

LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 2
Arapahoe County, Colorado

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2019

LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 2
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YEAR ENDED DECEMBER 31, 2019

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Littleton Village Metropolitan District No. 2 (the "District") as of and for the year ended December 31, 2019, 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 audit. We conducted our audit 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 Littleton Village Metropolitan District No. 2 as of December 31, 2019, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance 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 opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming an opinion 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 the 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.

The other information, as listed in the table of contents, has not been subject to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Wipfli LLP
Lakewood, Colorado

July 29, 2020

BASIC FINANCIAL STATEMENTS

LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 2
STATEMENT OF NET POSITION
DECEMBER 31, 2019

| | Governmental Activities |
|--------------------------------------|----------------------------|
| ASSETS | |
| Cash and Investments - Restricted | \$ 1,546,508 |
| Receivable from County Treasurer | 4,509 |
| Due from Other Districts | 873 |
| PIF Receivable | 2,715 |
| Property Taxes Receivable | 817,215 |
| Total Assets | 2,371,820 |
| LIABILITIES | |
| Due to Other Districts | 1,593 |
| Accounts Payable | 64,474 |
| Accrued Interest on Bonds Payable | 48,196 |
| Noncurrent Liabilities: | |
| Due Within One Year | 115,000 |
| Due in More than One Year | 18,575,414 |
| Total Liabilities | 18,804,677 |
| DEFERRED INFLOWS OF RESOURCES | |
| Property Tax Revenue | 817,215 |
| Total Deferred Inflows of Resources | 817,215 |
| NET POSITION | |
| Restricted For: | |
| Dog Park Restoration | 64,891 |
| Debt Service | 532,019 |
| Unrestricted | (17,846,982) |
| Total Net Position | \$ (17,250,072) |

See accompanying Notes to Basic Financial Statements.

LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 2
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

| | | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position |
|---|----------------------------|--|--|----------------------------|--|
| Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | |
| FUNCTIONS/PROGRAMS | | | | | |
| Primary Government: | | | | | |
| Governmental Activities: | | | | | |
| General Government | \$ 100,801 | \$ - | \$ - | \$ - | \$ (100,801) |
| Intergovernmental | 179,526 | - | 136,029 | - | (43,497) |
| Interest and Related Costs on Long-Term Debt | 1,180,842 | - | - | - | (1,180,842) |
| Total Governmental Activities | \$ 1,461,169 | \$ - | \$ 136,029 | \$ - | (1,325,140) |
| GENERAL REVENUES | | | | | |
| Property Taxes | | | | | 688,365 |
| Specific Ownership Taxes | | | | | 53,981 |
| Public Improvement Fees | | | | | 21,777 |
| Net Investment Income | | | | | 32,751 |
| Total General Revenues | | | | | 796,874 |
| CHANGE IN NET POSITION | | | | | (528,266) |
| Net Position - Beginning of Year | | | | | (16,721,806) |
| NET POSITION - END OF YEAR | | | | | \$ (17,250,072) |

See accompanying Notes to Basic Financial Statements.

**LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 2
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

| | General | Debt Service | Total Governmental Funds |
|--|------------|-----------------|--------------------------------|
| ASSETS | | | |
| Cash and Investments - Restricted | \$ - | \$ 1,546,508 | \$ 1,546,508 |
| Receivable from County Treasurer | 902 | 3,607 | 4,509 |
| Due from Other Districts | - | 873 | 873 |
| PIF Receivable | - | 2,715 | 2,715 |
| Property Taxes Receivable | 163,434 | 653,781 | 817,215 |
| Total Assets | \$ 164,336 | \$ 2,207,484 | \$ 2,371,820 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Due to Other Districts | \$ 902 | \$ 691 | \$ 1,593 |
| Accounts Payable | - | 64,474 | 64,474 |
| Total Liabilities | 902 | 65,165 | 66,067 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Property Tax Revenue | 163,434 | 653,781 | 817,215 |
| Total Deferred Inflows of Resources | 163,434 | 653,781 | 817,215 |
| FUND BALANCES | | | |
| Restricted For: | | | |
| Dog Park Restoration | - | 64,891 | 64,891 |
| Debt Service | - | 1,423,647 | 1,423,647 |
| Total Fund Balances | - | 1,488,538 | 1,488,538 |
| Total Liabilities and Fund Balances | \$ 164,336 | \$ 2,207,484 | |

