STATE OF COLORADO

JOANNE HILL, CPA
State Auditor

OFFICE OF THE STATE AUDITOR
LOCAL GOVERNMENT AUDIT DIVISION
(303) 869-2870
FAX (303) 869-2875

Legislative Services Building
200 East 14th Avenue
Denver, Colorado 80203-2211

April 11, 2006

Board of Directors
Base Village Metropolitan District No. 2
c/o Kevin Collins, Clifton Gundersom, LLP
6399 S. Fiddler's Green Circle, Suite 100
Greenwood Village, CO 80111

RE: #1009.02

Dear Board Members:

We have reviewed the Applications for Exemption from Audit (and accompanying financial information) of the Base Village Metropolitan District No. 2. The applications for the years ended December 31, 2004 through December 31, 2005 are approved. We noted the following items that we believe deserves your attention.

We accepted your 2004 Application for Exemption from Audit, even though it was filed <u>after</u> the statutory deadline of March 31. The Local Government Audit Law states that Applications for Exemption from Audit must be filed with the Office of the State Auditor within three months after the close of the fiscal year.

Sincerely,

Dianne E. Ray, CPA
Director of Local Government Audits

DER:js/cr

cc: Division of Local Government

Application for Exemption from Audit

For the year ended December 31, 2004
(Fiscal year ended) December 31 , 2004

Entity:	**Base Village Metropolitan District No. 2**	**Contact Person:**	**Kevin Collins, CPA**
Address:	**6399 South Fiddler's Green Circle, Suite 100 Greenwood Village, CO 80111**		
Telephone:	**303-779-5710**	**Check here if address changed from previous year:**	☐

The Local Government Audit Law, Section 29-1-604, C.R.S., requires local governments to meet the following criteria in order to be considered for approval for exemption from audit requirements by the Office of the State Auditor.

Revenues or Expenditures	Exempt from Audit?	Who completes exemption form?
Less than $100,000	Yes	*Person skilled in governmental accounting
At least $100,000 but not more than $500,000	Yes	**Independent accountant with knowledge of governmental accounting
More than $500,000	No (Audit is required)	Not Applicable

* This means possessing sufficient knowledge of governmental accounting to complete the exemption form.
** Independent means someone who is separate from the entity.

Certification of Preparer

I certify that I meet the requirements above to complete this Application for Exemption from Audit and that the information in this Application is complete and accurate to the best of my knowledge.

Name: Kevin Collins, CPA Title: Accountant for the District

Firm Name: Clifton Gunderson LLP

Firm Address: 6399 South Fiddler's Green Circle, Suite 100, Greenwood Village, CO 80111

Date Prepared: March 14, 2006 Phone Number: 303-779-5710

SIGNATURE: See Accountant's Compilation Report

The Audit Law requires that a person independent of the entity complete the Application if revenues or expenditures are at least $100,000 but not more than $500,000. Please describe what your relationship is with the entity.
CPA firm with extensive governmental accounting and auditing experience providing financial
Accounting services to the District.

Governing Body Approval

We, the undersigned, certify that this Application for Exemption has been:

- Prepared consistent with Section 29-1-604, C.R.S., which states that an application with revenues or expenditures at least $100,000 but not more than $500,000 **must** be prepared by an independent accountant with knowledge of governmental accounting **OR** an application with revenues or expenditures less than $100,000 must be prepared by a person skilled in governmental accounting.
- Completed to the best of our knowledge and is **accurate** and **true**.
- Reviewed and approved by a **majority** of the governing body.

Name (please print or type)	Date Term Expires	Signature
David E. Bellack	May 2008	
Matthew Jones	May 2008	
Donald M. Schuster	May 2008	
Michael H. O'Connor	May 2006	
David Corbin	May 2006	

