Total liabilities	<u>10,518</u>	<u>11,804</u>
EQUITY		
Investment in general fixed assets		57,529
Fund balance		
Reserved	400	4,800
Unreserved and undesignated	3,618	10,981
Total fund equity	<u>4,018</u>	<u>73,310</u>
Total liabilities and fund equity	<u>\$ 14,536</u>	<u>\$ 85,114</u>

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



# CHATFIELD GREEN METROPOLITAN DISTRICT

## COMBINED STATEMENTS OF REVENUE, EXPENDITURES AND CHANGES

### IN FUND BALANCE

#### ALL GOVERNMENTAL FUND TYPES

YEARS ENDED DECEMBER 31, 1997 AND 1996

	Governmental Fund Types		Totals	
	General Fund	Capital Projects Fund	Memorandum Only)	
			1997	1996
<b>REVENUE</b>				
Property taxes	\$ 8,041	\$	\$ 8,041	\$ 8,041
Specific ownership taxes	841		841	782
Interest	2,764		2,764	721
Total revenue	<u>11,646</u>		<u>11,646</u>	<u>9,544</u>
<b>EXPENDITURES</b>				
Accounting	4,021		4,021	75
Administration	11,235		11,235	10,925
County Treasurer's fees	122		122	120
Director's fees	2,550		2,550	2,525
Easements				38,943
Engineering	2,487	100,362	102,849	61,097
Election expense				585
Insurance	2,083		2,083	2,339
Legal	30,020	16,932	46,952	20,558
Office supplies	730		730	382
Payroll taxes	178		178	214
Capital outlay - Offsite water improvements		277,024	277,024	
Total expenditures	<u>53,426</u>	<u>394,318</u>	<u>447,744</u>	<u>137,763</u>
<b>EXCESS OF REVENUE (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES</b>	<u>(41,780)</u>	<u>(394,318)</u>	<u>(436,098)</u>	<u>(128,219)</u>
<b>OTHER FINANCING SOURCES</b>				
Developer contribution	<u>37,342</u>	<u>386,993</u>	<u>424,335</u>	<u>149,804</u>
Total other financing sources	<u>37,342</u>	<u>386,993</u>	<u>424,335</u>	<u>149,804</u>
<b>EXCESS OF REVENUE AND OTHER FINANCING SOURCES (UNDER) EXPENDITURES</b>	<u>(4,438)</u>	<u>(7,325)</u>	<u>(11,763)</u>	<u>21,585</u>
<b>FUND BALANCE (DEFICIT) - BEGINNING OF YEAR</b>	<u>8,456</u>	<u>7,325</u>	<u>15,781</u>	<u>(5,804)</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 4,018</u>	<u>\$ -0-</u>	<u>\$ 4,018</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, 1997**

	<b>General Fund</b>		
	<u>Actual</u>	<u>Amended Budget</u>	<u>Variance-Favorable (Unfavorable)</u>
<b>REVENUE</b>			
Property taxes	\$ 8,041	\$ 8,041	\$
Specific ownership taxes	841	700	141
Interest	2,764	700	2,064
Developer contribution	37,342	57,103	(19,761)
Bond proceeds			
Total revenue	<u>48,988</u>	<u>66,544</u>	<u>(17,556)</u>
<b>EXPENDITURES</b>			
Accounting	4,021	2,000	(2,021)
Administration	11,235	15,000	3,765
County Treasurer's fees	122	121	(1)
Directors' fees	2,550	4,500	1,950
Engineering	2,487	1,500	(987)
Insurance	2,083	5,000	2,917
Legal	30,020	15,100	(14,920)
Office supplies	730	1,000	270
Payroll taxes	178	340	162
Capital outlay - Offsite water improvements			
Contingency		30,439	30,439
Total expenditures	<u>53,426</u>	<u>75,000</u>	<u>21,574</u>
<b>EXCESS REVENUE OVER (UNDER) EXPENDITURES</b>	<b>(4,438)</b>	<b>(8,456)</b>	<b>4,018</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>8,456</u>	<u>8,456</u>	
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 4,018</u>	<u>\$ -0-</u>	<u>\$ 4,018</u>