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

Long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and, therefore, are not recorded as liabilities in the funds.

| | |
|--|--------------|
| Bonds Payable - Series 2014A | (665,293) |
| Bonds Payable - Series 2014B | (914,350) |
| Bonds Payable - Series 2015 | (10,726,875) |
| Bonds Payable - Series 2018B | (5,540,464) |
| Accrued Interest on Bonds Payable - Series 2014A | (71,959) |
| Accrued Interest on Bonds Payable - Series 2014B | (198,721) |
| Accrued Interest on Bonds Payable - Series 2015 | (48,196) |
| Accrued Interest on Bonds Payable - Series 2018B | (572,752) |

| | |
|---|-----------------|
| Net Position of Governmental Activities | \$ (17,250,072) |
|---|-----------------|

See accompanying Notes to Basic Financial Statements.

LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2019

| | General | Debt Service | Total Governmental Funds |
|---|------------|-----------------|--------------------------------|
| REVENUES | | | |
| Property Taxes | \$ 137,667 | \$ 550,698 | \$ 688,365 |
| Specific Ownership Taxes | 10,796 | 43,185 | 53,981 |
| Net Investment Income | 66 | 32,685 | 32,751 |
| Public Improvement Fees | - | 21,777 | 21,777 |
| Transfer from Other Districts | - | 136,029 | 136,029 |
| Total Revenues | 148,529 | 784,374 | 932,903 |
| EXPENDITURES | | | |
| County Treasurer's Fees | 2,066 | 8,264 | 10,330 |
| Transfer to Other Districts | 146,463 | 33,063 | 179,526 |
| Bond Interest - Series 2015 | - | 582,113 | 582,113 |
| Bond Principal - Series 2015 | - | 70,000 | 70,000 |
| Paying Agent Fees | - | 7,600 | 7,600 |
| PIF Collection | - | 2,963 | 2,963 |
| Dog Park Restoration | - | 98,735 | 98,735 |
| Total Expenditures | 148,529 | 802,738 | 951,267 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | - | (18,364) | (18,364) |
| OTHER FINANCING SOURCES (USES) | | | |
| Bond Issuance - Series 2014B | - | 33,063 | 33,063 |
| Total Other Financing Sources (Uses) | - | 33,063 | 33,063 |
| NET CHANGE IN FUND BALANCES | - | 14,699 | 14,699 |
| Fund Balances - Beginning of Year | - | 1,473,839 | 1,473,839 |
| FUND BALANCES - END OF YEAR | \$ - | \$ 1,488,538 | \$ 1,488,538 |

See accompanying Notes to Basic Financial Statements.

**LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 2
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

Net Change in Fund Balances - Governmental Funds \$ 14,699

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

The issuance of long-term debt (e.g., bonds) 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 Principal Payment- Series 2015 | 70,000 |
| Bond Discount Amortization- Series 2015 | (1,839) |
| Bond Discount Amortization- Series 2018B | (11,464) |
| Bond Issuance - Series 2014B | (33,063) |

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 | (566,599) |
|---|-----------|

| | |
|---|--------------|
| Change in Net Position of Governmental Activities | \$ (528,266) |
|---|--------------|

**LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 2
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019**

| | Original and Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|------------------------------------|---------------------------------|-------------------|---|
| REVENUES | | | |
| Property Taxes | \$ 137,704 | \$ 137,667 | \$ (37) |
| Specific Ownership Taxes | 8,262 | 10,796 | 2,534 |
| Net Investment Income | 500 | 66 | (434) |
| Other Revenue | 3,000 | - | (3,000) |
| Total Revenues | <u>149,466</u> | <u>148,529</u> | <u>(937)</u> |
| EXPENDITURES | | | |
| County Treasurer's Fees | 2,066 | 2,066 | - |
| Transfer to Other Districts | 144,400 | 146,463 | (2,063) |
| Contingency | 3,000 | - | 3,000 |
| Total Expenditures | <u>149,466</u> | <u>148,529</u> | <u>937</u> |
| NET CHANGE IN FUND BALANCES | - | - | - |
| Fund Balances - Beginning of Year | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES - END OF YEAR | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

See accompanying Notes to Basic Financial Statements.

LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE 1 DEFINITION OF REPORTING ENTITY

Littleton Village Metropolitan District No. 2 (the District), a quasi-municipal corporation and political subdivision of the state of Colorado, which was organized by order and decree of the District Court for Court for Arapahoe County on February 18, 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 (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 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 property taxes and intergovernmental revenues.

LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

The statement of net position reports all financial and capital resources of the District. The difference between the assets, deferred outflow of resources, liabilities, and deferred inflow of resources of the District is reported as net position.

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

LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

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 each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures and other financing uses 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 amended its annual budget for the year ended December 31, 2019.

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.

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 property tax revenues are recorded as revenue in the year they are available or collected.

Amortization

Bond Discount

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows of Resources

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 and so will not be recognized as an inflow of resources (revenue) until that time. The District has 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 amount becomes available.

Equity

Net Position

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

Fund Balance

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

Nonspendable Fund Balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.

Restricted Fund Balance – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

Committed Fund Balance – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the board of directors. The constraint may be removed or changed only through formal action of the board of directors.

Assigned Fund Balance – The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the board of directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

Unassigned Fund Balance – The residual portion of fund balance that does not meet any of the criteria described above.

**LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 2
 NOTES TO BASIC FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

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, 2019, are classified in the accompanying financial statements as follows:

Statement of Net Position:

| | |
|-----------------------------------|--------------|
| Cash and Investments - Restricted | \$ 1,546,508 |
| Total Cash and Investments | \$ 1,546,508 |

Cash and investments as of December 31, 2019, consist of the following:

| | |
|--------------------------------------|--------------|
| Deposits with Financial Institutions | \$ 64,891 |
| Investments | 1,481,617 |
| Total Cash and Investments | \$ 1,546,508 |

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, 2019, the District's cash deposits had a bank and carrying balance of \$64,891.

LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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, 2019, the District had the following investments:

| <u>Investment</u> | <u>Maturity</u> | <u>Amount</u> |
|---|-----------------------------------|---------------------|
| Colorado Surplus Asset Fund Trust (CSAFE) | Weighted Average Under 60 Days | \$ 1,469,839 |
| Colorado Local Government Liquid Asset Trust (COLOTRUST) | Weighted Average Under 60 Days | 11,778 |
| Total | | <u>\$ 1,481,617</u> |

LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), 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. CSAFE records its investments at amortized cost and the District records its investments in CSAFE at net asset value determined by amortized cost method. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the COLOTRUST. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. COLOTRUST offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for COLOTRUST's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the COLOTRUST's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by COLOTRUST. COLOTRUST is rated AAAM by Standard & Poor's. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE 4 LONG-TERM OBLIGATIONS

