

**LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 2**  
**Arapahoe County, Colorado**

**FINANCIAL STATEMENTS**  
**December 31, 2015**

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## **Independent Auditor's Report**

Board of Directors  
**Littleton Village Metro District No. 2**

### **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. 2 as of and for the year ended December 31, 2015, 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. 2 as of December 31, 2015, 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.*

L. Paul Goedecke, P.C.  
April 26, 2016

## **BASIC FINANCIAL STATEMENTS**

**LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF NET POSITION**  
**December 31, 2015**

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Cash and investments - Restricted	\$ 2,231,041
Receivable from County Treasurer	3
Property taxes receivable	89,186
Total assets	<u>2,320,230</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>	
Bond discount	40,396
Total deferred outflows of resources	<u>40,396</u>
<b>LIABILITIES</b>	
Accounts payable	15,500
Accrued interest on bonds payable	57,088
Noncurrent liabilities	
Due in more than one year	14,280,518
Total liabilities	<u>14,353,106</u>
<b>DEFERRED INFLOW OF RESOURCES</b>	
Deferred property tax revenue	89,186
Total deferred inflow of resources	<u>89,186</u>
<b>NET POSITION</b>	
Restricted for:	
Debt service	2,215,543
Unrestricted	(14,297,209)
Total net position	<u><u>\$ (12,081,666)</u></u>

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

**LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2015**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u> <u>Revenues 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>
Primary government:					
Government activities:					
General government	\$ 2	\$ -	\$ -	\$ -	\$ (2)
Intergovernmental	5,836,305	-	4	-	(5,836,301)
Interest and related costs on long-term debt	1,124,376	-	-	-	(1,124,376)
	<u>\$ 6,960,683</u>	<u>\$ -</u>	<u>\$ 4</u>	<u>\$ -</u>	<u>(6,960,679)</u>
General revenues:					
Property taxes					657
Specific ownership taxes					50
Total general revenues					<u>707</u>
Change in net position					(6,959,972)
Net position - Beginning					<u>(5,121,694)</u>
Net position - Ending					<u>\$ (12,081,666)</u>

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

**LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 2**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**December 31, 2015**

	General	Debt Service	Total Governmental Funds
<b>ASSETS</b>			
Cash and investments - Restricted	\$ -	\$ 2,231,041	\$ 2,231,041
Receivable from County Treasurer	1	2	3
Property tax receivable	17,837	71,349	89,186
<b>TOTAL ASSETS</b>	<b>\$ 17,838</b>	<b>\$ 2,302,392</b>	<b>\$ 2,320,230</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ 15,500	\$ 15,500
Total liabilities	-	15,500	15,500
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property tax revenue	17,837	71,349	89,186
Total deferred inflows of resources	17,837	71,349	89,186
<b>FUND BALANCES</b>			
Restricted for:			
Debt service	-	2,215,543	2,215,543
Unassigned	1	-	1
Total fund balances	1	2,215,543	2,215,544
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 17,838</b>	<b>\$ 2,302,392</b>	

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

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.

Bond discount 40,396

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

Bonds payable - Series 2014A (3,450,518)

Bonds payable - Series 2015 (10,830,000)

Accrued interest on bonds (57,088)

Net position of governmental activities **\$ (12,081,666)**

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



**LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended December 31, 2015**

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Property taxes	\$ 131	\$ 526	\$ 657
Specific ownership tax	10	40	50
Transfer from District No. 3	-	4	4
Total revenues	<u>141</u>	<u>570</u>	<u>711</u>
<b>EXPENDITURES</b>			
Current			
County Treasurer's fees	2	8	10
Transfer to District No. 1	138	5,836,167	5,836,305
Debt service			
Series 2014A interest	-	556	556
Series 2014A interest repayment	-	725,209	725,209
Series 2014A principal repayment	-	7,402,533	7,402,533
Total expenditures	<u>140</u>	<u>13,964,473</u>	<u>13,964,613</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>1</u>	<u>(13,963,903)</u>	<u>(13,963,902)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Bond issuance - Series 2014A	-	5,836,167	5,836,167
Bond issuance - Series 2015	-	10,830,000	10,830,000
Bond discount	-	(40,396)	(40,396)
Cost of issuance	-	(446,325)	(446,325)
Total other financing sources (uses)	<u>-</u>	<u>16,179,446</u>	<u>16,179,446</u>
<b>NET CHANGE IN FUND BALANCES</b>	1	2,215,543	2,215,544
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 1</u>	<u>\$ 2,215,543</u>	<u>\$ 2,215,544</u>

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

**LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 2  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended December 31, 2015**

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

Net change in fund balances - Total governmental funds	\$	2,215,544
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The issuance of long-term debt (e.g., bonds, leases) 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.

