

**LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 1**  
**Arapahoe County, Colorado**

**FINANCIAL STATEMENTS**  
**December 31, 2016**

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## **Independent Auditor's Report**

Board of Directors  
**Littleton Village Metro District No. 1**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Littleton Village Metro District No. 1 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 audits. We conducted our audits 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 from 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 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 respective financial position of the governmental activities and each major fund of the Littleton Village Metro District No. 1 as of December 31, 2016, and the respective changes in financial position 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

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplementary information as listed in the table of contents is presented for purposes of legal compliance and additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



L. Paul Goedecke, P.C.  
July 21, 2017

## **BASIC FINANCIAL STATEMENTS**

**LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 1**  
**STATEMENT OF NET POSITION**  
**December 31, 2016**

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Cash	\$ 77,653
Cash - Restricted	249,209
Prepaid expense	7,465
Accounts receivable	341,211
Accounts receivable - Operations fees	4,625
Due from other districts	5,575
Capital assets, not being depreciated	
Construction in progress	10,522,992
Total assets	<u>11,208,730</u>
<b>LIABILITIES</b>	
Accounts payable	194,072
Retainage	476,051
Noncurrent liabilities	
Due in more than one year	283,553
Total liabilities	<u>953,676</u>
<b>NET POSITION</b>	
Net investment in capital assets	7,198,788
Restricted for:	
Emergency reserves	4,500
Unrestricted	3,051,766
Total net position	<u><u>\$ 10,255,054</u></u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 1**  
**STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u> <u>Revenue and</u> <u>Changes in</u> <u>Net Position</u>
		<u>Charges</u> <u>for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Capital</u> <u>Grants and</u> <u>Contributions</u>	<u>Governmental</u> <u>Activities</u>
Government activities:					
General government	\$ 76,962	\$ 123,010	\$ 23,822	\$ 4,082,947	\$ 4,152,817
Interest and related costs on long-term debt	15,080	-	-	-	(15,080)
Conveyance of capital assets to other governments	5,333,473	-	-	-	(5,333,473)
	<u>\$ 92,042</u>	<u>\$ 123,010</u>	<u>\$ 23,822</u>	<u>\$ 4,082,947</u>	<u>(1,195,736)</u>
General revenues:					
Total general revenues					-
Change in net position					(1,195,736)
Net position - Beginning, as restated					11,450,790
Net position - Ending					<u>\$ 10,255,054</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 1**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**December 31, 2016**

	<b>General</b>	<b>Capital Projects</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash	\$ 77,653	\$ -	\$ 77,653
Cash - Restricted	4,500	244,709	249,209
Prepaid expense	7,465	-	7,465
Accounts receivable	-	341,211	341,211
Accounts receivable - Operations fees	4,625	-	4,625
Due from other districts	5,575	-	5,575
Total assets	\$ 99,818	\$ 585,920	\$ 685,738
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 8,733	\$ 185,339	\$ 194,072
Retainage	-	476,051	476,051
Total liabilities	8,733	661,390	670,123
<b>FUND BALANCES</b>			
Nonspendable:			
Prepaid expense	7,465	-	7,465
Restricted for:			
Emergency reserves	4,500	-	4,500
Unassigned:			
General government	79,120	-	79,120
Capital projects	-	(75,470)	(75,470)
Total fund balances	91,085	(75,470)	15,615
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 99,818</b>	<b>\$ 585,920</b>	

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 as assets in the funds.	10,522,992
Long-term liabilities, including developer advances and accrued interest, are not due and payable in the current period and, therefore, are not recorded as liabilities in the funds.	
Developer advance payable	(186,731)
Interest payable - Developer advance	(96,822)
Net position of governmental activities	<b>\$ 10,255,054</b>

These financial statements should be read only in connection with the accompanying notes to financial statements.



**LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 1**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended December 31, 2016**

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Operations fees	\$ 123,010	\$ -	\$ 123,010
Transfer from other districts	23,822	-	23,822
Reimbursed expenditures	-	774,990	774,990
Total revenues	<u>146,832</u>	<u>774,990</u>	<u>921,822</u>
<b>EXPENDITURES</b>			
Current			
Accounting	9,677	59,410	69,087
Contingency	383	-	383
Audit	6,250	-	6,250
District management	42,544	-	42,544
Election	2,323	-	2,323
Maintenance	1,482	-	1,482
Insurance and dues	9,679	-	9,679
Legal	4,624	78,886	83,510
Construction management	-	171,535	171,535
Capital outlay	-	2,590,810	2,590,810
Total expenditures	<u>76,962</u>	<u>2,900,641</u>	<u>2,977,603</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>69,870</u>	<u>(2,125,651)</u>	<u>(2,055,781)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Developer advances	18,321	3,307,957	3,326,278
Developer advance repayment	-	(3,307,957)	(3,307,957)
Transfer from District No. 2	-	3,307,957	3,307,957
Total other financing sources (uses)	<u>18,321</u>	<u>3,307,957</u>	<u>3,326,278</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)</b>	88,191	1,182,306	1,270,497
<b>FUND BALANCES - BEGINNING OF YEAR, AS RESTATED</b>	<u>2,894</u>	<u>(1,257,776)</u>	<u>(1,254,882)</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 91,085</u>	<u>\$ (75,470)</u>	<u>\$ 15,615</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 1  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended December 31, 2016**

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

Net changes in fund balances - Total governmental funds	\$ 1,270,497
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Governmental funds report capital outlays as expenditures. In the statement of activities capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset.

Capital outlay	2,900,641
Conveyance of capital assets to other governments	(5,333,473)

Long-term debt (e.g., bonds, Developer advances) 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. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Developer advances	(3,326,278)
Repayment of Developer advances	3,307,957

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

Interest payable - Developer advances - Change in liability	<u>(15,080)</u>
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Change in net position of governmental activities	<u><u>\$ (1,195,736)</u></u>
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These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 1  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
December 31, 2016**

	<b>Original and Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>			
Operations fees	\$ -	\$ 123,010	\$ 123,010
Transfer from other districts	23,606	23,822	216
Total revenues	<u>23,606</u>	<u>146,832</u>	<u>123,226</u>
<b>EXPENDITURES</b>			
Accounting	20,000	9,677	10,323
Contingency	10,000	383	9,617
Audit	12,000	6,250	5,750
District management	-	42,544	(42,544)
Election	2,500	2,323	177
Maintenance	50,000	1,482	48,518
Insurance and dues	8,500	9,679	(1,179)
Legal	50,000	4,624	45,376
Total expenditures	<u>153,000</u>	<u>76,962</u>	<u>76,038</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(129,394)</u>	<u>69,870</u>	<u>199,264</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Developer advances	<u>130,000</u>	<u>18,321</u>	<u>(111,679)</u>
Total other financing sources (uses)	<u>130,000</u>	<u>18,321</u>	<u>(111,679)</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)</b>	606	88,191	87,585
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>1,013</u>	<u>2,894</u>	<u>1,881</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 1,619</u>	<u>\$ 91,085</u>	<u>\$ 89,466</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 1 - DEFINITION OF REPORTING ENTITY**

Littleton Village Metropolitan District No. 1 (District) is a quasi-municipal corporation and political subdivision of the State of Colorado, which was organized by order and decree of the District Court for Arapahoe County on September 28, 2006. The District operates as the Coordinating District in a triple district structure with Littleton Village Metropolitan District Nos. 2 and 3 (District No. 2 and District No. 3, respectively; collectively, all three districts are referred to as the Districts). District Nos. 2 and 3 were organized by order and decree of the District Court for Arapahoe County on February 11, 2014. The Districts undertake their functions pursuant to an Amended and Restated Consolidated Service Plan (the Service Plan) dated September 3, 2013. The service area of the Districts is located entirely within the City of Littleton, Arapahoe County, Colorado.

