

**BASE VILLAGE METROPOLITAN DISTRICT NO. 2**  
Pitkin County, Colorado

**FINANCIAL STATEMENTS**  
December 31, 2013



***RECEIVED***

*By Justin L. Smith at 10:10 am, Jul 03, 2014*

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Certified Public Accountants and Business Consultants

## INDEPENDENT AUDITORS' 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, 2013, 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 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 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 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, 2013, 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.

## **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 purposed 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 Lamm & Higgs, PC*

Lakewood, Colorado  
June 10, 2014

## **BASIC FINANCIAL STATEMENTS**

**BASE VILLAGE METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF NET POSITION**  
**December 31, 2013**

|                                     | <b><u>Governmental<br/>Activities</u></b> |
|-------------------------------------|-------------------------------------------|
| <b>ASSETS</b>                       |                                           |
| Cash and investments - Restricted   | \$ 1,291,361                              |
| Interest receivable                 | 86                                        |
| Receivable - County Treasurer       | 3,747                                     |
| Due from other governments          | 33,359                                    |
| Property taxes receivable           | <u>1,515,383</u>                          |
| Total assets                        | <u>2,843,936</u>                          |
| <b>LIABILITIES</b>                  |                                           |
| Accounts payable                    | 37,026                                    |
| Accrued interest - 2013A Loan       | 52,169                                    |
| Due to other governments            | 517                                       |
| Noncurrent liabilities              |                                           |
| Accrued interest on Guarantor Bonds | 6,331,163                                 |
| Accrued interest on 2013B Bonds     | 120,397                                   |
| Due within one year                 | 600,000                                   |
| Due in more than one year           | <u>44,738,000</u>                         |
| Total liabilities                   | <u>51,879,272</u>                         |
| <b>DEFERRED INFLOW OF RESOURCES</b> |                                           |
| Deferred property tax revenue       | <u>1,515,383</u>                          |
| Total deferred inflow of resources  | <u>1,515,383</u>                          |
| <b>NET POSITION</b>                 |                                           |
| Restricted                          | 1,291,000                                 |
| Unrestricted                        | <u>(51,841,719)</u>                       |
| Total net position                  | <u><u>\$ (50,550,719)</u></u>             |

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, 2013**

| <u>Functions/Programs</u>                       | <u>Expenses</u>     | <u>Program Revenues</u>             |                                                   |                                                 | <u>Net (Expense)</u><br><u>Revenue and</u><br><u>Changes in</u><br><u>Net Position</u> |
|-------------------------------------------------|---------------------|-------------------------------------|---------------------------------------------------|-------------------------------------------------|----------------------------------------------------------------------------------------|
|                                                 |                     | <u>Charges<br/>for<br/>Services</u> | <u>Operating<br/>Grants and<br/>Contributions</u> | <u>Capital<br/>Grants and<br/>Contributions</u> | <u>Governmental<br/>Activities</u>                                                     |
| Primary government:                             |                     |                                     |                                                   |                                                 |                                                                                        |
| Government activities:                          |                     |                                     |                                                   |                                                 |                                                                                        |
| Intergovernmental                               | \$ 199,393          | \$ -                                | \$ -                                              | \$ -                                            | \$ (199,393)                                                                           |
| Interest and related costs on<br>long-term debt | 4,370,402           | -                                   | -                                                 | 283,250                                         | (4,087,152)                                                                            |
|                                                 | <u>\$ 4,569,795</u> | <u>\$ -</u>                         | <u>\$ -</u>                                       | <u>\$ 283,250</u>                               | <u>(4,286,545)</u>                                                                     |
| General revenues:                               |                     |                                     |                                                   |                                                 |                                                                                        |
| Property taxes                                  |                     |                                     |                                                   |                                                 | 1,394,022                                                                              |
| Specific ownership taxes                        |                     |                                     |                                                   |                                                 | 41,632                                                                                 |
| Investment income                               |                     |                                     |                                                   |                                                 | 2,763                                                                                  |
| Total general revenues                          |                     |                                     |                                                   |                                                 | <u>1,438,417</u>                                                                       |
| Change in net position                          |                     |                                     |                                                   |                                                 | <u>(2,848,128)</u>                                                                     |
| Net position - Beginning                        |                     |                                     |                                                   |                                                 | <u>(47,702,591)</u>                                                                    |
| Net position - Ending                           |                     |                                     |                                                   |                                                 | <u>\$ (50,550,719)</u>                                                                 |

