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### **Accountant's Compilation Report**

Board of Directors  
Littleton Village Metropolitan District No. 2  
Arapahoe County, Colorado

Management is responsible for the accompanying budget of revenues, expenditures, and fund balances of Littleton Village Metropolitan District No. 2 for the year ending December 31, 2018, including the estimate of comparative information for the year ending December 31, 2017, and the actual comparative information for the year ending December 31, 2016, in the format prescribed by Colorado Revised Statutes (C.R.S.) 29-1-105. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the budget nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on the accompanying budget.

We draw attention to the summary of significant assumptions which describe that the budget is presented in accordance with the requirements of C.R.S. 29-1-105, and is not intended to be a presentation in accordance with accounting principles generally accepted in the United States of America.

We are not independent with respect to Littleton Village Metropolitan District No. 2.

*CliftonLarsonAllen LLP*

Greenwood Village, Colorado  
December 7, 2017

**LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 2**  
**SUMMARY**  
**2018 BUDGET AS ADOPTED**  
**WITH 2016 ACTUAL AND 2017 ESTIMATED**  
**For the Years Ended and Ending December 31,**

12/6/2017

	ACTUAL 2016	ESTIMATED 2017	ADOPTED 2018
BEGINNING FUND BALANCES	\$ 2,215,544	\$ 1,740,166	\$ 1,375,644
<b>REVENUES</b>			
1 Property taxes	89,172	165,582	493,769
2 Specific ownership taxes	6,837	13,900	49,380
3 Net investment income	10,598	15,700	17,000
4 Other income	-	1,000	2,000
5 Transfer from District No. 3	39,110	76,912	114,901
6 Bond issuance - Series 2014A	1,311,949	-	-
7 Bond issuance - Series 2014B	1,996,008	475,000	350,000
Total revenues	3,453,674	748,094	1,027,050
Total funds available	5,669,218	2,488,260	2,402,694
<b>EXPENDITURES</b>			
8 General and administration			
9 Contingency	-	1,000	2,000
10 County Treasurer's fees	268	497	1,481
11 Transfer to District No. 1	18,934	36,119	108,144
12 Debt service			
13 Bond interest	598,407	582,112	582,113
14 Contingency	1,816	11,801	12,862
15 County Treasurer's fees	1,070	1,987	5,925
16 Paying agent fees	600	4,100	4,100
17 Transfer to District No. 1	3,307,957	475,000	350,000
Total expenditures	3,929,052	1,112,616	1,066,625
Total expenditures and transfers out requiring appropriation	3,929,052	1,112,616	1,066,625
ENDING FUND BALANCES	\$ 1,740,166	\$ 1,375,644	\$ 1,336,069
REQUIRED RESERVE - SERIES 2015	\$ 880,075	\$ 880,075	\$ 880,075
SURPLUS RESERVE - SERIES 2015	860,091	495,569	455,994
TOTAL RESERVE	\$ 1,740,166	\$ 1,375,644	\$ 1,336,069

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

**LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 2**  
**PROPERTY TAX SUMMARY INFORMATION**  
**For the Years Ended and Ending December 31,**

12/6/2017

	ACTUAL 2016	ESTIMATED 2017	ADOPTED 2018
<b>ASSESSED VALUATION - ARAPAHOE</b>			
Residential	\$ -	\$ 817,214	\$ 7,496,194
Commercial	-	-	78,437
Vacant Land	1,783,725	2,475,248	1,344,874
State Assessed	-	19,180	13,140
Certified Assessed Value	<u>\$ 1,783,725</u>	<u>\$ 3,311,642</u>	<u>\$ 8,932,645</u>
<b>MILL LEVY</b>			
GENERAL FUND	10.000	10.000	11.055
DEBT SERVICE FUND	40.000	40.000	44.222
Total Mill Levy	<u>50.000</u>	<u>50.000</u>	<u>55.277</u>
<b>PROPERTY TAXES</b>			
GENERAL FUND	\$ 17,837	\$ 33,116	\$ 98,750
DEBT SERVICE FUND	71,349	132,466	395,019
Levied property taxes	89,186	165,582	493,769
Adjustments to actual/rounding	(14)	-	-
Budgeted Property Taxes	<u>\$ 89,172</u>	<u>\$ 165,582</u>	<u>\$ 493,769</u>
<b>BUDGETED PROPERTY TAXES</b>			
GENERAL FUND	\$ 17,834	\$ 33,116	\$ 98,750
DEBT SERVICE FUND	71,338	132,466	395,019
	<u>\$ 89,172</u>	<u>\$ 165,582</u>	<u>\$ 493,769</u>

