BASE VILLAGE METROPOLITAN DISTRICT NO. 2
Pitkin County, Colorado

FINANCIAL STATEMENTS
December 31, 2012

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By Justin L. Smith at 3:03 pm, Jul 23, 2013

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WAGNER BARNES & GRIGGS, PC

Certified Public Accountants and Business Consultants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Base Village Metropolitan District No. 2 (the District) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District management.

Management's Responsibility for the Financial Statements

Management is responsible for the presentation 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 misstatements, where due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 of 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 Base Village Metropolitan District No. 2, as of December 31, 2012, and the respective changes in financial position thereof, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Wagner Barnes & Griggs, PC

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Other Matters

Required Supplementary Information

Management has omitted 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of legal compliance and additional analysis and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

Wagner Barnes & Griggs, PC

Lakewood, Colorado
July 17, 2013

BASIC FINANCIAL STATEMENTS

BASE VILLAGE METROPOLITAN DISTRICT NO. 2
STATEMENT OF NET POSITION
December 31, 2012

	Governmental Activities
ASSETS	
Cash and investments - Restricted	$ 1,265,414
Accounts receivable	195
Due from other governments	20,600
Property taxes receivable	1,400,750
Total assets	2,686,959
LIABILITIES	
Accounts payable	49,303
Accrued letter of credit fees	25,494
Due to other governments	10,646
Noncurrent liabilities	
Accrued interest on Guarontor Bonds	3,328,357
Due within one year	175,000
Due in more than one year	45,400,000
Total liabilities	48,988,800
DEFERRED INFLOW OF RESOURCES	
Deferred property tax revenue	1,400,750
Total deferred inflow of resources	1,400,750
NET POSITION	
Restricted	1,125,481
Unrestricted	(48,828,072)
Total net position	$ (47,702,591)

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

BASE VILLAGE METROPOLITAN DISTRICT NO. 2
STATEMENT OF ACTIVITIES
Year Ended December 31, 2012

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**
Primary government:					
Government activities:					
Intergovernmental	$ 178,058	$ -	$ -	$ -	$ (178,058)
Interest and related costs on long-term debt	3,845,037	-	-	20,600	(3,824,437)
	$ 4,023,095	$ -	$ -	$ 20,600	(4,002,495)
General revenues:					
Property taxes					1,317,137
Specific ownership taxes					40,407
Investment income					5,700
Total general revenues					1,363,244
Change in net position					(2,639,251)
Net position - Beginning, as restated					(45,063,340)
Net position - Ending					$ (47,702,591)

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

BASE VILLAGE METROPOLITAN DISTRICT NO. 2
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2012

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and investments - Restricted	$ -	$ 1,163,182	$ 102,232	$ 1,265,414
Accounts receivable	-	179	16	195
Due from other governments	-	20,600	-	20,600
Property tax receivable	193,207	1,207,543	-	1,400,750
TOTAL ASSETS	$ 193,207	$ 2,391,504	$ 102,248	$ 2,686,959
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ -	$ 49,303	$ -	$ 49,303
Due to other governments	1,469	9,177	-	10,646
Total liabilities	1,469	58,480	-	59,949
DEFERRED INFLOWS OF RESOURCES				
Deferred property tax revenue	193,207	1,207,543	-	1,400,750
Total deferred inflows of resources	193,207	1,207,543	-	1,400,750
FUND BALANCES				
Restricted for:				
Debt service	-	1,125,481	-	1,125,481
Assigned to:				
Capital projects	-	-	102,248	102,248
Unassigned	(1,469)	-	-	(1,469)
Total fund balances	(1,469)	1,125,481	102,248	1,226,260
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 193,207	$ 2,391,504	$ 102,248	

Amounts reported for governmental activities in the statement of net position are different because:	
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds payable	(43,375,000)
Subordinate note payable	(2,200,000)
Accrued bond interest payable	(3,328,357)
Accrued letter of credit fees	(25,494)
Net position of governmental activities	$ (47,702,591)