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, 2013**

|                                                                                   | <u>General</u>    | <u>Debt<br/>Service</u> | <u>Capital<br/>Projects</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|-----------------------------------------------------------------------------------|-------------------|-------------------------|-----------------------------|-----------------------------------------|
| <b>ASSETS</b>                                                                     |                   |                         |                             |                                         |
| Cash and investments - Restricted                                                 | \$ -              | \$ 1,291,351            | \$ 10                       | \$ 1,291,361                            |
| Interest receivable                                                               | -                 | 86                      | -                           | 86                                      |
| Receivable - County Treasurer                                                     | 517               | 3,230                   | -                           | 3,747                                   |
| Due from other governments                                                        | -                 | 33,359                  | -                           | 33,359                                  |
| Property tax receivable                                                           | 209,018           | 1,306,365               | -                           | 1,515,383                               |
| <b>TOTAL ASSETS</b>                                                               | <u>\$ 209,535</u> | <u>\$ 2,634,391</u>     | <u>\$ 10</u>                | <u>\$ 2,843,936</u>                     |
| <b>LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES AND FUND BALANCES</b>           |                   |                         |                             |                                         |
| <b>LIABILITIES</b>                                                                |                   |                         |                             |                                         |
| Accounts payable                                                                  | \$ -              | \$ 37,026               | \$ -                        | \$ 37,026                               |
| Due to other governments                                                          | 517               | -                       | -                           | 517                                     |
| Total liabilities                                                                 | <u>517</u>        | <u>37,026</u>           | <u>-</u>                    | <u>37,543</u>                           |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                              |                   |                         |                             |                                         |
| Deferred property tax revenue                                                     | 209,018           | 1,306,365               | -                           | 1,515,383                               |
| Total deferred inflows of resources                                               | <u>209,018</u>    | <u>1,306,365</u>        | <u>-</u>                    | <u>1,515,383</u>                        |
| <b>FUND BALANCES</b>                                                              |                   |                         |                             |                                         |
| Restricted for:                                                                   |                   |                         |                             |                                         |
| Debt service                                                                      | -                 | 1,291,000               | -                           | 1,291,000                               |
| Assigned to:                                                                      |                   |                         |                             |                                         |
| Capital projects                                                                  | -                 | -                       | 10                          | 10                                      |
| Total fund balances                                                               | <u>-</u>          | <u>1,291,000</u>        | <u>10</u>                   | <u>1,291,010</u>                        |
| <b>TOTAL LIABILITIES, DEFERRED<br/>INFLOWS OF RESOURCES AND<br/>FUND BALANCES</b> | <u>\$ 209,535</u> | <u>\$ 2,634,391</u>     | <u>\$ 10</u>                |                                         |

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 - Guarantor                        | (1,278,000)            |
| Accrued bonds interest payable - Guarantor Bonds | (6,331,163)            |
| Bonds payable - Series 2013B                     | (23,760,000)           |
| Accrued bonds interest payable - 2013B           | (120,397)              |
| Loan payable - Series 2013A                      | (20,300,000)           |
| Accrued loan interest payable - Series 2013A     | (52,169)               |
| Net position of governmental activities          | <u>\$ (50,550,719)</u> |

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 (DEFICIT)**  
**GOVERNMENTAL FUNDS**  
**Year Ended December 31, 2013**