Bond issuance - Series 2014A		(5,836,167)
Bond issuance - Series 2015		(10,830,000)
Bond discount		40,396
Bond principal payment		7,402,533

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.

Accrued interest on long-term obligations - Change in liability		<u>47,722</u>
Changes in net position of governmental activities	\$	<u><u>(6,959,972)</u></u>

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

**LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 2  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
Year Ended December 31, 2015**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>			
Property taxes	\$ 131	\$ 131	\$ -
Specific ownership tax	9	10	1
Total revenues	<u>140</u>	<u>141</u>	<u>1</u>
<b>EXPENDITURES</b>			
Current			
County Treasurer's fees	2	2	-
Transfer to District No. 1	138	138	-
Total expenditures	<u>140</u>	<u>140</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	1	1
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 1</u>

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

**LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015**

**NOTE 1 - DEFINITION OF REPORTING ENTITY**

Littleton Village Metropolitan District No. 2 (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 February 11, 2014. The District, along with Littleton Village Metropolitan District No. 3 operate as Financing Districts together with Littleton Village Metropolitan District No. 1, which serves as the Coordinating District in a triple district structure (District No. 3 and District No. 1, respectively) (collectively, all three districts are referred to as the Districts). The District and District No. 3 provide for the funding of infrastructure improvements being administered by District No. 1. 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 has no employees and all operations and administrative functions are contracted.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

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

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

**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. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015**

**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 the 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and specific ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. 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 fund:

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 Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

**Budgets**

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

**LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015**

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

The District has amended its annual budget for the year ended December 31, 2015.

**Property Taxes**

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the 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.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category. Accordingly, this item, *bond discount*, is deferred and recognized as an outflow of resources in the period that the amounts become available.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one item that qualifies for reporting in this category. Accordingly, the item, *property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amounts become available.

**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.

**LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015**

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

***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.

**NOTE 3 - CASH AND INVESTMENTS**

Cash and investments as of December 31, 2015, are classified in the accompanying financial statements as follows:

Cash and investments – Restricted	<u>\$2,231,041</u>
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Cash and investments as of December 31, 2015, consist of the following:

Investments	<u>\$2,231,041</u>
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**LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015**

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

**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, 2015, the District had no cash deposits.

**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 disclosure requirements or subject to investment custodial credit risk 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



**LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015**

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

As of December 31, 2015, the District had the following investments:

<b>Investment</b>	<b>Maturity</b>	<b>Fair Value</b>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	<u>\$ 2,231,041</u>

**CSAFE**

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAM by Standard & Poor's.

**NOTE 4 - LONG-TERM OBLIGATIONS**

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2015:

	<u>Balance at December 31, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at December 31, 2015</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
Subordinate Special Revenue Bonds, Series 2014A	\$ 5,016,884	\$ 5,836,167	\$ 7,402,533	\$ 3,450,518	\$ -
Limited Tax General Obligation and Special Revenue Bonds, Series 2015	-	10,830,000	-	10,830,000	-
	<u>\$ 5,016,884</u>	<u>\$ 16,666,167</u>	<u>\$ 7,402,533</u>	<u>\$ 14,280,518</u>	<u>\$ -</u>

**LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015**

**NOTE 4 – LONG TERM OBLIGATIONS (CONTINUED)**

The detail of the District's long-term obligation is as follows:

**Series 2014 Special Revenue Bonds**

On June 4, 2014, the District authorized the issuance of Special Revenue Bonds, Series 2014A (the Bonds) in the aggregate principal amount of up to \$12,165,000. The principal amount of the Bonds deemed issued from time to time shall equal the amount of Acknowledged Advances made under the Construction Funding Loan Agreement whereby which the Developer advances the funds to cover capital costs and such advances are converted to bond proceeds through the process of Bond Counsel issuing an opinion on each Acknowledged Advance. The principal balance of the Bonds shall bear an interest at the rate of 8.00%, payable semi-annually on each June 15 and December 15, commencing June 15, 2015, and shall mature on December 15, 2044. To the extent interest on the Bonds is not paid when due, such interest shall compound annually, on each December 15. To the extent principal of the Bonds is not paid when due, such principal shall remain outstanding until paid. The District also issued Taxable Subordinate Special Revenue Bonds, Series 2014B (the Subordinate Bonds) in the authorized principal amount of up to \$3,335,000, in order to provide for the repayment of Acknowledged Advances in excess of \$12,165,000. The Subordinate Bonds shall bear the same interest rate of 8.00% and to be payable only after the payment in full of the Bonds. As of December 31, 2015, the outstanding balance under Series 2014A is \$3,450,518.

The Bonds are secured and payable from the Pledged Revenue, consisting of monies derived by the District from the following sources, net of collection costs: 1) property tax revenues, 2) specific ownership tax revenues, 3) PIF revenues, and 4) any other legally available monies which the District determines to credit to the Bond Fund. Pledged Revenue for the repayment on the Bonds also includes revenues resulting from District No. 3's imposition of the District No. 3 Required Mill Levy.

The Bonds shall be subject to redemption prior to maturity, at the option of the District, as a whole or in part, on any date thereafter, upon payment of par and accrued interest, without redemption premium. The Bonds are subject to mandatory redemption in part on December 15 of each year, commencing December 15, 2015 to the extent of monies on deposit.

Due to the unknown timing of bond proceeds, debt amortization schedules from the District's Special Revenue Bonds, Series 2014A, and Taxable Subordinate Special Revenue Bonds, Series 2014B are not available. Principal and interest payments will be made as cash flow is available.

**LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015**

**NOTE 4 – LONG TERM OBLIGATIONS (CONTINUED)**

**Limited Tax General Obligation and Special Revenue Bonds, Series 2015**

On December 17, 2015, the District issued Limited Tax General Obligation and Special Revenue Bonds, Series 2015, in the amount of \$10,830,000. The proceeds from the sale of the Series 2015 Senior Bonds are used for the purposes of (i) refunding a portion of the District's currently outstanding Subordinate Special Revenue Bond, Series 2014A; (ii) providing capitalized interest for the Series 2015 Senior Bonds; (iii) funding a Reserve Fund securing the Series 2015 Senior Bonds; and, (iv) paying costs of issuance of the Series 2015 Senior Bonds. The Series 2015 Senior Bonds bear interest at 5.375%, payable semi-annually on June 1 and December 1, beginning on June 1, 2016. Annual mandatory sinking fund principal payments are due on December 1, beginning on December 1, 2019. The Series 2015 Senior Bonds mature on December 1, 2045, and are subject to optional redemption as described in the Indenture.

The Series 2015 Senior Bonds are secured by and payable solely from Pledged Revenue, which includes property taxes derived from the Required Mill Levy net of the cost of collection, Specific Ownership Taxes attributable to the Required Mill Levy, Pledged PIF Revenues, PILOT revenues (if any), and any other legally available moneys of the District which the District deposits with the Trustee for application as Pledged Revenue. The Series 2015 Senior Bonds are also secured by amounts held in the Reserve Fund, which is to be funded upon issuance of the Series 2015 Senior Bonds in the amount of the Required Reserve anticipated to equal \$880,075, and amounts accumulated in the Surplus Fund, if any. In accordance with the Indenture, amounts on deposit in the Surplus Fund are to be released to the District when the Series 2015 Senior Bonds are defeased or paid in full.

Pledged Revenue that is not needed to pay debt service on the Series 2015 Senior Bonds in any year will be deposited to and held in the Surplus Fund, up to the Maximum Surplus Amount of 10% of par value of the Series 2015 Senior Bonds. Under the Indenture, the Surplus Fund is terminated upon defeasance or payment in full of the Series 2015 Senior Bonds. The District has acknowledged that State Law places certain restrictions on the use of money derived from the Required Mill Levy.

**LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015**

**NOTE 4 – LONG TERM OBLIGATIONS (CONTINUED)**

The Series 2015 Senior Bonds principal and interest will mature as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ -	\$ 556,241	\$ 556,241
2017	-	582,112	582,112
2018	-	582,113	582,113
2019	70,000	582,112	652,112
2020	115,000	578,350	693,350
2021-2025	760,000	2,787,206	3,547,206
2026-2030	1,205,000	2,537,806	3,742,806
2031-2035	1,770,000	2,156,719	3,926,719
2036-2040	2,525,000	1,604,439	4,129,439
2041-2045	4,385,000	825,868	5,210,868
	<u>\$ 10,830,000</u>	<u>\$ 12,792,966</u>	<u>\$ 23,622,966</u>

**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, 2015, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	<u>Amount Authorized November 5, 2013</u>	<u>Authorization Used Series 2014A</u>	<u>Authorization Used Series 2015</u>	<u>Authorized But Unissued</u>
Streets	\$ 40,000,000	\$ 10,853,051	\$ -	\$ 29,146,949
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	-	3,427,467	36,572,533
	<u>\$520,000,000</u>	<u>\$ 10,853,051</u>	<u>\$ 3,427,467</u>	<u>\$505,719,482</u>

**LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015**

**NOTE 5 - NET POSITION**

The District has net position consisting of two components – restricted and unrestricted.

The restricted component of net position includes assets that are restricted for use either externally imposed 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, 2015, as follows:

	<b>Governmental</b>
	<b><u>Activities</u></b>
Restricted net position:	
Debt service	<b><u>\$ 2,215,543</u></b>

The District's unrestricted net position as of December 31, 2015, totaled \$(14,297,209). This deficit amount was the result of the District being responsible for the financing and repayment of debt obligations and advances for the construction of public improvements.

**NOTE 6 - AGREEMENTS**

**Funding and Reimbursement Agreement**

District No. 1 entered into a Funding and Reimbursement Agreement with WIP Littleton Village, LLC (the Developer) dated as of October 31, 2013. Pursuant to this Agreement, the Developer agreed to loan up to \$750,000 to District No. 1 in one or a series of installments through December 31, 2014, to be used for capital needs as well as operations and maintenance requirements. Pursuant to the Construction Funding Loan Agreement (described below), the amount of \$767,889 that had accrued for capital expenditures under this Agreement has been recorded as amounts payable under the District's 2014 Special Revenue Bonds.

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 District No. 1 in an amount up to \$100,000 per year for five years through December 31, 2020.

**Construction Funding Loan Agreement**

The District, together with District Nos. 1 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 District No. 1 for capital costs of public infrastructure being constructed by District No. 1. 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.

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 indicated the extension term.

**LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015**

**NOTE 6 - AGREEMENTS**

The Construction Funding Loan Agreement was amended by a First Amendment on January 27, 2015 and by a Second Amendment on December 2, 2015. Pursuant to the terms of the Second Amendment, the principal amount of all advances for project costs is not to exceed \$17,000,000.

Reimbursement of amounts advanced by the Developer is to be made through the issuance of the 2014 Special Revenue Bonds issued by the District (See Note 4). During 2015, \$5,836,167 was recorded as amounts due under the 2014 Bonds which made the cumulative total of \$10,853,051, and \$16,448 was pending, together with accrued interest of \$63,292. On December 17, 2015, the District issued Limited Tax General Obligation and Special Revenue Bonds, Series 2015, in the amount of \$10,830,000 (See Note 4). 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.

**Capital Pledge Agreement**

On June 6, 2014, the District entered into a Capital Pledge Agreement with District No. 3, by which District No. 3 agreed to impose a mill levy against property within District No. 3, to be pledged to the payment of the District's 2014 Special Revenue Bonds. The mill levy (Required Mill Levy) for debt service is 40 mills, subject to certain adjustments to account for changes in the calculation of assessed valuations as a matter of State law. The obligation to levy the Required Mill Levy continues until such time as the Series 2014 Special Revenue Bonds and certain other obligations specified in the Capital Pledge Agreement have been fully paid.

**NOTE 7 – RELATED PARTY**

Hammond Site Resources LLC, a Colorado limited liability company, is contracted to provide construction management services to District No. 1. 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 Districts.

**NOTE 8 - 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) as of December 31, 2015. 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.

**LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015**

**NOTE 8 - RISK MANAGEMENT (CONTINUED)**

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 9 - 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 limits must be refunded unless the voters approve retention of such revenue.