The District was established to provide financing for the construction, installation, and operation of public improvements, including water, sanitation, streets, safety protection, storm drainage, covenant enforcement and design review services, and parks and recreation facilities.

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.

The District has no employees and all operations and administrative functions are contracted.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The more significant accounting policies of the District are described as follows:

**Government-wide and Fund Financial Statements**

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of net position reports all financial and capital resources of the District. The difference between the sum of assets and deferred outflows and the sum of liabilities and deferred inflows is reported as net position.

**LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major source of revenue susceptible to accrual is operations fees. All other revenue items are considered to be measurable and available only when cash is received by the District. The District has determined that WIP Littleton Village LLC (Developer) advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

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

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

**LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budgets**

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

The District has amended its annual budget for the year ended December 31, 2016.

**Pooled Cash and Investments**

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

Investments are carried at fair value.

**Capital Assets**

Capital assets, which include infrastructure assets, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress, and are not included in the calculation of net investment in capital assets.

**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 equal installments, at the taxpayer's 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.

**LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**Equity**

**Net Position**

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the government's practice to use restricted resources first, then unrestricted resources as they are needed.

**Fund Balance**

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

- *Nonspendable fund balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.
- *Restricted fund balance* – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.
- *Committed fund balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.
- *Assigned fund balance* – The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.
- *Unassigned fund balance* – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's practice to use the most restrictive classification first.

**LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 3 - CASH AND INVESTMENTS**

**Deficits**

The Capital Projects Fund reported a deficit in the fund financial statements as of December 31, 2016. The deficit will be eliminated with the receipt of funds advanced by the Developer in 2017.

Cash and investments as of December 31, 2016, are classified in the accompanying financial statements as follows:

Statement of net position:

Cash	\$ 77,653
Cash - Restricted	<u>249,209</u>
Total cash	<u><u>\$ 326,862</u></u>

Cash as of December 31, 2016, consists of the following:

Deposits with financial institutions	<u><u>\$ 326,862</u></u>
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**Deposits with Financial Institutions**

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 102% of the aggregate uninsured deposits.

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

At December 31, 2016, the District's cash deposits had a bank balance of \$540,086 and a carrying balance of \$326,862.

	<u>Carrying Balance</u>	<u>Bank Balance</u>
Insured deposits	\$ 250,000	\$ 250,000
Deposits collateralized in single institution pools	<u>76,862</u>	<u>290,086</u>
	<u><u>\$ 326,862</u></u>	<u><u>\$ 540,086</u></u>

**Investments**

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (\*) below, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.



**LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

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

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

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

As of December 31, 2016, the District had no investments.

**NOTE 4 - CAPITAL ASSETS**

An analysis of the changes in property for the period ended December 31, 2016, follows:

	<b>Balance at December 31, 2015</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance at December 31, 2016</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Capital assets, not being depreciated:				
Construction in progress	\$ 12,955,824	\$ 2,900,641	\$ 5,333,473	\$ 10,522,992
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

**LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 5 - LONG-TERM OBLIGATIONS**

The balances owing to the Developer at December 31, 2016, are set forth below:

	<u>Balance at December 31, 2015</u>	<u>Additions</u>	<u>Retirement of Long-Term Obligations</u>	<u>Balance at December 31, 2016</u>	<u>Due Within One Year</u>
Developer advance - Operating	\$ 151,962	\$ 34,769	\$ -	\$ 186,731	\$ -
Accrued interest on Developer advance - Operating	18,450	15,080	-	33,530	-
Developer advance - Capital	16,448	3,291,509	3,307,957	-	-
Accrued interest on Developer advance - Capital	63,292	-	-	63,292	-
	<u>\$ 250,152</u>	<u>\$3,341,358</u>	<u>\$ 3,307,957</u>	<u>\$ 283,553</u>	<u>\$ -</u>

**Developer Advances**

Pursuant to the Amended and Restated Funding and Reimbursement Agreement (Operations and Maintenance) and the Construction Funding Loan Agreement (Capital), the District receives certain funding from the Developer which is subject to reimbursement. During 2016, advances received from the Developer from these Agreements totaled \$3,326,278.