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

BASE VILLAGE METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2012

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
Property taxes	$ 181,765	$ 1,135,372	$ -	$ 1,317,137
Specific ownership tax	5,576	34,831	-	40,407
Investment income	28	5,590	82	5,700
Total revenues	187,369	1,175,793	82	1,363,244
EXPENDITURES				
Current				
County Treasurer's fees	9,027	56,414	-	65,441
Interest expense - County	1,753	10,957	-	12,710
Intergovernmental	178,058	-	-	178,058
Debt service				
Bond principal	-	4,375,000	-	4,375,000
Bond interest	-	27,122	-	27,122
Paying agent/trustee fees	-	6,650	-	6,650
Letter of credit fees	-	319,466	-	319,466
Remarketing fees	-	30,400	-	30,400
Capital projects				
LOC extension costs	-	-	127,684	127,684
Total expenditures	188,838	4,826,009	127,684	5,142,531
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,469)	(3,650,216)	(127,602)	(3,779,287)
OTHER FINANCING SOURCES (USES)				
Transfer from Base Village #1	-	20,600	-	20,600
Transfer to other fund	-	(190,287)	190,287	-
Total other financing sources (uses)	-	(169,687)	190,287	20,600
EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	(1,469)	(3,819,903)	62,685	(3,758,687)
FUND BALANCES - BEGINNING OF YEAR	-	4,945,384	39,563	4,984,947
FUND BALANCES - END OF YEAR	$ (1,469)	$ 1,125,481	$ 102,248	$ 1,226,260

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

BASE VILLAGE METROPOLITAN DISTRICT NO. 2
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2012

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

Net change in fund balances - Total governmental funds	$	(3,758,687)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.		
Bond principal		4,375,000
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 bonds - Change in liability		(3,255,000)
Accrued letter of credit fees - Change in liability		(564)
Changes in net position of governmental activities	$	(2,639,251)

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

BASE VILLAGE METROPOLITAN DISTRICT NO. 2
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2012

	Original and Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property taxes	$ 197,552	$ 181,765	$ (15,787)
Specific ownership tax	5,930	5,576	(354)
Investment income	500	28	(472)
Total revenues	203,982	187,369	(16,613)
EXPENDITURES			
Current			
County Treasurer's fees	9,878	9,027	851
Interest expense - County	-	1,753	(1,753)
Intergovernmental	194,104	178,058	16,046
Total expenditures	203,982	188,838	15,144
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	-	(1,469)	(1,469)
FUND BALANCES - BEGINNING OF YEAR	-	-	-
FUND BALANCES - END OF YEAR	$ -	$ (1,469)	$ (1,469)

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

BASE VILLAGE METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 1 - DEFINITION OF REPORTING ENTITY

Base Village Metropolitan District No. 2 (the District) was organized by Court Order in December 2004, to provide financing for the design, acquisition, installation and construction of streets, drainage, traffic and safety controls, park and recreation, transportation, and mosquito and pest control. The District's service area is located entirely within the Town of Snowmass Village (the Town), in Pitkin County, Colorado. Under the Consolidated Service Plan (Amended and Restated Consolidated Service Plan approved October 17, 2006), the District is the Financing District and is related to Base Village Metropolitan District No. 1 (Base Village No. 1), which serves as the Service District. The Service District is responsible for management of the construction of all facilities and improvements and for operation and maintenance of all improvements not conveyed to the Town. The Service District, together with the Financing District, provides the funding for infrastructure improvements and the tax base needed to support ongoing operations.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District has no employees and all operations and administrative functions are contracted.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The statement of net position reports all financial and capital resources of the District. The difference between the assets, 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 expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets

In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures and other financing use 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.

Prior to year end, the District amended its Debt Service budget from $1,770,000 to $4,800,000 to account for the pay down of additional debt. Subsequent to year end, the District amended its Debt Service budget from $4,800,000 to $5,100,000.

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 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.

Investments are carried at fair value.

Property Taxes

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 deferred deferred inflow of resources are recorded as revenue in the year they are available or collected.

Capital Facility Fee

A fee of $5,150 will be collected upon the sale of each residential living unit and used to pay debt service payments on the bonds.

Expenditures

Administrative Expenditures

Base Village No. 1 records all operational and administrative expenditures for the Districts.

Base Village No. 1 - IGA Reimbursement

Pursuant to an intergovernmental agreement between the District and Base Village No. 1, revenues collected by the District, including net property taxes and specific ownership in the General Fund will be remitted to Base Village No. 1 (see Note 7). Net property taxes and specific ownership taxes remitted to Base Village No. 1 will be used to pay operations and maintenance costs.