The following is an analysis of changes in the District's long-term obligations for the year ended December 31, 2019:

| | Balance - December 31, 2018 | Additions | Retirements | Balance - December 31, 2019 | Due Within One Year |
|---|-----------------------------------|-------------------|------------------|-----------------------------------|------------------------|
| Subordinate Special Revenue Bonds, Series 2014A | \$ 665,293 | \$ - | \$ - | \$ 665,293 | \$ - |
| Subordinate Special Revenue Bonds, Series 2014B | 881,287 | 33,063 | - | 914,350 | - |
| Accrued Interest on Subordinate Special Rev Bonds, Series 2014A | 17,150 | 54,809 | - | 71,959 | - |
| Accrued Interest on Subordinate Special Rev Bonds, Series 2014B | 114,749 | 83,972 | - | 198,721 | - |
| Limited Tax G.O. and Special Revenue Bonds, Series 2015 | 10,830,000 | - | 70,000 | 10,760,000 | 115,000 |
| Bond Issue Discount - Series 2015 | (34,964) | - | (1,839) | (33,125) | - |
| Subordinate Limited Tax G.O. and Special Revenue Refunding, Bonds Series 2018B | 5,700,000 | - | - | 5,700,000 | - |
| Bond Issue Discount - Series 2018B | (171,000) | - | (11,464) | (159,536) | - |
| Accrued Interest on Subordinate Limited Tax G.O. and Special Revenue Bonds, Series 2018 | - | 572,752 | - | 572,752 | - |
| Total | <u>\$ 18,002,515</u> | <u>\$ 744,596</u> | <u>\$ 56,697</u> | <u>\$ 18,690,414</u> | <u>\$ 115,000</u> |

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 pursuant to which the WIP Littleton Village, LLC (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 interest at the rate of 8.00% per annum and any interest not paid when due compounds annually at such rate, 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. Both Series 2014A and 2014B Bonds are subordinate to Series 2015 and Series 2018 Bonds.

LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Series 2014 Special Revenue Bonds (Continued)

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) privately imposed public improvement fees (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.

The Series 2014A Bonds were partially refunded by the Series 2015 Bonds and the Series 2018B Bonds, as described in the following section. The Series 2014B Bonds were partially discharged by a contribution from the Developer during the issuance of the Series 2018B Bonds.

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 (for the District and District No. 3 according to the Capital Pledge Agreement) net of the cost of collection, Specific Ownership Taxes attributable to the Required Mill Levy, Pledged PIF revenues, payments in lieu of taxes (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 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.

LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Limited Tax General Obligation and Special Revenue Bonds, Series 2015 (Continued)

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.

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

| <u>Year Ending December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|----------------------|----------------------|----------------------|
| 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 |
| 2025-2029 | 1,100,000 | 2,596,931 | 3,696,931 |
| 2030-2034 | 1,650,000 | 2,245,407 | 3,895,407 |
| 2035-2039 | 2,350,000 | 1,730,751 | 4,080,751 |
| 2040-2044 | 3,295,000 | 1,002,974 | 4,297,974 |
| 2045 | 1,670,000 | 89,763 | 1,759,763 |
| Total | <u>\$ 10,760,000</u> | <u>\$ 10,490,388</u> | <u>\$ 21,250,388</u> |

Subordinate Limited Tax General Obligation and Special Revenue Bonds, Series 2018B

On September 6, 2018, the District issued Subordinate Limited Tax General Obligation and Special Revenue Bonds, (Series 2018B Bonds), in the amount of \$5,700,000. Proceeds from the sale of the Series 2018B Bonds were used for the purposes of (i) refunding a portion of the 2014A Bonds and (ii) paying costs in connection with the issuance of the Series 2018B Bonds.

The Series 2018B Bonds were issued at the rate of 7.625% per annum and payable annually on December 15, beginning December 15, 2018, from, and to the extent of, Subordinate Pledged Revenue, subject to limitations of the Indenture, and mature on December 15, 2028. Unpaid interest on the Series 2018B Bonds compounds annually on each December 15 at the rate then borne by the Series 2018B Bonds. In the event any amount due and owing on the Series 2018B Bonds remains outstanding on December 15, 2055, such amount shall be deemed discharged and no longer be due and outstanding.