On June 4, 2014, District No. 2 issued its Series 2014 Bonds to the Developer in the maximum principal amounts of \$12,165,000 (Series 2014A) and \$3,335,000 (Series 2014B). Developer advances made pursuant to the Construction Funding Loan Agreement are converted to principal amounts due under the Series 2014 Bonds.

During 2016, \$3,307,957 in Developer advances was received by the District pursuant to the Construction Funding Loan Agreement. The District received \$3,307,957 as a transfer from District No. 2 and utilized these funds to retire the developer advances.

**LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)**

**Authorized Debt**

On November 5, 2013, the District's voters authorized total indebtedness of \$520,000,000 for construction of public improvements and operating and maintenance expenditures and debt refunding. At December 31, 2016, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	<b>Amount Authorized November 5, 2014</b>	<b>Authorization Used</b>	<b>Authorized But Unissued</b>
Streets	\$ 40,000,000	\$ -	\$ 40,000,000
Water	40,000,000	-	40,000,000
Sanitation	40,000,000	-	40,000,000
Parks and recreation	40,000,000	-	40,000,000
Public transportation	40,000,000	-	40,000,000
Television relay	40,000,000	-	40,000,000
Mosquito control	40,000,000	-	40,000,000
Security services	40,000,000	-	40,000,000
Traffic and safety	40,000,000	-	40,000,000
Fire protection	40,000,000	-	40,000,000
Operations and maintenance	40,000,000	-	40,000,000
Refundings	40,000,000	-	40,000,000
Intergovernmental Agreements	40,000,000	-	40,000,000
	<u>\$520,000,000</u>	<u>\$ -</u>	<u>\$520,000,000</u>

Pursuant to the Service Plan, the District is permitted to issue bond indebtedness of up to \$40,000,000.

In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area.

**LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 6 - NET POSITION**

The District has net position consisting of three components – net investment in capital assets, restricted and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balance of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2016, the District had the following net investment in capital assets, calculated as follows:

	<b>Governmental Activities</b>
Net investment in capital assets	
Capital assets, net	\$ 10,522,992
Less: capital related debt	
Noncurrent portion of long term obligations	(3,324,204)
Net investment in capital assets	\$ 7,198,788

The restricted component of net position includes assets that are restricted for use either externally by creditors, grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position at December 31, 2016, as follows:

	<b>Governmental Activities</b>
Restricted net position	
Emergency reserves	\$ 4,500
Total restricted net position	\$ 4,500

**NOTE 7 - RELATED PARTY**

Hammond Site Resources LLC, a Colorado limited liability company, is contracted to provide construction management services to the District. One of the members of the Board of Directors is the officer of Hammond Site Resources LLC and may have conflicts of interest in dealing with the District. The District incurred a total of \$171,535 in construction management services for the year December 31, 2016. Any potential conflicts have been filed in accordance with Colorado Law.

One or more of the Board of Directors are associated/related to the Developer and may have conflicts of interest in dealing with the District.

**LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 8 - AGREEMENTS**

**Intergovernmental Agreement – South East Englewood Water District**

In 2016, the District, District No. 2 and District No. 3 (collectively, the Districts) entered into an Amended and Restated Intergovernmental Agreement with the South-East Englewood Water District, pursuant to which the parties recognized an overlap of boundaries. In the agreement, the Districts agreed to limit their water service authority to financing, acquiring and constructing certain potable water facilities for ultimate conveyance to Denver Water, which water facilities shall thereafter be operated by Denver Water. The agreement provides that the Districts shall not exercise any water service power or authority after conveyance of the water facilities to Denver Water. Notwithstanding, however, the agreement does permit the Districts to undertake certain administrative water service invoicing activities relative to certain multi-family homes within the boundaries of the Districts. Further, the agreement authorizes the Districts to administer a means of sub-metering or otherwise distributing charges for irrigation costs relative to common landscaped areas to the owners of properties within the Districts benefitted by such costs.