Fund Equity

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:

Deficit Fund Balance

The General Fund had an ending deficit fund balance of $(1,469) which will be resolved with the receipt of property taxes.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's policy to use the most restrictive classification first.

New Accounting Pronouncements

Effective January 1, 2012, the District implemented the provisions of GASB No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*" (GASB No. 63) and early implemented the provisions of GASB No. 65, "*Items Previously Reported as Assets and Liabilities*" (GASB No. 65).

GASB No. 63 provides guidance for reporting deferred outflows and deferred inflows of resources as introduced and defined in GASB Concepts Statement No. 4 "*Elements of Financial Statements*" (Concepts Statement No. 4). Concepts Statement No. 4 defines a deferred outflow of resources as a consumption of net assets that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net assets applicable to a future reporting period. The impact on the District's financial statements has been to replace the term "net assets" with "net position".

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GASB No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets or liabilities. Some assets previously reported as assets are now reported as an outflow of resources/expenses. One of these assets is debt issuance costs. The District's beginning net position has been restated to reflect expensing of all debt issuance costs that had been previously capitalized. The effect of this treatment is as follows:

Net position – December 31, 2011, as originally stated	$ (43,438,736)
Restatement related to debt issuance costs	1,624,604
Net position – December 31, 2011, as restated	$ (45,063,340)

Additionally, property taxes to be collected in 2013 have been treated as a deferred inflow of resources.

NOTE 3 - INVESTMENTS

Cash and investments as of December 31, 2012 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments - Restricted	$ 1,265,414

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, 2012, the District's cash deposits had a bank balance and carrying balance of $-0-.

NOTE 3 - INVESTMENTS (CONTINUED)

Investments

The District follows state statutes regarding investments, and as such, has not adopted a formal policy.

The District generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Revenue bonds of local government securities, corporate and bank securities, and guaranteed investment contracts not purchased with bond proceeds, are limited to maturities of three years or less.

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

NOTE 3 - INVESTMENTS (CONTINUED)

As of December 31, 2012, the District had the following investments:

Investment	Maturity	Fair Value
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average Under 60 days	$ 1,265,414

CSAFE

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

NOTE 4 - LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2012.

	Balance at December 31, 2011	Additions	Reductions	Balance at December 31, 2012	Due Within One Year
Governmental Activities:					
General obligation bond payable:					
2008A Bonds	$ 15,200,000	$ -	$ 4,375,000	$ 10,825,000	$ 175,000
2008B Guarantor Bonds	32,550,000	-	-	32,550,000	-
Accrued interest on Guarantor Bonds	73,357	3,255,000	-	3,328,357	-
Developer subordinate note:					
2008D Notes	2,200,000	-	-	2,200,000	-
	$ 50,023,357	$ 3,255,000	$ 4,375,000	$ 48,903,357	$ 175,000

NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)

The details of the District's long-term obligations are as follows:

General Obligation Bonds

On July 1, 2008, the District issued $47,750,000 in General Obligation Bonds dated July 1, 2008 for streets, park and recreation, fire protection and public transportation.

$47,750,000 General Obligation Variable Rate Bonds (Limited Tax Convertible to Unlimited Tax), Series 2008A and B, dated July 1, 2008. The bonds are term bonds due on December 1, 2038, with mandatory redemption principal payments starting at $175,000 on December 1, 2012. The Series 2008A and B Bonds are variable rate bonds in the weekly mode that adjust based on the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index. On December 23, 2011, the 2008B bonds were redeemed via a call on the Letter of Credit securing such bonds, and such bonds are no longer outstanding, having been replaced with Guarantor Bonds. See Subsection entitled "Letters of Credit" within this Note 4.

The 2008A bonds are subject to redemption prior to maturity at the option of the District on the first calendar day of any month at a redemption price equal to the principal amount thereof, plus accrued and unpaid interest to the redemption date, if any, without premium. The 2008A bonds are currently remarketed in the weekly mode. Interest is payable on the first business day of each calendar month. The District may effect a change in mode to a daily, monthly, semi-annual, annual, or flexed pricing mode by giving proper notice in accordance with the provisions in the Indenture.