On November 5, 2013, the District voters passed an election question to increase property taxes \$5,000,000 annually as adjusted for inflation, without limitation of rate, to pay the District's operations, maintenance and other expenses. Additionally, the District's electors authorized the District to collect, retain and spend all revenue without regard to any limitations under TABOR.

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. 2**  
**DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL**  
**Year Ended December 31, 2015**

	<u>Budget Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property taxes	\$ 525	\$ 526	\$ 526	\$ -
Specific ownership tax	26	48	40	(8)
Transfer from District No. 3	3	4	4	-
Total revenues	<u>554</u>	<u>578</u>	<u>570</u>	<u>(8)</u>
<b>EXPENDITURES</b>				
Debt Service				
County Treasurer's fees	8	8	8	-
Contingency	-	45,501	-	45,501
Series 2014A interest	546	556	556	-
Series 2014A interest repayment	-	725,209	725,209	-
Series 2014A principal repayment	-	7,402,533	7,402,533	-
Transfer to District No. 1	7,165,000	5,836,167	5,836,167	-
Total expenditures	<u>7,165,554</u>	<u>14,009,974</u>	<u>13,964,473</u>	<u>45,501</u>
<b>EXCESS OF REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<u>(7,165,000)</u>	<u>(14,009,396)</u>	<u>(13,963,903)</u>	<u>45,493</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond issuance - Series 2014A	-	5,836,167	5,836,167	-
Bond issuance - Series 2015	7,165,000	10,830,000	10,830,000	-
Bond discount	-	(40,396)	(40,396)	-
Cost of issuance	-	(449,630)	(446,325)	3,305
Total other financing sources (uses)	<u>7,165,000</u>	<u>16,176,141</u>	<u>16,179,446</u>	<u>3,305</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	2,166,745	2,215,543	48,798
<b>FUND BALANCES - BEGINNING OF YEAR</b>	-	-	-	-
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ -</u>	<u>\$ 2,166,745</u>	<u>\$ 2,215,543</u>	<u>\$ 48,798</u>

**LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 2**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
**December 31, 2015**

**\$10,830,000**

**Limited Tax General Obligation and Special Revenue Bonds**  
**Series 2015, Dated December 17, 2015**

**Interest Rate of 5.375%**

**Payable June 1 and December 1**

**Principal Due December 1**

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ -	\$ 556,241	\$ 556,241
2017	-	582,112	582,112
2018	-	582,113	582,113
2019	70,000	582,112	652,112
2020	115,000	578,350	693,350
2021	120,000	572,169	692,169
2022	140,000	565,718	705,718
2023	150,000	558,194	708,194
2024	170,000	550,131	720,131
2025	180,000	540,994	720,994
2026	205,000	531,318	736,318
2027	215,000	520,300	735,300
2028	245,000	508,744	753,744
2029	255,000	495,575	750,575
2030	285,000	481,869	766,869
2031	300,000	466,550	766,550
2032	330,000	450,425	780,425
2033	350,000	432,688	782,688
2034	385,000	413,875	798,875
2035	405,000	393,181	798,181
2036	440,000	371,413	811,413
2037	465,000	347,763	812,763
2038	505,000	322,769	827,769
2039	535,000	295,625	830,625
2040	580,000	266,869	846,869
2041	610,000	235,693	845,693
2042	660,000	202,906	862,906
2043	695,000	167,431	862,431
2044	750,000	130,075	880,075
2045	1,670,000	89,763	1,759,763
<b>TOTAL</b>	<b>\$ 10,830,000</b>	<b>\$ 12,792,966</b>	<b>\$ 23,622,966</b>

**LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 2  
SUMMARY OF ASSESSED VALUATION, MILL LEVY AND  
PROPERTY TAXES COLLECTED**

December 31, 2015

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mills Levied</u>		<u>Total Property Taxes</u>		<u>Percent Collected to Levied</u>
		<u>General</u>	<u>Debt Service</u>	<u>Levied</u>	<u>Collected</u>	
2014	\$ -	0.000	0.000	\$ -	\$ -	N/A
2015	\$ 13,137	10.000	40.000	\$ 656	\$ 657	100.2%
Estimated for year ending December 31, 2016	\$ 1,783,725	10.000	40.000	\$ 89,186		