<b>Capital Projects Fund</b>		
<u>Actual</u>	<u>Budget</u>	<u>Variance- Favorable (Unfavorable)</u>
\$	\$	\$
386,993		386,993
	4,310,000	(4,310,000)
<u>386,993</u>	<u>4,310,000</u>	<u>(3,923,007)</u>
100,362	175,000	74,638
16,932	10,000	(6,932)
277,024	3,889,000	3,611,976
<u>394,318</u>	<u>4,074,000</u>	<u>3,679,682</u>
(7,325)	236,000	(243,325)
<u>7,325</u>		<u>7,325</u>
<u>\$ -0-</u>	<u>\$ 236,000</u>	<u>\$ (236,000)</u>

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

# CHATFIELD GREEN METROPOLITAN DISTRICT

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1997

### 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 a development stage through 1997 with limited activity since formation.

The District is entirely dependent on major property owners and developers 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.

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

The modified accrual basis of accounting is followed in the governmental fund types. Revenue is recorded when susceptible to accrual, i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The major source of revenue which is susceptible to accrual 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 1997.

During the year ended December 31, 1997, supplementary appropriations approved by the District modified the General Fund appropriation from \$45,898 to \$75,000.

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 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). \$400 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 1997 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 are recorded at fair value and consist of the following:

	<u>Market Value</u>	<u>Carrying Value</u>
Pooled Investment Trust (COLOTRUST)	\$ 4,529	\$ 4,529

As of December 31, 1997, 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, 1997, the District had \$4,529 invested in the COLOTRUST PRIME.

The District had no other investments during 1997.



#### NOTE 4) PROPERTY

An analysis of the changes in property for the year ended December 31, 1997 follows:

	<u>Balance at January 1, 1997</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at December 31, 1997</u>
Engineering design and legal	<u>\$ 57,529</u>	<u>\$ 92,412</u>	<u>\$ 149,941</u>	<u>\$ -0-</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.

The District is obligated to maintain certain storm drainage and reservoir safety improvements transferred to the above entities.

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

Offsite water improvements constructed for the benefit of the City of Littleton as required by the service plan approved by the City of Littleton, have not been capitalized.

As of December 31, 1997, the amounts recorded in the General Fixed Asset Account Group, consisting of engineering design and legal costs associated with District infrastructure, have been removed from the General Fixed Asset Account Group as they have limited future value due to redesign of the proposed development within the District, by the current developers and land owners of property within the District.

#### 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, 1997.

## **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**

During 1997, one of the members of the Board of Directors of the District was an officer of the former developer, First City Realty Investment Corporation (First City). Effective December 23, 1997, Shea Homes Limited Partnership (Shea Homes) acquired property within the District. Three of the current members of the Board of Directors of the District are employed by Shea Homes. Two of the current members of the Board of Directors are associated with Simeon Residential Holdings LLC which is providing certain development services to Shea Homes pursuant to a development management agreement.

### **First City Developer Contributions**

A reimbursement agreement between the District and the former developer, 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.

During 1997, the District requested cash in the amount of \$414,120 from First City. These funds were to enable the District to pay its administrative expenditures in the General and Capital Projects Funds. Additionally, A.D.M. Chatfield Green LLC contributed \$10,215 to the District to defray administrative expenditures.

On December 1, 1997, the District and First City entered into a termination and waiver agreement. 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 above, was terminated as of December 1, 1997 and First City waived all future claims against the District.

### **Shea Homes 1998 Funding Agreements**

An Operation Funding Agreement between the District and Shea Homes, effective December 23, 1997, established guidelines for the District's intent to repay advances for operations and maintenance expenses. Advances to the District for 1998 are estimated to be \$40,000.

On May 12, 1998, the District and Shea Homes entered into a Project Funding and Acquisition Agreement whereby Shea Homes will construct certain public improvements on behalf of the District.

The District's payment to Shea Homes for these public improvements and operations advances is contingent upon the issuance of General Obligation Bonds by the District in an amount sufficient to acquire all or a portion of the completed improvements and operations advances. The District's ability to issue general obligation bonds to repay operations advances may require approval of a service plan amendment by the City of Littleton and may require approval by the voters within the District.

#### **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 revenues 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.

## SUPPLEMENTAL INFORMATION

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

DECEMBER 31, 1997

<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%
1997	\$ 268,030	30	\$ 8,041	\$ 8,041	100%
Estimated for the year ending December 31, 1998	\$ 311,200	31.91	\$ 9,930		