

LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 1
Arapahoe County, Colorado

FINANCIAL STATEMENTS
December 31, 2017

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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, 2017, 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, 2017, 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.
June 28, 2018

BASIC FINANCIAL STATEMENTS

LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION
December 31, 2017

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 12,182
Cash - Restricted	59,507
Prepaid expense	10,948
Accounts receivable - Operations fees	2,091
Due from other districts	360
Capital assets, net	<u>5,698,789</u>
Total assets	<u><u>5,783,877</u></u>
LIABILITIES	
Accounts payable	105,011
Retainage	40,000
Noncurrent liabilities	
Due in more than one year	<u>321,022</u>
Total liabilities	<u><u>466,033</u></u>
NET POSITION	
Net investment in capital assets	5,698,789
Restricted for:	
Emergency reserves	7,700
Unrestricted	<u>(388,645)</u>
Total net position	<u><u>\$ 5,317,844</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, 2017

<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	\$ 533,971	\$ 206,561	\$ 435,189	\$ -	\$ 107,779
Interest and related costs on long-term debt	15,343	-	-	-	(15,343)
Conveyance of capital assets to other governments	5,029,646	-	-	-	(5,029,646)
	<u>\$ 5,578,960</u>	<u>\$ 206,561</u>	<u>\$ 435,189</u>	<u>\$ -</u>	<u>(4,937,210)</u>
General revenues:					
Total general revenues					-
Change in net position					(4,937,210)
Net position - Beginning					10,255,054
Net position - Ending					<u>\$ 5,317,844</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, 2017

	General	Special Revenue	Capital Projects	Total Governmental Funds
ASSETS				
Cash	\$ 12,182	\$ -	\$ -	\$ 12,182
Cash - Restricted	1,500	55,725	2,282	59,507
Prepaid expense	3,841	7,107	-	10,948
Accounts receivable - Operations fees	-	2,091	-	2,091
Due from other districts	360	-	-	360
Total assets	\$ 17,883	\$ 64,923	\$ 2,282	\$ 85,088
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 22,856	\$ 25,793	\$ 56,362	\$ 105,011
Retainage	-	-	40,000	40,000
Total liabilities	22,856	25,793	96,362	145,011
FUND BALANCES				
Nonspendable:				
Prepaid expense	3,841	7,107	-	10,948
Restricted for:				
Emergency reserves	1,500	6,200	-	7,700
Committed to:				
Operations and maintenance	-	25,823	-	25,823
Unassigned:				
General government	(10,314)	-	-	(10,314)
Capital projects	-	-	(94,080)	(94,080)
Total fund balances	(4,973)	39,130	(94,080)	(59,923)
TOTAL LIABILITIES AND FUND BALANCES	\$ 17,883	\$ 64,923	\$ 2,282	

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.	5,698,789
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	(208,857)
Interest payable - Developer advance	(112,165)
Net position of governmental activities	\$ 5,317,844

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, 2017

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES				
Operations fees	\$ -	\$ 205,761	\$ -	\$ 205,761
Other income	800	-	-	800
Transfer from other districts	46,220	-	388,969	435,189
Total revenues	<u>47,020</u>	<u>205,761</u>	<u>388,969</u>	<u>641,750</u>
EXPENDITURES				
Current				
Accounting	34,497	-	-	34,497
Miscellaneous/Contingency	1,096	-	-	1,096
Audit	6,875	-	-	6,875
District management	25,513	-	-	25,513
Billing services	-	24,535	-	24,535
Electricity	-	759	-	759
Repairs and maintenance	-	58,037	-	58,037
Insurance and dues	3,686	5,529	-	9,215
Legal	28,516	4,426	-	32,942
Property management	-	38,268	-	38,268
Testing and inspections	-	2,463	-	2,463
Trash	-	21,866	-	21,866
Water	-	30,132	-	30,132
Capital outlay	-	-	453,216	453,216
Total expenditures	<u>100,183</u>	<u>186,015</u>	<u>453,216</u>	<u>739,414</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(53,163)</u>	<u>19,746</u>	<u>(64,247)</u>	<u>(97,664)</u>
OTHER FINANCING SOURCES (USES)				
Developer advances	22,126	-	388,969	411,095
Developer advance repayment	-	-	(388,969)	(388,969)
Transfer (to)/from other funds	(65,021)	19,384	45,637	-
Total other financing sources (uses)	<u>(42,895)</u>	<u>19,384</u>	<u>45,637</u>	<u>22,126</u>
NET CHANGE IN FUND BALANCES	(96,058)	39,130	(18,610)	(75,538)
FUND BALANCES - BEGINNING OF YEAR	<u>91,085</u>	<u>-</u>	<u>(75,470)</u>	<u>15,615</u>
FUND BALANCES - END OF YEAR	<u>\$ (4,973)</u>	<u>\$ 39,130</u>	<u>\$ (94,080)</u>	<u>\$ (59,923)</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, 2017**