**Amended and Restated Funding and Reimbursement Agreement (Operations and Maintenance)**

The District entered into a Funding and Reimbursement Agreement with the Developer dated as of October 31, 2013. Pursuant to this Agreement, the Developer agreed to loan up to \$750,000 to the District in one or in a series of installments through December 31, 2014, to be used for District costs including capital needs as well as operations and maintenance requirements. The District is to determine from time to time (but not more often than monthly) the amount required to fund budgeted expenditures of the District, and notifies the Developer of the required amount at least ten (10) days prior to the beginning of each month, and the Developer is obligated to fund such required amounts by the beginning of the next month. Simple interest accrues on amounts advanced at the rate of 8% per annum calculated from the date of each advance. The District intends to reimburse the Developer for amounts advanced from bond proceeds, ad valorem taxes, fees or other legally available revenues, net of any debt service or current operations and maintenance costs of the District. The term for repayment is 20 years from the date of the Agreement, unless otherwise agreed.

On December 4, 2015, the Funding and Reimbursement Agreement (Operations and Maintenance) was amended and restated. Pursuant to the amended agreement, the Developer has agreed to loan funds to the District in an amount up to \$100,000 per year for five years through December 31, 2020. As of December 31, 2016, outstanding advances under this agreement totaled \$186,731 in principal and \$33,530 in accrued interest.

Pursuant to the Construction Funding Loan Agreement (described below), the capital component of Developer advances in the amount of \$767,889 made under this Agreement has been recorded as part of the principal amount of the 2014 Bonds issued by District No. 2, and there is no further obligation of the Developer to fund capital costs under this Agreement, but rather future funding obligations of the Developer under this Agreement are limited to operations and maintenance costs.

**LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 8 – AGREEMENTS (CONTINUED)**

**Construction Funding Loan Agreement**

The District, together with District Nos. 2 and 3, entered into a Construction Funding Loan Agreement with the Developer dated as of June 6, 2014, whereby the Developer agreed to advance funds to the District for capital costs of public infrastructure being constructed by the District. Additionally, the parties also agreed that any amounts funded for capital costs under the Funding and Reimbursement Agreement, prior to the date of the Construction Funding Loan Agreement, would be recognized as advances under the Construction Funding Loan Agreement and not the Funding and Reimbursement Agreement. Further, the Construction Funding Loan Agreement declared that all future Developer obligations to advance funds to the District for capital costs would be governed by the Construction Funding Loan Agreement and not the Funding and Reimbursement Agreement.

The Developer agreed to make advances under this Agreement in one or more installments in the maximum amount of \$15,500,000 through June 1, 2017. Extensions of this date can occur if the Developer gives written notice to the District on an annual basis indicating the extension term.

The Construction Funding Loan Agreement was amended by a First Amendment on January 27, 2015, a Second Amendment on December 2, 2015, and a Third Amendment on November 22, 2016. Pursuant to the terms of the Third Amendment, all prior and current advances and accepted costs may exceed \$15,500,000.

Reimbursement of amounts advanced by the Developer was made through the issuance of the 2014 Bonds issued by District No. 2, consisting of its Special Revenue Bonds, Series 2014A in an authorized principal amount of up to \$12,165,000 and its Taxable Subordinate Special Revenue Bond, Series 2014B, in an authorized principal amount of up to \$3,335,000 (the 2014 Bonds). District No. 2 issued the 2014 Bonds on June 4, 2014. As Acknowledged Advances are made by the Developer under the Construction Funding Loan Agreement, these amounts are recorded as amounts due with respect to the 2014 Bonds.