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

**LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 2**  
**GENERAL FUND**  
**2018 BUDGET AS ADOPTED**  
**WITH 2016 ACTUAL AND 2017 ESTIMATED**  
**For the Years Ended and Ending December 31,**

12/6/2017

	ACTUAL 2016	ESTIMATED 2017	ADOPTED 2018
BEGINNING FUND BALANCES	\$ 1	\$ -	\$ -
<b>REVENUES</b>			
1 Property taxes	17,834	33,116	98,750
2 Specific ownership taxes	1,367	2,800	9,875
3 Net investment income	-	700	1,000
4 Other income	-	1,000	2,000
Total revenues	19,201	37,616	111,625
Total funds available	19,202	37,616	111,625
<b>EXPENDITURES</b>			
General and administration			
5 Contingency	-	1,000	2,000
6 County Treasurer's fees	268	497	1,481
7 Transfer to District No. 1	18,934	36,119	108,144
Total expenditures	19,202	37,616	111,625
Total expenditures and transfers out requiring appropriation	19,202	37,616	111,625
ENDING FUND BALANCES	\$ -	\$ -	\$ -

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

**LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 2**  
**DEBT SERVICE FUND**  
**2018 BUDGET AS ADOPTED**  
**WITH 2016 ACTUAL AND 2017 ESTIMATED**  
**For the Years Ended and Ending December 31,**

12/6/2017

	ACTUAL 2016	ESTIMATED 2017	ADOPTED 2018
BEGINNING FUND BALANCES	\$ 2,215,543	\$ 1,740,166	\$ 1,375,644
<b>REVENUES</b>			
1 Property taxes	71,338	132,466	395,019
2 Specific ownership taxes	5,470	11,100	39,505
3 Net investment income	10,598	15,000	16,000
4 Transfer from District No. 3	39,110	76,912	114,901
5 Bond issuance - Series 2014A	1,311,949	-	-
6 Bond issuance - Series 2014B	1,996,008	475,000	350,000
Total revenues	3,434,473	710,478	915,425
Total funds available	5,650,016	2,450,644	2,291,069
<b>EXPENDITURES</b>			
Debt service			
7 Bond interest	598,407	582,112	582,113
8 Contingency	1,816	11,801	12,862
9 County Treasurer's fees	1,070	1,987	5,925
10 Paying agent fees	600	4,100	4,100
11 Transfer to District No. 1	3,307,957	475,000	350,000
Total expenditures	3,909,850	1,075,000	955,000
Total expenditures and transfers out requiring appropriation	3,909,850	1,075,000	955,000
ENDING FUND BALANCES	\$ 1,740,166	\$ 1,375,644	\$ 1,336,069
REQUIRED RESERVE - SERIES 2015	\$ 880,075	\$ 880,075	\$ 880,075
SURPLUS RESERVE - SERIES 2015	860,091	495,569	455,994
TOTAL RESERVE	\$ 1,740,166	\$ 1,375,644	\$ 1,336,069

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

**LITTLETON VILLAGE METROPOLITAIN DISTRICT NO. 2**  
**2018 BUDGET**  
**SUMMARY OF SIGNIFICANT ASSUMPTIONS**

**Services Provided**

The District, a quasi-municipal corporation and a political subdivision of the State of Colorado, was organized by order and decree of the District Court for Arapahoe County on February 12, 2014, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District operates under a Service Plan approved by the City on September 5, 2006, and as modified on September 3, 2013. The District's service area 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.

On November 5, 2013 the District's voters approved for an annual increase in taxes and public improvements fees of \$5,000,000 each for general operations and maintenance and \$40,000,000 for payment due pursuant to intergovernmental agreements (IGA). The District also approved general obligation indebtedness of \$40,000,000 for each of the following: street improvements, parks and recreation facilities, a potable and non-potable water supply, a sanitation system, a transportation system, mosquito control facilities, traffic and safety controls, fire protection, television relay and translation system, security services, and debt refinancing. Additionally, the District's electors authorized the District to collect, retain and spend all revenue annually, other than ad valorem taxes, without regard to limitations under TABOR.