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

Net changes in fund balances - Total governmental funds	\$	(75,538)
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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		453,216
Conveyance of capital assets to other governments		(5,029,646)
Depreciation expense		(247,773)

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		(411,095)
Repayment of Developer advances		388,969

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		(15,343)
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Change in net position of governmental activities		<u>\$ (4,937,210)</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, 2017

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Operations fees	\$ 175,000	\$ -	\$ -	\$ -
Other income	-	800	800	-
Transfer from other districts	45,695	46,220	46,220	-
Total revenues	<u>220,695</u>	<u>47,020</u>	<u>47,020</u>	<u>-</u>
EXPENDITURES				
Accounting	20,000	35,000	34,497	503
Miscellaneous/Contingency	10,000	14,293	1,096	13,197
Audit	7,000	7,000	6,875	125
District management	35,000	25,000	25,513	(513)
Repairs and maintenance	50,000	-	-	-
Insurance and dues	10,000	3,686	3,686	-
Legal	25,000	30,000	28,516	1,484
Total expenditures	<u>157,000</u>	<u>114,979</u>	<u>100,183</u>	<u>14,796</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>63,695</u>	<u>(67,959)</u>	<u>(53,163)</u>	<u>14,796</u>
OTHER FINANCING SOURCES (USES)				
Developer advances	-	41,895	22,126	(19,769)
Transfers to other funds	-	(65,021)	(65,021)	-
Total other financing sources (uses)	<u>-</u>	<u>(23,126)</u>	<u>(42,895)</u>	<u>(19,769)</u>
NET CHANGE IN FUND BALANCES	63,695	(91,085)	(96,058)	(4,973)
FUND BALANCES - BEGINNING OF YEAR	<u>68,772</u>	<u>91,085</u>	<u>91,085</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 132,467</u>	<u>\$ -</u>	<u>\$ (4,973)</u>	<u>\$ (4,973)</u>

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

LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 1
SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
December 31, 2017

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Operations fees	\$ -	\$ 203,640	\$ 205,761	\$ 2,121
Total revenues	<u>-</u>	<u>203,640</u>	<u>205,761</u>	<u>2,121</u>
EXPENDITURES				
Billing services	-	25,000	24,535	465
Electricity	-	1,000	759	241
Insurance and bonds	-	6,000	5,529	471
Legal	-	5,000	4,426	574
Repairs and maintenance	-	60,000	58,037	1,963
Trash	-	22,000	21,866	134
Testing and inspections	-	2,500	2,463	37
Property management	-	40,000	38,268	1,732
Water	-	30,000	30,132	(132)
Miscellaneous/Contingency	-	8,500	-	8,500
Total expenditures	<u>-</u>	<u>200,000</u>	<u>186,015</u>	<u>13,985</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>3,640</u>	<u>19,746</u>	<u>16,106</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	-	19,384	19,384
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>19,384</u>	<u>19,384</u>
NET CHANGE IN FUND BALANCES	-	3,640	39,130	35,490
FUND BALANCES - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ 3,640</u>	<u>\$ 39,130</u>	<u>\$ 35,490</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, 2017

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 December 5, 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 18, 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, 2017

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.