General Questions Concerning the Entity

	Question	Yes	No
1.	**Is the entity a metropolitan district? If yes, describe the services that your entity provides?** streets, drainage, traffic and safety controls, park and recreation, transportation, and mosquito and pest control	X	
2.	**Is the entity newly formed?**	X	
	If yes, provide date created 11/2/2004		
3.	**Does the entity have an agreement with another entity to provide services?**	X	
	If yes, list the type of service and name of other government entity. Base Village Metropolitan District No. 1 - to operate in conjunction with each other to provide services		
4.	**Does the entity have a volunteer fire pension plan?**		X
	If yes, who administers the plan? ______ **Contributions from:** **Local property tax $** ______ **Other $** ______		
5.	**Does the entity have an "old hire" fire pension plan?**		X
6.	**Does the entity have land, buildings and equipment?**		X
7.	**Does the entity have cash and cash equivalents recorded on the balance sheet?** ***(Page 12 of Long Form or Page 10 of Short Form of this application)***		X
	If yes:		
	Are the entity's deposits in an eligible public depository in accordance with Colorado PDPA guidelines? (Section 11-10.5-101 et. seq., C.R.S.)		
	Are the entity's deposits covered by Federal Insurance (FDIC)?		
	If the entity's deposits, in any one bank, are in excess of $100,000: Is your PDPA eligible depository collateralizing your funds at 102%? (Section 11-10.5-107 (5), C.R.S.) ***If the entity's deposits are less than $100,000 PDPA would not apply to your entity.***		
	If no to any of the above, please explain:		

	Yes	No
8. **Please list the amount and types of investments your entity holds in accordance with Section 24-75-601.1, C.R.S.** ***If the investments are mutual funds, please list each type of investment within the mutual fund.*** __None__________________ $________ __________________ $________ __________________ $________ __________________ $________		
9. **Did the entity, as defined by Section 29-1-102 (13), C.R.S., file a budget with the Department of Local Affairs?**		X
If no, please explain: **The District was formed in late 2004 and did not anticipate nor have financial activity during 2004.**		
10. **Please list the expenditure's portion of the adopted budget for the fiscal year of this application, including any supplementals.** ***This includes all local governments under the Local Government Audit Law in accordance with Section 29-1-605 (1) (a), C.R.S.*** **(A budget to actual statement may be substituted.)**		
Fund Name / **Adopted budget** ________ $________ ________ $________ ________ $________ ________ $________		
11. **Does the entity have debt?**		X
If yes: ***(please attach debt schedule)***		
Is the debt schedule attached?		
Is the entity current in its debt service payments?		
If no for either of the above, please explain: ________________________		
12. **Does the entity have any authorized, but unissued, bonds?**	X	
If yes, what amount? $ 155,750,000 **What year(s) authorized? 11/2/2004**		
13. **Does the entity have refunded/defeased debt?**		X
If yes, include amount outstanding? ________		

	Yes	No
14. Does the entity have any lease agreements?		X
If yes: **What is being leased?** ________ **What is the original date of the lease?** ________ **Number of year of lease?** ________ **Is this lease subject to annual appropriation?** ________ **What are the entity's annual lease payments? $** ________		
15. Is TABOR applicable to the entity?	X	
If no, please explain?		
If yes: **Does the entity believe it is in compliance with all provisions of TABOR? [State Constitution Article X, Section 20 (5)]** ***An election to exempt the entity from the spending limitation requirement does not exempt the entity from the 3% emergency reserve requirement.***	X	

16. Supplemental information for questions and schedules:

Question / Schedule	Comment

17. Mail the original and one copy to:

Office of the State Auditor
Local Government Audits
Legislative Services Building
200 E. 14th Avenue
Denver, CO 80203 - 2211

This form is to be used only if Total Revenues or Total Expenditures are less than $100,000

Application for Exemption from Audit

Balance Sheet

Calculations		Ln#		General Fund	Fund	Governmental Capital Assets and Long-term Debt
		1	**Assets**			
	+	2	Cash & Cash Equivalents (including CDs)			
	+	3	Investments	0		
		4	Capital Assets			
	+	5	Land			
	+	6	Buildings			
	+	7	Machinery and Equipment			
	+	8	Furniture and Fixtures			
	-	9	Accumulated Depreciation *enter amount as a negative (-) number*			
		10	Other: (specify)			
	+	11	Organizational Costs			
	+	12	Property taxes receivable			
	+	13				
	+	14				
=	=	15	**Total Assets**	0	0	0
		16				
		17	**Liabilities and Fund Equity**			
		18	**Liabilities**			
	+	19	Accounts Payable	0		
	+	20	Loans/Bonds Payable			
		21	Other: (specify)			
	+	22	Developer advance payable			
	+	23	Deferred property tax revenue			
	+	24				
+	=	25	Total Liabilities	0	0	0
		26	**Equity**			
		27	Investment in Capital Assets, Net of Related Debt			
	+	28	TABOR Emergency Reserves			
	+	29	Undesignated/Unreserved			
+	=	30	Total Equity	0	0	0
=	=	31	**Total Liabilities and Equity**	0	0	0