The 2008A bonds are secured and payable from the Pledged Revenue consisting of monies derived by the District from the following sources, net of any collection costs: (1) property tax revenues from the "Required Mill Levy", (2) specific ownership tax revenues, (3) capital fees, (4) interest rate exchange agreement payments; (5) amounts received from the Capital Pledge Agreement; (6) amounts received from the interest rate cap agreement and (7) any other legally available moneys which the District determines, in its absolute discretion, to credit to the revenue fund. The term "Required Mill Levy" includes both a debt service mill levy and an operations mill levy component. For collections during fiscal year 2008 (derived from the levy made in December 2007), the debt service mill levy was -0-, and the operations mill levy was 29.5 mills. These mill levies remained at this level for levies made in December 2008 that are collected during 2009. Beginning with the December 2009 levies to be collected in 2010, the Required Mill Levy is 37.5 mills for debt services and 6.0 mills for operations. The Required Mill Levy is subject to adjustment for changes in the ratio of actual value to assessed value of property within the District. The Consolidated Service Plan establishes certain limitations on the maximum mill levy that the District may impose for debt service, and the terms of the bonds are subject to these limitations.

NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)

Letters of Credit

Concurrently with the issuance of the 2008A bonds and 2008B bonds, the District established irrevocable direct pay Letters of Credit with U.S. Bank National Association in the stated amounts of $15,341,590 and $32,853,206, respectively. The District is responsible for paying a semiannual facility fee for the letters of credit as defined by the terms in the Indenture of Trust dated July 1, 2008 and the Letter of Credit Reimbursement Agreements dated July 1, 2008. On June 6, 2011, the District extended the Letters of Credit on the Series 2008A and Series 2008B bonds to December 31, 2011.

On December 8, 2011, the Letter of Credit on the Series 2008A was extended from December 31, 2011 to June 30, 2012.

On December 23, 2011, the Letter of Credit securing the Series 2008B bonds terminated, in connection with which the Series 2008B bonds were redeemed in full through a draw on the Letter of Credit; therefore, the 2008B bonds are no longer outstanding. In conjunction with this mandatory redemption, Bank Bonds were issued to the Letter of Credit Bank in an amount equal to the draw on the Letter of Credit. Subsequently, on December 27, 2011, the Bank Bonds were redeemed via a draw on a cash collateral deposit made by Related WestPac, LLC as Guarantor, and Guarantor Bonds were issued to the Guarantor in the par amount of $32,550,000. The Guarantor bonds were held by Snowmass Acquisition Company LLC (SAC, see Note 6) as of December 31, 2012.

On June 7, 2012, the Letter of Credit on the Series 2008A bonds was extended from June 30, 2012 to November 30, 2014 in a reduced stated amount of $11,102,466 and a facility fee rate of 2.8%. The terms of the extension require the District to reduce outstanding principal on the Series 2008A bonds to $11,000,000 and establish a reserve fund in the amount of $475,000. The required reserve was established from existing funds available for debt service.

NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)

Using the interest rates at December 31, 2012 of 0.14% for the Series 2008A, the estimated annual requirements to amortize the remaining amounts are as follows:

	Principal	Interest	Total
2013	$ 175,000	$ 15,155	$ 190,155
2014	195,000	14,910	209,910
2015	205,000	14,637	219,637
2016	215,000	14,350	229,350
2017	230,000	14,049	244,049
2018-2022	1,375,000	65,009	1,440,009
2023-2027	1,845,000	54,159	1,899,159
2028-2032	2,465,000	39,620	2,504,620
2033-2037	3,335,000	20,069	3,355,069
2038	785,000	1,099	786,099
	$ 10,825,000	$ 253,057	$ 11,078,057

Using estimated interest rates of 0.50% in 2013 and 4% thereafter for the Series 2008A bonds, the estimated annual requirements to amortize the remaining amounts are as follows:

	Principal	Interest	Total
2013	$ 175,000	$ 54,125	$ 229,125
2014	195,000	426,000	621,000
2015	205,000	418,200	623,200
2016	215,000	410,000	625,000
2017	230,000	401,400	631,400
2018-2022	1,375,000	1,857,400	3,232,400
2023-2027	1,845,000	1,547,400	3,392,400
2028-2032	2,465,000	1,132,000	3,597,000
2033-2037	3,335,000	573,400	3,908,400
2038	785,000	31,400	816,400
	$ 10,825,000	$ 6,851,325	$ 17,676,325

Interest on the Guarantor Bonds accrues at 10% and is determinable in each year, but a failure to pay accrued interest because of lack of revenues does not constitute a default. Thus, the actual amounts of payments to be made in future years on the Guarantor Bonds will depend on future revenues and cannot be predicted with certainty.

NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)

Developer Subordinate Note

On December 1, 2009, the District issued a Developer Subordinate Note (the Series 2008D Note) in the aggregate principal amount of $2,200,000.

This Note is a special, limited tax obligation of the District, and shall be payable from Pledged Revenue, the proceeds of refunding obligations, or as otherwise provided in the Resolution of the Board of Directors authorizing the issuance and delivery of this Note and the IGA.

This Note is not interest bearing and is subject to redemption on any date. Upon surrender of any Note redeemed in part only, the District shall deliver to the Registered Owner a new Note representing the unredeemed principal amount of the Note surrendered.

Authorized Debt

On November 1, 2005, the District's electors authorized the issuance of indebtedness in an amount not to exceed $107,500,000. At December 31, 2012, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Authorized November 6, 2007 Election	Authorization Used Series 2008 A&B	Authorization Used Series 2008D	Remaining at December 31, 2012
Streets	$ 41,300,000	$ 21,248,750	$ -	$ 20,051,250
Public transportation	39,300,000	21,965,000	2,200,000	15,135,000
Fire protection	2,000,000	1,193,750	-	806,250
Traffic and safety	1,800,000	-	-	1,800,000
Parks and recreation	23,000,000	3,342,500	-	19,657,500
Mosquito control	100,000	-	-	100,000
	$ 107,500,000	$ 47,750,000	$ 2,200,000	$ 57,550,000

Pursuant to the Amended and Restated Consolidated Service Plan, the Districts are permitted to issue bond indebtedness of up to $48,700,000 in par amount, excluding underwriter discount, credit enhancement costs, other costs of issuance, and payments made by guarantors under any pledge agreement or for direct bond payments. As of December 31, 2012, Base Village No. 2 has issued $47,750,000 (inclusive of $4,179,943 of costs excludable as described above) of General Obligation Bonds and $2,200,000 in the form of a Developer Subordinate Note.

NOTE 5 - NET POSITION

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

Restricted assets include net position that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position of $1,125,481 as of December 31, 2012.

The District's unrestricted net position as of December 31, 2012 are $(48,828,072). This deficit amount was a result of the District being responsible for the repayment of bonds issued for public improvements, which are being constructed, funded and/or reimbursed by Base Village No. 1 and will be held by Base Village No. 1 or conveyed to other governmental entities.

NOTE 6 - RELATED PARTIES

Destination Snowmass Services, Inc., served as Receiver with respect to the holdings of Base Village Owner LLC (BVO) within the project served by the District, in connection with a foreclosure action instituted by certain lenders of Base Village Owner LLC during 2010 and 2011. Representatives or employees of the Receiver (or its affiliates) occupied four of the five positions on the Board of Directors. During 2012, the holdings were sold to Snowmass Acquisition Company LLC (SAC) and four of the five positions on the Board of Directors held by the Receiver are now held by BVO. An employee of Aspen Skiing Company occupies the remaining seat. Such Board members may have potential conflict of interest with respect to actions taken in their capacity as Board members. Disclosure of any potential conflicts of interest is made in accordance with Colorado law, in advance of each Board meeting.

NOTE 7 - DISTRICT AGREEMENTS

Intergovernmental Agreement with Base Village No. 1

The District entered into an intergovernmental agreement with Base Village No. 1 on July 25, 2007 to coordinate the construction, operation and maintenance and financing of facilities that are intended to benefit both the District and Base Village No. 1. Serving as the Service District, Base Village No. 1 agrees to construct, manage the financing, operate and maintain the public facilities that Base Village No. 1 will own. In connection with the issuance of the Series 2008A and Series 2008B bonds, the District and Base Village No. 1 entered into an "Amended and Restated" intergovernmental agreement dated June 25, 2008. This Amended and Restated

NOTE 7 - DISTRICT AGREEMENTS (CONTINUED)

intergovernmental agreement made certain changes to accommodate the issuance of the Series 2008A and Series 2008B bonds. During 2012, the District remitted $178,058 of net property taxes and specific ownership taxes for operations to pay for and/or reimburse the costs of public infrastructure contracted by Base Village No. 1.