The Special Revenue Fund is used to account for revenues earned and expenditures incurred in connection with the direct and indirect costs of facilities and maintenance.

LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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, 2017.

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.

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.

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. Improvements that will be dedicated to other governmental entities are not depreciated. Improvements to be owned by the District are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

Parks	20 years
Monumentation/Signage	20 years
Drainage Tract	20 years

LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- *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.

Deficits

The Capital Projects Fund reported a deficit in the fund financial statements as of December 31, 2017. The deficit will be eliminated with the receipt of funds advanced by the Developer in 2018.

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2017, are classified in the accompanying financial statements as follows:

Statement of net position:

Cash	\$ 12,182
Cash - Restricted	<u>59,507</u>
Total cash	<u>\$ 71,689</u>

Cash as of December 31, 2017, consists of the following:

Deposits with financial institutions	<u>\$ 71,689</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.

LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

At December 31, 2017, the District's cash deposits had a bank balance of \$73,114 and a carrying balance of \$71,689.

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.

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, 2017, the District had no investments.

LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in property for the period ended December 31, 2017, follows:

	<u>Balance at December 31, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at December 31, 2017</u>
Capital assets, not being depreciated				
Construction in progress	\$ 10,522,992	\$ 453,216	\$ 10,976,208	\$ -
Total capital assets, not being depreciated	<u>10,522,992</u>	<u>453,216</u>	<u>10,976,208</u>	<u>-</u>
Capital assets, being depreciated				
Central Park	-	2,099,873	-	2,099,873
Boulevard Park	-	511,964	-	511,964
Monument Sign Tract	-	1,066,584	-	1,066,584
North Drainage Tract/Open Space	-	1,464,715	-	1,464,715
Broadway/Dry Creek	-	803,426	-	803,426
Total capital assets, being depreciated	<u>-</u>	<u>5,946,562</u>	<u>-</u>	<u>5,946,562</u>
Less accumulated depreciation for:				
Central Park	-	(87,495)	-	(87,495)
Boulevard Park	-	(21,332)	-	(21,332)
Monument Sign Tract	-	(44,441)	-	(44,441)
North Drainage Tract/Open Space	-	(61,030)	-	(61,030)
Broadway/Dry Creek	-	(33,476)	-	(33,476)
Total accumulated depreciation:	<u>-</u>	<u>(247,773)</u>	<u>-</u>	<u>(247,773)</u>
Total capital assets, being depreciated, net	<u>-</u>	<u>5,698,789</u>	<u>-</u>	<u>5,698,789</u>
Governmental activities - Capital assets, net	<u>\$ 10,522,992</u>	<u>\$ 6,152,005</u>	<u>\$ 10,976,208</u>	<u>\$ 5,698,789</u>

Depreciation expense was charged for functions/programs of the District as follows:

Government activities \$ 412,956

LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 5 - LONG-TERM OBLIGATIONS

The following is an analysis of changes in long-term obligations for the year ended December 31, 2017:

	<u>Balance at December 31, 2016</u>	<u>Additions</u>	<u>Retirement of Long-Term Obligations</u>	<u>Balance at December 31, 2017</u>	<u>Due Within One Year</u>
Developer advance - Operating	\$ 186,731	\$ 22,126	\$ -	\$ 208,857	\$ -
Accrued interest on Developer advance - Operating	33,530	15,343	-	48,873	-
Developer advance - Capital	-	388,969	388,969	-	-
Accrued interest on Developer advance - Capital	63,292	-	-	63,292	-
	<u>\$ 283,553</u>	<u>\$ 426,438</u>	<u>\$ 388,969</u>	<u>\$ 321,022</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 2017, advances received from the Developer from these Agreements totaled \$411,095.