During 2016, \$3,307,957 were recorded as amounts due under the 2014 Bonds which made the cumulative total of \$12,165,000 for Series 2014A and \$1,996,008 for Series 2014B, together with accrued interest of \$391,507 and 68,427, respectively. On December 17, 2015, District No. 2 issued Limited Tax General Obligation and Special Revenue Bonds, Series 2015, in the amount of \$10,830,000 (Series 2015 Senior Bonds). A portion of the outstanding 2014 Bonds in the amount of \$7,402,533 was refunded using the proceeds from the Series 2015 Senior Bonds.

**LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 8 – AGREEMENTS (CONTINUED)**

**Post Closing Escrow Agreement**

On December 19, 2014, the District entered into a Post Closing Escrow Agreement with Richmond American Homes of Colorado, Inc. (Richmond), Century at Littleton Village, LLC (Century, and collectively with Richmond, the Purchasers) and WIP Littleton Village, LLC (the Seller). Pursuant to the Agreement, upon closing on the purchase and sale of the lots, \$4,428,940 and \$2,192,196 were withheld from the closing proceeds that would have otherwise been payable to the Seller, as surety for the completion of the Offsite Improvements and Park/Landscaping Improvements, respectively (post-closing escrows).

From time to time, but not more often than once each month, as construction of the work progresses, the District may submit a draw request to the Purchasers and Seller (the Escrow Parties). The Escrow Parties shall have the right to approve the submitted draw request. If any Escrow Party fails to approve or disapprove the draw request by seven (7) days after the date upon which it was delivered, then such Escrow Party shall be deemed to have approved the same. Upon written approval, or deemed approval, by the Escrow Parties, the Construction Manager shall provide the Escrow Agent written confirmation of approval and, within three (3) days after receipt by the Escrow Agent, funds shall be deposited into the District's account. As of December 31, 2016, the remaining balances under the Offsite Improvements Escrow and the Park/Landscaping Improvements Escrow are \$-0- and \$62,503, respectively.

On September 17, 2015, the District entered into a Post-Closing Escrow Agreement with PPF AMLI Littleton Village, LLC, the Developer and Land Title Guarantee Company (AMLI Escrow Agreement) to facilitate the fulfillment of the Developer's and the District's obligations to complete central park improvements and top coat paving improvements (AMLI Work).

Pursuant to the AMLI Escrow Agreement, upon the sale of lots to AMLI, \$1,000,000 was withheld from the closing proceeds that would have otherwise been payable to the Developer, as surety for the completion of the AMLI Work. During the course of constructing the AMLI Work, portions of the escrows are to be reimbursed and paid for costs incurred during the construction pursuant to the terms of the AMLI Escrow Agreement. If the aggregate amount of the post-closing escrows is not sufficient to pay costs incurred in connection with the completion of the AMLI Work, the Developer is responsible for the payment of such excess costs. A Second Amendment was issued February 5, 2016. Pursuant to the Second Amendment any prior draw requests shall deliver the same to the Seller instead of the Developer. As of December 31, 2016, \$502,293 was released to the Developer.

On November 6, 2015, the District entered into a Post-Closing Escrow Agreement with Loch Lomond LV, LLC, Fredco Development, LLC, Beabear, Ltd. (collectively, the "Commercial Builder"), the Developer and Land Title Guarantee Company (the "Commercial Escrow Agreement") to facilitate the fulfillment of the Developer's and the District's obligations to complete certain roadway improvements on Village Park Drive and to complete landscaping improvements along Broadway and Dry Creek.

**LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 8 – AGREEMENTS (CONTINUED)**

Pursuant to the Commercial Escrow Agreement, upon the sale of lots to the Commercial Builder, \$339,280 was withheld from the closing proceeds that would have otherwise been payable to the Developer, as surety for the completion of the Commercial Work. During the course of constructing the Commercial Work, portions of the escrows are to be reimbursed and paid for costs incurred during the construction pursuant to the terms of the Commercial Escrow Agreement. If the aggregate amount of the post-closing escrows is not sufficient to pay costs incurred in connection with the completion of the Commercial Work, the Developer is responsible for the payment of such excess costs. As of December 31, 2016, the District has received \$290,487 leaving a remaining balance of \$48,793 for future draws.