Intergovernmental Agreement with Snowmass Village General Improvement District No. 1

On September 30, 2006, the District and Base Village No. 1 (collectively, the Districts) entered into an agreement with Snowmass Village General Improvement District No. 1 (the GID) in order to establish the total aggregate mill levies that are to be imposed by the Districts and the GID. The mill levies, which are to pay for their respective indebtedness and operating costs, will not exceed 49.500 mills annually. The District is to levy 29.500 mills in 2006, 2007, and 2008 for operations and maintenance and then no more than 6.000 mills for operation and maintenance in any year thereafter. In 2012 for collection year 2013, the District levied a debt service mill levy of 37.500 mills, and will continue to levy until any subordinate debt is paid in full. The GID will levy 20.000 mills in 2006, 2007, and 2008 for operations and maintenance expenses and then not more than 10.000 mills thereafter. However, the GID is further limited to 6.000 mills for operations and maintenance until any subordinate debt is paid in full.

Capital Pledge Agreement between the District, Base Village No. 1 and U.S. Bank

On July 1, 2008, the District entered into an agreement (the Capital Pledge Agreement) with Base Village No. 1 and U.S. Bank in connection with the issuance of the District's Series 2008A and Series 2008B bonds. Subject to certain conditions, including the levy by the District of the Required Mill Levy associated with the bonds, the Capital Pledge Agreement requires the levy by District No. 1 of up to 43.5 mills annually to support debt service on the bonds.

Operations Guarantee Agreement

On June 25, 2008, the District entered into an Operations Guarantee Agreement with Base Village No. 1 and Base Village Owner, LLC (BVO), the new Developer, for the purpose of establishing a source of supplemental funding for operating costs during the Guarantee Period which last so long as the Letter of Credit is in effect.

In the event that the Districts do not have sufficient funds to pay Operating Costs during the aforementioned period, BVO shall be obligated to provide supplemental funding in the amount of the Shortfall, given that specified conditions within the agreement are satisfactorily met. It is currently not determinable if BVO has the ability to provide supplemental funding, if requested.

NOTE 7 - DISTRICT AGREEMENTS (CONTINUED)

Infrastructure Acquisition and Reimbursement Agreement

Base Village No. 1 entered into an Infrastructure Acquisition and Reimbursement Agreement (IARA) dated October 19, 2007 with the District and the new Developer, Base Village Owner LLC. On September 28, 2012, the obligations were assigned to SAC (see Note 6). The District is party to the IARA for purposes of providing funding for payment of obligations to the Developer. Per the IARA, the Developer will construct certain Public Infrastructure improvements and will be reimbursed by the District for those improvements that are determined to be "District Eligible Costs". District Eligible Costs shall mean any and all costs that may be lawfully funded by the Districts under the Special District Act and the Districts' Service Plan. Base Village No. 1 will accept District Eligible Costs after cost and engineer certifications are issued. With respect to District Eligible Costs for which the Districts become obligated to reimburse the Developer but remained unpaid, interest will accrue at 8% per annum from the date of acceptance.

NOTE 8 - RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, §24-10-101, et seq., C.R.S., the District may be exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2012. 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 9 - TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, referred to as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. The District transfers its net operating revenue to Base Village No. 1 pursuant to the Master IGA. Therefore, the Emergency Reserves related to the District's revenues are captured in Base Village No. 1.

On November 4, 2004, a majority of the District's electors authorized the District to collect and spend or retain in a reserve, all currently levied taxes and fees of the District without regard to any limitations under TABOR.

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

BASE VILLAGE METROPOLITAN DISTRICT NO. 2
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2012

	Original Budget	Amended Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	$ 1,234,703	$ 1,173,519	$ 1,135,372	$ (38,147)
Specific ownership tax	37,040	34,536	34,831	295
Investment income	4,000	-	5,590	5,590
Total revenues	1,275,743	1,208,055	1,175,793	(32,262)
EXPENDITURES				
Current				
County Treasurer's fees	61,735	58,676	56,414	2,262
Bond principal	750,000	4,375,000	4,375,000	-
Bond interest	238,750	28,280	27,122	1,158
Paying agent/trustee fees	8,000	8,000	6,650	1,350
Letter of credit fees	611,266	399,644	319,466	80,178
Remarketing fees	95,500	30,400	30,400	-
Interest expense - County	4,749	-	10,957	(10,957)
Total expenditures	1,770,000	4,900,000	4,826,009	73,991
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(494,257)	(3,691,945)	(3,650,216)	41,729
OTHER FINANCING SOURCES (USES)				
Capital facility fees	-	-	20,600	(20,600)
Transfer to other fund	-	(200,000)	(190,287)	9,713
Total other financing sources (uses)	-	(200,000)	(169,687)	(10,887)
EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	(494,257)	(3,891,945)	(3,819,903)	30,842
FUND BALANCES - BEGINNING OF YEAR	5,034,475	4,945,384	4,945,384	-
FUND BALANCES - END OF YEAR	$ 4,540,218	$ 1,053,439	$ 1,125,481	$ 30,842