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 2017, \$388,969 in Developer advances was received by the District pursuant to the Construction Funding Loan Agreement. The District received \$388,969 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, 2017

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, 2017, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Amount Authorized November 5, 2014	Authorization Used	Authorized But Unissued
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, 2017

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, 2017, the District had the following net investment in capital assets, calculated as follows:

	Governmental Activities
Net investment in capital assets	
Capital assets, net	\$ 5,698,789
Net investment in capital assets	\$ 5,698,789

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, 2017, as follows:

	Governmental Activities
Restricted net position	
Emergency reserves	\$ 7,700
Total restricted net position	\$ 7,700

The unrestricted component of net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

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 \$91,000 in construction management services for the year December 31, 2017. 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, 2017

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 (Capital and Operations Maintenance) with the Developer dated as of October 31, 2013 (the “Prior Funding Agreement”). Pursuant to the Prior Funding 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 was to determine from time to time (but not more often than monthly) the amount required to fund budgeted expenditures of the District, and was to notify the Developer of the required amount at least ten (10) days prior to the beginning of each month, and the Developer was obligated to fund such required amounts by the beginning of the next month. Simple interest accrued on amounts advanced at the rate of 8% per annum calculated from the date of each advance. The District intended 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 was 20 years from the date of the Prior Funding Agreement, unless otherwise agreed.

On December 4, 2015, the Prior Funding Agreement was amended, restated and superseded by the Funding and Reimbursement Agreement (Operations and Maintenance) (the “Amended and Restated Funding Agreement”), pursuant to which 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, which funds are to be loaned to the District solely for operations and maintenance costs. Funds advanced by the Developer to the District for operations and maintenance costs under the Prior Funding Agreement are to be reimbursed to the Developer pursuant to the terms of the Amended and Restated Funding Agreement. As of December 31, 2017, outstanding advances for operations and maintenance under the Prior Funding Agreement and the Amended and Restated Funding Agreement totaled \$208,857 in principal and \$48,873 in accrued interest.

LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 8 – AGREEMENTS (CONTINUED)

Pursuant to the Construction Funding Loan Agreement (described below), the capital component of Developer advances in the amount of \$767,889 made under the Prior Funding Agreement have 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 the Amended and Restated Funding Agreement, but rather future funding obligations of the Developer under the Amended and Restated Funding Agreement are limited to operations and maintenance costs, with capital costs funding being handled through the Construction Funding Loan Agreement.

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 (the “Construction Funding Loan Agreement”), 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 Prior Funding 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 Prior Funding 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 Prior Funding Agreement.

The Developer agreed to make advances under the Construction Funding Loan 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, a Third Amendment on November 22, 2016, and a Fourth Amendment on May 23, 2017 pursuant to which the loan obligation period was extended to June 1, 1018. 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 2017, \$388,969 were recorded as amounts due under Series 2014B Bonds which made the cumulative total of \$2,384,977. 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 (Of the \$12,165,000 issued for Series 2014A, \$7,402,533 was refunded using the proceeds from Series 2015, leaving the outstanding principal \$4,762,467 as of December 31, 2017.

LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 8 – AGREEMENTS (CONTINUED)

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, 2017, 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.

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.

LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 10 - TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)

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.

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, 2017**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Transfer from other districts	\$ -	\$ 388,969	\$ 388,969
Total revenues	<u>-</u>	<u>388,969</u>	<u>388,969</u>
EXPENDITURES			
Capital outlay	<u>2,000,000</u>	<u>453,216</u>	<u>1,546,784</u>
Total expenditures	<u>2,000,000</u>	<u>453,216</u>	<u>1,546,784</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,000,000)</u>	<u>(64,247)</u>	<u>1,935,753</u>
OTHER FINANCING SOURCES (USES)			
Developer advance	2,000,000	388,969	(1,611,031)
Developer advance repayment	-	(388,969)	(388,969)
Transfer from other funds	-	45,637	45,637
Total other financing sources (uses)	<u>2,000,000</u>	<u>45,637</u>	<u>(1,954,363)</u>
NET CHANGE IN FUND BALANCES	-	(18,610)	(18,610)
FUND BALANCES - BEGINNING OF YEAR	<u>-</u>	<u>(75,470)</u>	<u>(75,470)</u>
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ (94,080)</u>	<u>\$ (94,080)</u>