These must equal

Note: Attach additional sheets as necessary.

For assistance in completing these financial forms, see the Application instructions.

This form is to be used only if Total Revenues or Total Expenditures are less than $100,000

Application for Exemption from Audit

Operating Statement

Calculations	Ln#		General Fund	Fund	Total
	1	**Revenues**			
+	2	Taxes			0
+	3	Grants			0
+	4				0
+	5				0
+	6	Conservation Trust Fund			0
+	7	Fire & Police Pension			0
+	8	Charges for Sales and Services			0
+	9	Interest/Investment Income			0
+	10	Proceeds from Sale of Capital Assets			0
+	11	Other: (specify)			0
+	12	Developer advance			0
+	13				0
+ =	14	**Total Revenues**	0	0	0
	15	**Expenditures**			
+	16	General Operating & Administrative			0
+	17	Salaries			0
+	18	Payroll Taxes			0
+	19	Contract Services			0
+	20	Employee Benefits			0
+	21	Contribution to FPPA			0
+	22	Insurance			0
+	23	Accounting and Legal Fees			0
+	24	Repair and Maintenance			0
+	25	Supplies			0
+	26	Utilities			0
+	27	Capital Outlay			0
	28	Debt Service			
+	29	Debt Principal			0
+	30	Interest			0
	31	Other:			0
+	32	**Organizational Costs**			0
- =	33	**Total Expenditures**	0	0	0
+ =	34	**Net Revenue over Expenditures**	0	0	0
-	35	**Less: Depreciation**			0
+ =	36	**Net Revenue over Expenditures, Net of Depreciation**	0	0	0
+	37	**Fund Equity, January 1** *(from December 31 prior year report)*	0		0
=	38	**Fund Equity, December 31** *(this total should be the same as line 30 on page 10)*	0	0	0

Clifton
Gunderson LLP
Certified Public Accountants & Consultants

ACCOUNTANTS' C OMPILATION REPORT

Board of Directors
Base Village Metropolitan District No. 2
Pitkin County, Colorado

We have compiled the Application for Exemption from Audit of Base Village Metropolitan District No. 2 as of and for the year ended December 31, 2004, included in the accompanying prescribed form, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

Our compilation was limited to presenting in the form prescribed by the Colorado State Auditor's Office information that is the representation of management. We have not audited or reviewed the accompanying Application for Exemption from Audit and, accordingly, do not express an opinion or any other form of assurance on it.

The Application for Exemption from Audit is presented in accordance with the requirements of the Colorado State Auditor's Office, which differ from generally accepted accounting principles. Accordingly, the Application for Exemption from Audit is not designed for those who are not informed about such differences.

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

Clifton Gunderson LLP

Greenwood Village, Colorado
March 14, 2006

APPLICATION FOR EXEMPTION FROM AUDIT - *SHORT FORM*- FOR GOVERNMENTS WITH REVENUES OR EXPENDITURES OF $100,000 OR LESS

NAME OF GOVERNMENT:	Base Village Metropolitan District No. 2	For the Fiscal Year Ended December 31, 2005 or fiscal year ended:
ADDRESS:	6399 S. Fiddler's Green Circle, Suite 100	
	Greenwood Village, CO 80111	
CONTACT PERSON:	Kevin Collins	
TELEPHONE:	303-779-5710	
E-MAIL:	kevin.collins@cliftoncpa.com	
FAX:	303-779-0348	

Return to: Office of the State Auditor
Local Government Division
Legislative Services Building
200 E. 14th Avenue
Denver, CO 80203 - 2211
FAX: (303) 869-2875
Email: OSA.LG@state.co.us

Call (303) 869-2870 if you need help completing this form.