The District's service plan limits the total debt issuance to \$40,000,000. The Maximum Debt Mill Levy the District is permitted to impose is 50.000 mills for any Debt which exceeds fifty percent of the District's assessed valuation. For the portion of any Debt which is equal to or less than fifty percent of the District's assessed valuation, either on the date of issuance or at any time thereafter, the mill levy to be imposed to repay such portion of Debt shall not be subject to the Maximum Debt Mill Levy and, as a result, the mill levy may be such amount as is necessary to pay the Debt service on such Debt, without limitation of rate.

The District prepares its budget on the modified accrual basis of accounting in accordance with the requirements of Colorado Revised Statutes C.R.S. 29-1-105.

**Revenues**

**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 of 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.

**LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 2**  
**2018 BUDGET**  
**SUMMARY OF SIGNIFICANT ASSUMPTIONS**

**Revenues – (continued)**

The District's Service Plan provides that the District's mill levy may be adjusted to take into account legislative or constitutionally imposed adjustments in assessed values or the method of their calculation, so that, to the extent possible, the actual revenues generated are neither diminished or enhanced as a result of such changes. Among other adjustments, a change in the ratio of actual valuation of assessable property (assessment ratio) shall be deemed a change in method of calculating assessed valuation. During 2017, the assessment ratio changed from 7.96% to 7.20%; consequently, for the collection year 2018, the District adjusted its mill levy.

The calculation of the taxes levied is displayed on the Property Tax Summary page of the budget using the adopted mill levy imposed by the District.

**Specific Ownership Taxes**

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on vehicle licensing within the County as a whole. The specific ownership taxes are allocated by the County Treasurer to all taxing entities within the County. The budget assumes that the District's share will be equal to approximately 10% of the property taxes collected.

**Net Investment Income**

Investment earned on the District's available funds has been estimated based on historical interest earnings.

**Transfer from District No. 3**

Pursuant to the Capital Pledge Agreement, entered into on June 6, 2014, between the District and District No. 3, District No. 3 is obligated to impose ad valorem property taxes for the payment of the Series 2014 Special Revenue Bonds.

**Expenditures**

**Treasurer's Fees**

County Treasurer's fees have been computed at 1.5% of property tax collections.

**Transfer to District No. 1**

Proceeds from the District's bond issuance are being transferred to District No. 1 to cover District No. 1's capital expenditures. In addition, the District also transfers net property taxes derived from an Operation and Maintenance mill levy, together with a portion of specific ownership taxes, to District No. 1 (Operating District) to pay for general and administrative expenditures.

**Debt Service**

Principal and interest payments in 2018 are provided based upon the debt amortization schedule from the Series 2015 Bonds discussed under Debt and Leases.

**LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 2**  
**2018 BUDGET**  
**SUMMARY OF SIGNIFICANT ASSUMPTIONS**

**Debt and Leases**

**Special Revenue Bonds, Series 2014**

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 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 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 Subordinate Bonds shall bear the same interest rate of 8.00% and to be payable only after the payment in full of the Bonds.

The Bonds are secured and payable from the Pledged Revenue, consisting of moneys 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 moneys 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 is subject to mandatory redemption in part on December 15 of each year, commencing December 15, 2015 to the extent of moneys on deposit.

**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.



**LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 2**  
**2018 BUDGET**  
**SUMMARY OF SIGNIFICANT ASSUMPTIONS**

**Debt and Leases - (continued)**

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 forecast does not include Pledged PIF or PILOT revenues. 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, or \$1,083,000. 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. Required Mill Levy means an ad valorem mill levy imposed upon all taxable property of the District and District No. 3 each year in an amount sufficient, to pay the principal and interest on the Bonds as the same become due, and to replenish the Surplus Fund to the Maximum Surplus Amount, but not in excess of 50.000 mills (subject to adjustment for changes occurring in the method of calculating assessed valuation). The maximum Required Mill Levy has been adjusted to 55.277.

The District has no capital or operating leases.

**Reserve Funds**

**Emergency Reserve**

The District has not provided for an Emergency Reserve fund equal to at least 3% of fiscal year spending for 2018, as defined under TABOR, because net tax revenue is transferred to District No. 1, the Operating District, which provides for the required reserve amount.

**This information is an integral part of the accompanying budget.**

**LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 2**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**

**\$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>
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>	<u>\$ 10,830,000</u>	<u>\$ 11,654,613</u>	<u>\$ 22,484,613</u>

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.