The Series 2018B Bonds are secured by and payable solely from Subordinate Pledged Revenue, which is that portion of Pledged Revenue available after application of the Pledged Revenue to the payment of Series 2015 Senior Bonds.

The Indenture requires that, so long as any Series 2015 Senior Bonds are outstanding, the District must transfer all Pledged Revenue to the Senior Obligation Trustee for the payment of Senior Obligations. Any Pledged Revenue not needed to pay Series 2015 Senior Bonds, or to replenish the Reserve Fund or fund the Surplus Fund, are required to be deposited in the Subordinate Bond Fund and be applied to the payment of the Subordinate Bonds. When the Series 2015 Senior Bonds are no longer outstanding, the District is required to deposit all Pledged Revenue with the Trustee for the payment of the Subordinate Bonds.

LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Subordinate Limited Tax General Obligation and Special Revenue Bonds, Series 2018B (Continued)

The Series 2018B Bonds constitute Subordinate Obligations under the 2015 Senior Indenture, and the Series 2015 Senior Bonds constitute Senior Obligations under the Indenture. The moneys constituting the Subordinate Pledged Revenue, which are pledged to the payment of the Series 2018B Bonds, are derived from the same sources of revenues as the moneys pledged to the payment of the 2015 Senior Indenture to pay the Series 2015 Senior Bonds, and the lien thereon is junior and subordinate in all respects to the lien of the Series 2015 Senior Bonds and any other Senior Obligations which may be issued by the District in the future.

Principal and interest payments will be made as cash flow is available.

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, 2019, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

| | Amount Authorized November 5, 2013 | Authorization Used Series 2014A | Authorization Used Series 2014B | Authorization Used Series 2015 | Authorization Used Series 2018 | Authorized But Unissued |
|------------------------------|---|---------------------------------------|---------------------------------------|--------------------------------------|--------------------------------------|-------------------------------|
| Streets | \$ 40,000,000 | \$ 10,091,601 | \$ 1,318,760 | \$ - | \$ - | \$ 28,589,639 |
| Water | 40,000,000 | 1,609,323 | 429,380 | - | - | 37,961,297 |
| Sanitation | 40,000,000 | 464,076 | 636,837 | - | - | 38,899,087 |
| 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 | - | - | - | 5,700,000 | 34,300,000 |
| Intergovernmental Agreements | 40,000,000 | - | - | 10,830,000 | - | 29,170,000 |
| Total | <u>\$ 520,000,000</u> | <u>\$ 12,165,000</u> | <u>\$ 2,384,977</u> | <u>\$ 10,830,000</u> | <u>\$ 5,700,000</u> | <u>\$ 488,920,023</u> |

Pursuant to the Service Plan, the District, jointly with District Nos. 1 and 3, are 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. 2
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

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 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, 2019, as follows:

| | |
|-------------------------------|-------------------|
| Restricted Net Position: | |
| Dog Park Restoration | \$ 64,891 |
| Debt Service | 532,019 |
| Total Restricted Net Position | <u>\$ 596,910</u> |

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

The District has a deficit in unrestricted net position. This deficit amount is a result of the District being responsible for the repayment of bonds issued for public improvement, a portion of which have been conveyed and/or will be conveyed to other governmental entities.

NOTE 6 AGREEMENTS

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

District No. 1 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 District No. 1 in one or in a series of installments through December 31, 2014, to be used for costs including capital needs as well as operations and maintenance requirements. District No. 1 was to determine from time to time (but not more often than monthly) the amount required to fund budgeted expenditures of District No. 1, 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. District No. 1 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. The term for repayment was 20 years from the date of the Prior Funding Agreement, unless otherwise agreed.

LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE 6 AGREEMENTS (CONTINUED)

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

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 District No. 1 in an amount up to \$100,000 per year for five years through December 31, 2020, which funds are to be loaned to District No. 1 solely for operations and maintenance costs. Funds advanced by the Developer to District No. 1 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. The District and Littleton Village Metropolitan District No. 3 both acknowledged the Amended and Restated Funding Agreement, stating that each were obligated to provide revenues from the properties within the boundaries of each respective district to fund the obligation to reimburse the Developer for advances made to District No. 1 under the Amended and Restated Funding Agreement.