Section 29-1-604, C.R.S. outlines the provisions for an exemption from audit. Generally, any local government where neither revenues nor expenditures exceed $500,000 in any fiscal year qualify for an exemption.
Your revenues and expenditures must be less than $100,000 to use this form. If revenues and expenditures are $100,000 or greater, use the long form application for exemption from audit.

Instructions:
In order to ensure that your government's application will be accepted by the Office of the State Auditor, you must do the following:

1. Prepare this form completely and accurately.
2. File this form with the Office of the State Auditor within **3 months** after the end of the fiscal year.
3. The form **must** be completed by a person skilled in governmental accounting.
4. The application may be **mailed, faxed**, or **emailed** as indicated above. If faxed or emailed, a resolution of the governing board **must** accompany the application from exemption from audit in a format that includes the signatures of a majority of the governing body (see sample resolution). If emailed, the application must be sent by the preparer. If mailed, an original plus one copy should be sent.

PART 1 - REVENUE

REVENUE: All revenues must be reflected in this section including proceeds from the sale of the government's land, building, and equipment and proceeds from debt or lease transactions.

Ln#	Description	(Omit cents)
1	Taxes	$ -
2	Licenses and permits	$ -
3	Intergovernmental	$ -
4	Charges for services	$ -
5	Fines and forfeits	$ -
6	Special assessments	$ -
7	Investment income	$ -
8	Charges for utility services	$ -
9	Debt proceeds	$ -
10	Lease proceeds	$ -
11	Proceeds from sale of capital assets	$ -
12	Fire and police pension	$ -
13	Other (specify):	$ -
14		$ -
15	**TOTAL REVENUE** all sources	$ -

PART 2 - EXPENDITURES

EXPENDITURES: All expenditures must be reflected in this section including the purchase of fixed and movable assets and principal and interest payments on long-term debt.

Ln#	Description	(Omit cents)
16	Administrative	$ -
17	Salaries	$ -
18	Payroll taxes	$ -
19	Contract services	$ -
20	Employee benefits	$ -
21	Insurance	$ -
22	Accounting and legal fees	$ -
23	Repair and maintenance	$ -
24	Supplies	$ -
25	Utilities and telephone	$ -
26	Police	$ -
27	Fire	$ -
28	Streets and highways	$ -
29	Public health	$ -
30	Culture and recreation	$ -
31	Utility operations	$ -
32	Capital outlay	$ -
33	Debt service principal	$ -
34	Debt service interest	$ -
35	Contribution to FPPA	$ -
36	Other (specify):	$ -
37		$ -
38		$ -
39	**TOTAL EXPENDITURES** all categories	$ -

PART 3 - DEBT OUTSTANDING, ISSUED AND RETIRED

	Do you have outstanding debt? If yes, complete the following and **attach your debt amortization schedule**.		Outstanding at beginning of fiscal year	Total issued during fiscal year (add)	Total retired during fiscal year (less)	Total outstanding at fiscal year end
40	General obligation bonds		$ -	$ -	$ -	$ -
41	Revenue bonds		$ -	$ -	$ -	$ -
42	Notes/loans		$ -	$ -	$ -	$ -
43	Leases		$ -	$ -	$ -	$ -
44	Other (specify):		$ -	$ -	$ -	$ -
45	Authorized, but unissued debt	$ 155,750,000				
46	Date debt was authorized	11/2/2004				
	Please answer the following questions by marking the appropriate box				**Yes**	**No**
47	Do you have any debt that has been refinanced that you are still responsible for?					X
48	If yes, what is the amount outstanding?	$ -				
	Do you have any lease agreements? If yes, indicate what is being leased and the original date of the lease:					X
49						
50	Is the lease subject to annual appropriation?					X
51	For how many years is the lease?					
52	What are your annual lease payments?	$ -				

PART 4 - CASH AND INVESTMENTS HELD AT END OF FISCAL YEAR

		Checking Accounts	Savings Accounts	Certificates of Deposit	Investments (list below)	Total
53	Cash deposits	$ -	$ -	$ -		$ -
54	Investments				$ -	$ -
55	**Total Cash and Investments**					$ -