BASE VILLAGE METROPOLITAN DISTRICT NO. 2
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2012

	Original and Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Investment income	$ -	$ 82	$ 82
Total revenues	-	82	82
EXPENDITURES			
Current			
Intergovernmental	628,494	-	628,494
LOC extension costs	200,000	127,684	72,316
Total expenditures	828,494	127,684	700,810
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(828,494)	(127,602)	700,892
OTHER FINANCING SOURCES (USES)			
Transfer to other fund	-	190,287	190,287
Total other financing sources (uses)	-	190,287	190,287
EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	(828,494)	62,685	891,179
FUND BALANCES - BEGINNING OF YEAR	828,494	39,563	(788,931)
FUND BALANCES - END OF YEAR	$ -	$ 102,248	$ 102,248

BASE VILLAGE METROPOLITAN DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2012

	$15,200,000 Limited Tax General Obligation Variable Rate Bonds, Series 2008A Dated June 19, 2008 Interest estimated 0.50% for 2013 and 4% thereafter Principal Payable December 1		Total Debt Service
Year Ended December 31,	**Principal**	**Interest**	
2013	$ 175,000	$ 54,125	$ 229,125
2014	195,000	426,000	621,000
2015	205,000	418,200	623,200
2016	215,000	410,000	625,000
2017	230,000	401,400	631,400
2018	245,000	392,200	637,200
2019	260,000	382,400	642,400
2020	270,000	372,000	642,000
2021	290,000	361,200	651,200
2022	310,000	349,600	659,600
2023	325,000	337,200	662,200
2024	345,000	324,200	669,200
2025	365,000	310,400	675,400
2026	400,000	295,800	695,800
2027	410,000	279,800	689,800
2028	430,000	263,400	693,400
2029	460,000	246,200	706,200
2030	500,000	227,800	727,800
2031	525,000	207,800	732,800
2032	550,000	186,800	736,800
2033	590,000	164,800	754,800
2034	625,000	141,200	766,200
2035	660,000	116,200	776,200
2036	710,000	89,800	799,800
2037	750,000	61,400	811,400
2038	785,000	31,400	816,400
	$ 10,825,000	$ 6,851,325	$ 17,676,325

The bonds are subject to redemption prior to maturity, at the option of the District, on the first calendar day of any month at a redemption price equal to the principal amount thereof, plus accrued and unpaid interest to the redemption date, if any, without premium.

The bonds are currently remarketed in the weekly mode. Interest is payable on the first business day of each calendar month. the District may effect a change in mode to a daily, monthly, semi-annual, annual or flexed pricing mode by giving proper notice in accordance with the provisions in the Indenture.

BASE VILLAGE METROPOLITAN DISTRICT NO. 2
SCHEDULE OF ASSESSED VALUATION,
MILL LEVY AND PROPERTY TAXES COLLECTED
December 31, 2012

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied Operations	Mills Levied Debt Service	Total Property Taxes Levied	Total Property Taxes Collected	Percentage Collected to Levied
2008	$ 16,794,930	29.500	0.000	$ 495,450	$ 495,200	99.95%
2009	$ 22,457,460	29.500	0.000	$ 662,400	$ 657,713	99.29%
2010	$ 37,637,670	6.000	37.500	$ 1,637,200	$ 1,450,108	88.57%
2011	$ 40,643,900	6.000	37.500	$ 1,768,009	$ 1,768,009	100.00%
2012	$ 32,925,410	6.000	37.500	$ 1,432,255	$ 1,317,137	91.96%
Estimated for the year ending December 31, 2013	$ 32,201,150	6.000	37.500	$ 1,400,750		

Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy if delinquent taxes are collected.