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 the District, 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.

On May 15, 2019, District No. 1 and the Developer entered into a First Amendment to the Amended and Restated Funding and Reimbursement Agreement to acknowledge that the Developer overfunded \$18,751 during 2018. The parties also acknowledged and agreed that this \$18,751 shall be applied and credited against the total amount the Developer is obligated to advance District No. 1 in 2019.

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 (the Construction Funding Loan Agreement), 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 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.

LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE 6 AGREEMENTS (CONTINUED)

Construction Funding Loan Agreement (Continued)

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, a Fourth Amendment on May 23, 2017, and a Fifth Amendment on August 14, 2018. Pursuant to the Construction Funding Loan Agreement, as amended, the Developer agreed to make advances in one or more installments in the maximum loan amount of \$17,000,000 through June 1, 2018. A Sixth Amendment was executed on July 17, 2019 to extend the loan obligation period beyond June 1, 2018 to acknowledge and include advances totaling \$112,517 received from the Developer.

During 2019, \$33,063 was recorded as additional amounts due under Series 2014B Bonds. On December 17, 2015, the District 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). On September 6, 2018, the District issued Subordinate Limited Tax General Obligation and Special Revenue Bonds, Series 2018B, in the amount of \$5,700,000 to refund a portion of the Series 2014A and \$2,200,000 to the Series 2014B was forgiven by the Developer. As of December 31, 2019, the Series 2014A and Series 2014B had principal outstanding balances of \$665,293 and \$914,350, respectively.

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.

Senior Capital Pledge Agreement

On December 1, 2015, the District and District No. 3 (collectively, the Financing Districts) entered into the Senior Capital Pledge Agreement with UMB Bank, N.A. (the Trustee). District No. 3 agreed to impose the Required Mill Levy against property within its boundaries, specific ownership tax revenues available from the imposition of such mill levy, and any available PILOT revenues. These revenues are pledged to the payment of the Series 2015 Senior Bonds.

The Senior Capital Pledge Agreement was amended by a First Amendment on September 1, 2018 for the purpose of correcting an omission of certain language pertaining to the permitted mill levy for Subordinate District No. 3 Obligations and modifying certain provisions that required that the 2014 Junior Lien Bonds to be paid in full prior to the application of any ad valorem property taxes of District No. 3 in order to facilitate the issuance of the Series 2018B Bonds..

LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE 6 AGREEMENTS (CONTINUED)

Subordinate Capital Pledge Agreement

On September 1, 2018, the District and District No. 3 entered into the Subordinate Capital Pledge Agreement with UMB Bank, N.A. (the Trustee). The 2018 Subordinate Pledge Agreement constitutes a Subordinate District No. 3 obligation under the original Senior Capital Pledge Agreement. This requires that, so long as any Series 2015 Senior Bonds are outstanding, the District must transfer all Pledged Revenue to the Senior Obligation Trustee for payment until there is no longer an outstanding obligation. Upon this, the District is required to deposit all Pledged Revenue for payment of the Subordinate Bonds.

Dog Park Restoration Escrow Agreement

Littleton Village Metropolitan District No. 1 previously constructed within the boundaries of the District a fenced dog park. Subsequent to construction, certain deficiencies have resulted in an unstable condition of the dog park. In connection with the issuance of the Subordinate Limited Tax General Obligation and Special Revenue Refunding Bonds, Series 2018 by the District, the Developer agreed to escrow \$100,000 of the proceeds from such bond to be used by the District for the restoration of the dog park.