List Investments by Type (if investment is a mutual fund, please list underlying investments):

56		$ -
57		$ -
58		$ -
59		$ -
60	**Total Investments**	$ -

	Please answer the following question by marking in the appropriate box	**Yes**	**No**
61	Are your deposits in an eligible (PDPA) public depository (Sec 11-10.5-101 et Seq, C.R.S.)		
62	If no, please explain:		

PART 5 - OTHER INFORMATION

	Please answer the following questions by marking in the appropriate boxes			Yes	No
63	Have you prepared an inventory of your land, buildings, and equipment (Section 29-1-506, C.R.S.)?				X
64	If no, please explain:				
	Do you have land, buildings, and equipment? If yes, complete the following table.	Balance - Beginning of the Year	Additions	Deletions	Balance - End of the Year
65	Land	$ -	$ -	$ -	$ -
66	Buildings	$ -	$ -	$ -	$ -
67	Machinery and equipment	$ -	$ -	$ -	$ -
68	Furniture and fixtures	$ -	$ -	$ -	$ -
69	Other (explain):	$ -	$ -	$ -	$ -
				Yes	No
70	Do you have a volunteer firemen's pension plan?				X
71	If yes, who administers the plan?				
	indicate your contributions from:				
72	Local property tax	$ -			
73	Other	$ -			
74	Do you have an "old hire" firemen's pension plan?				X
75	Did you file a 2005 budget with the Department of Local Affairs?			X	
76	If no, please explain:				
	Please indicate the amount appropriated for each of your funds for **2005**:				
	Fund Name	**Budgeted 2005 Expenditures**			
77	Capital Projects Fund	$ 1,500,000			
78		$ -			
79		$ -			
80	Are you in compliance with all the provisions of TABOR (Article X, Section 20) of the State Constitution? If no please explain:			X	
	Note: An election to exempt your government from the spending limitations of TABOR does not exempt you from the 3% emergency reserve requirement. In this case, you should see if you meet this requirement and check yes or no above.				
81	Are you a newly formed governmental entity?				X
82	Are you a metropolitan district?			X	
83	Please indicate what services you provide:				
84	streets, drainage, traffic and safety controls, park and recreation, transportation, and mosquito and pest control				
	Do you have an agreeement with another government entity to provide services?			X	
85	If yes, list the name of the other government entity and the services provided:				
86	Base Village Metropolitan District No. 1 - to operate in conjunction with each other to provide services				

PART 6 - CERTIFICATION OF PREPARER

87	Name: Kevin Collins	Title: Accountant for the District
88	Firm name (if applicable): Clifton Gunderson LLP	
89	Address: 6399 S. Fiddler's Green Circle, Suite 100, Greenwood Village, CO 80111	
90	Date prepared:	Telephone number: 303-779-5710
91	Signature:	**See Accountant's Compilation Report.**

		Check One	
		Yes	**No**
92	Are you a person skilled in governmental accounting?	X	
	If no, you are not qualified to complete this form.		

PART 6 - GOVERNING BODY APPROVAL

We, the undersigned, certify that this Application for Exemption from Audit has been:

Prepared consistent with Section 29-1-604, C.R.S., which states that an Application with revenues or expenditures of $100,000 or less **must** be prepared by a person skilled in governmental accounting;

Completed to the best of our knowledge and is **accurate** and **true**;

Reviewed and approved by a **majority** of the governing body.

Note: The signatures below must be original signatures.

	Name (please print or type)	**Date Term Expires**	**Signature**
93	**David E. Bellack**	**2008**	
94	**Matthew Jones**	**2008**	
95	**Donald M. Schuster**	**2008**	
96	**Michael H. O'Conner**	**2006**	
97	**David Corbin**	**2006**	
98			
99			

Clifton Gunderson LLP
Certified Public Accountants & Consultants

ACCOUNTANTS' C OMPILATION REPORT

Board of Directors
Base Village Metropolitan District No. 2
Pitkin County, Colorado

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

Clifton Gunderson LLP

Greenwood Village, Colorado
March 8, 2006

Member of HLB International