**Subdivision Improvement Agreement**

On July 31, 2014, the District entered into a Subdivision Improvement Agreement (Agreement) with the Developer and the City of Littleton (City). The Agreement requires that the District and the Developer construct and install certain public improvements at their sole cost and expense for ultimate conveyance to the City. As of December 31, 2016, the District recorded \$1,094,964 as reimbursement from the City under this Agreement.

**District Administrative Services Agreement**

On April 24, 2014, the Districts entered into a District Administrative Services Agreement (Agreement) to define the relationship between the Districts. District No. 1 agreed to become the Coordinating District responsible for providing administrative services such as overseeing elections and board meetings, maintaining the books and records of the Districts, overseeing the construction of public improvements within the Districts, as well as providing general management of the Districts. District No. 2 and District No. 3 agreed to become the Financing Districts which utilize property taxes and related fees from properties and taxpayers within their respective districts to fully finance all administrative responsibilities of District No. 1.

**NOTE 9 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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



**LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 10 - TAX, SPENDING AND DEBT LIMITATIONS**

Article X, Section 20 of the Colorado Constitution, referred to 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.

On November 5, 2013, the District's voters approved for an annual increase in taxes of \$5,000,000 for general operations and maintenance and \$40,000,000 for payment due pursuant to intergovernmental agreements (IGA). The District's amended service plan limits the total debt issuance to \$40,000,000.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits, will require judicial interpretation.

**NOTE 11 - RESTATEMENT**

A retroactive adjustment of \$502,294 was applied to the December 31, 2015 fund balance of the Capital Project Fund and government-wide net position to reverse an amount related to an escrow payment under the AMLI Escrow Agreement that was incorrectly recorded to accounts receivable at year-end, as follows:

Net position - December 31, 2015, as originally stated	\$11,953,084
Restatement to reverse accounts receivable	(502,294)
Net position - December 31, 2015, as restated	<u>\$11,450,790</u>
Fund balance (Capital Projects Funds) - December 31, 2015, as originally stated	\$ (755,482)
Restatement to reverse accounts receivable	(502,294)
Fund balance (Capital Projects Fund) - December 31, 2015, as restated	<u>\$(1,257,776)</u>

Pursuant to the AMLI Escrow Agreement, the post-closing escrows are to be reimbursed and paid back to the Developer for costs incurred during construction.

This information is an integral part of the accompanying financial statements.

**SUPPLEMENTARY INFORMATION**

**LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 1**  
**CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL**  
**Year Ended December 31, 2016**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Reimbursed expenditures	\$ -	\$ 774,990	\$ 774,990	\$ -
Total revenues	<u>-</u>	<u>774,990</u>	<u>774,990</u>	<u>-</u>
<b>EXPENDITURES</b>				
Capital outlay	5,000,000	3,192,043	2,590,810	601,233
Accounting	-	-	59,410	(59,410)
Legal	-	-	78,886	(78,886)
Construction management	-	-	171,535	(171,535)
Total expenditures	<u>5,000,000</u>	<u>3,192,043</u>	<u>2,900,641</u>	<u>291,402</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(5,000,000)</u>	<u>(2,417,053)</u>	<u>(2,125,651)</u>	<u>291,402</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Developer advance	5,000,000	3,674,829	3,307,957	(366,872)
Developer advance repayment	-	(3,307,957)	(3,307,957)	-
Transfer from District No. 2	-	3,307,957	3,307,957	-
Total other financing sources (uses)	<u>5,000,000</u>	<u>3,674,829</u>	<u>3,307,957</u>	<u>(366,872)</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)</b>	<u>-</u>	<u>1,257,776</u>	<u>1,182,306</u>	<u>(75,470)</u>
<b>FUND BALANCES - BEGINNING OF YEAR, AS RESTATED</b>	<u>-</u>	<u>(1,257,776)</u>	<u>(1,257,776)</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (75,470)</u>	<u>\$ (75,470)</u>