NOTE 7 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 8 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. 2
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE 8 TAX, SPENDING, AND DEBT LIMITATIONS (CONTINUED)

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. As of December 31, 2019, the District has not provided for an emergency reserve fund equal to at least 3% of fiscal year spending, as defined under TABOR, because net tax revenue is transferred to District No. 1, the Operating District, which provides for the required reserve amount.

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.

SUPPLEMENTARY INFORMATION

LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 2
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Property Taxes | \$ 550,841 | \$ 550,698 | \$ 550,698 | \$ - |
| Specific Ownership Taxes | 33,050 | 43,185 | 43,185 | - |
| Net Investment Income | 20,000 | 32,685 | 32,685 | - |
| Public Improvement Fees | 32,262 | 21,777 | 21,777 | - |
| Transfer from Other Districts | 131,926 | 136,029 | 136,029 | - |
| Total Revenues | <u>768,079</u> | <u>784,374</u> | <u>784,374</u> | <u>-</u> |
| EXPENDITURES | | | | |
| County Treasurer's Fees | 8,262 | 8,264 | 8,264 | - |
| Contingency | 10,526 | 7,262 | - | 7,262 |
| Bond Interest - Series 2015 | 582,112 | 582,113 | 582,113 | - |
| Bond Principal - Series 2015 | 70,000 | 70,000 | 70,000 | - |
| Paying Agent Fees | 4,100 | 7,600 | 7,600 | - |
| PIF Collection | 6,000 | 2,963 | 2,963 | - |
| Transfer to Other Districts | - | 33,063 | 33,063 | - |
| Dog Park Restoration | 95,000 | 98,735 | 98,735 | - |
| Total Expenditures | <u>776,000</u> | <u>810,000</u> | <u>802,738</u> | <u>7,262</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (7,921) | (25,626) | (18,364) | 7,262 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Bond Issuance - Series 2014B | - | 33,063 | 33,063 | - |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>33,063</u> | <u>33,063</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCES | (7,921) | 7,437 | 14,699 | 7,262 |
| Fund Balances - Beginning of Year | <u>1,357,287</u> | <u>1,473,839</u> | <u>1,473,839</u> | <u>-</u> |
| FUND BALANCES - END OF YEAR | <u>\$ 1,349,366</u> | <u>\$ 1,481,276</u> | <u>\$ 1,488,538</u> | <u>\$ 7,262</u> |

OTHER INFORMATION

LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2019

| <u>Year Ended December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|------------------|-----------------|--|
| | | | \$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 |
| 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 |
| Total | \$ 10,760,000 | \$ 10,490,388 | \$ 21,250,388 |

**LITTLETON VILLAGE METROPOLITAN DISTRICT NO. 2
SUMMARY OF ASSESSED VALUATION, MILL LEVY AND
PROPERTY TAXES COLLECTED
DECEMBER 31, 2019**

| Year Ended December 31, | Prior Year Assessed Valuation for Current Year Property Tax Levy | Mills Levied | | Total Property Taxes | | Percent Collected to Levied |
|--|--|--------------|-----------------|----------------------|-----------|-----------------------------------|
| | | General | Debt Service | Levied | Collected | |
| 2015 | \$ 13,137 | 10.000 | 40.000 | \$ 656 | \$ 657 | 100.15 % |
| 2016 | 1,783,725 | 10.000 | 40.000 | 89,186 | 89,172 | 99.98 |
| 2017 | 3,311,642 | 10.000 | 40.000 | 165,582 | 165,582 | 100.00 |
| 2018 | 8,932,645 | 11.055 | 44.222 | 493,769 | 493,770 | 100.00 |
| 2019 | 12,456,259 | 11.055 | 44.222 | 688,545 | 688,365 | 99.97 |
| Estimated for year ending December 31, 2020 | \$ 14,681,486 | 11.132 | 44.531 | \$ 817,215 | | |

NOTE: Property taxes shown as collected in any one year include collection of delinquent property taxes or abatements of property taxes assessed in prior years. This presentation does not attempt to identify specific years of assessment.