|                                                         | <u>General</u> | <u>Debt<br/>Service</u> | <u>Capital<br/>Projects</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---------------------------------------------------------|----------------|-------------------------|-----------------------------|-----------------------------------------|
| <b>REVENUES</b>                                         |                |                         |                             |                                         |
| Property taxes                                          | \$ 192,375     | \$ 1,201,647            | \$ -                        | \$ 1,394,022                            |
| Specific ownership tax                                  | 5,742          | 35,890                  | -                           | 41,632                                  |
| Capital facility fees                                   | -              | 283,250                 | -                           | 283,250                                 |
| Investment income                                       | 87             | 2,553                   | 123                         | 2,763                                   |
| Total revenues                                          | <u>198,204</u> | <u>1,523,340</u>        | <u>123</u>                  | <u>1,721,667</u>                        |
| <b>EXPENDITURES</b>                                     |                |                         |                             |                                         |
| Current                                                 |                |                         |                             |                                         |
| County Treasurer's fees                                 | 9,619          | 60,116                  | -                           | 69,735                                  |
| Intergovernmental                                       | 187,116        | -                       | -                           | 187,116                                 |
| Miscellaneous                                           | -              | 2,658                   | -                           | 2,658                                   |
| Debt service                                            |                |                         |                             |                                         |
| Bond interest                                           | -              | 13,524                  | -                           | 13,524                                  |
| Bond issue costs                                        | -              | 806,412                 | -                           | 806,412                                 |
| Paying agent/trustee fees                               | -              | 6,500                   | -                           | 6,500                                   |
| Letter of credit fees                                   | -              | 311,172                 | -                           | 311,172                                 |
| Remarketing fees                                        | -              | 22,800                  | -                           | 22,800                                  |
| Total expenditures                                      | <u>196,735</u> | <u>1,223,182</u>        | <u>-</u>                    | <u>1,419,917</u>                        |
| <b>EXCESS OF REVENUES OVER<br/>(UNDER) EXPENDITURES</b> | <u>1,469</u>   | <u>300,158</u>          | <u>123</u>                  | <u>301,750</u>                          |
| <b>OTHER FINANCING SOURCES (USES)</b>                   |                |                         |                             |                                         |
| Bond issuance                                           | -              | 44,060,000              | -                           | 44,060,000                              |
| Refunding payment                                       | -              | (44,297,000)            | -                           | (44,297,000)                            |
| Transfer to (from) other fund                           | -              | 102,361                 | (102,361)                   | -                                       |
| Total other financing sources (uses)                    | <u>-</u>       | <u>(134,639)</u>        | <u>(102,361)</u>            | <u>(237,000)</u>                        |
| <b>NET CHANGE IN FUND BALANCES</b>                      | 1,469          | 165,519                 | (102,238)                   | 64,750                                  |
| <b>FUND BALANCES (DEFICIT) - BEGINNING<br/>OF YEAR</b>  | <u>(1,469)</u> | <u>1,125,481</u>        | <u>102,248</u>              | <u>1,226,260</u>                        |
| <b>FUND BALANCES - END OF YEAR</b>                      | <u>\$ -</u>    | <u>\$ 1,291,000</u>     | <u>\$ 10</u>                | <u>\$ 1,291,010</u>                     |

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, 2013**

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

|                                                                                                                                                                                                                                         |                       |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| Net change in fund balances - Total governmental funds                                                                                                                                                                                  | \$ 64,750             |
| The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. |                       |
| Bond issuance                                                                                                                                                                                                                           | (44,060,000)          |
| Bond refunding payment                                                                                                                                                                                                                  | 44,297,000            |
| 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                                                                                                                                                                                         | (3,175,372)           |
| Accrued letter of credit fees - Change in liability                                                                                                                                                                                     | 25,494                |
| Changes in net position of governmental activities                                                                                                                                                                                      | <u>\$ (2,848,128)</u> |

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 (DEFICIT) - BUDGET AND ACTUAL**  
**Year Ended December 31, 2013**

|                                                        | <u>Original and<br/>Final Budget<br/>Amounts</u> | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|--------------------------------------------------------|--------------------------------------------------|---------------------------|-------------------------------------------------------------------|
| <b>REVENUES</b>                                        |                                                  |                           |                                                                   |
| Property taxes                                         | \$ 191,690                                       | \$ 192,375                | \$ 685                                                            |
| Specific ownership tax                                 | 5,750                                            | 5,742                     | (8)                                                               |
| Investment income                                      | 100                                              | 87                        | (13)                                                              |
| Total revenues                                         | <u>197,540</u>                                   | <u>198,204</u>            | <u>664</u>                                                        |
| <b>EXPENDITURES</b>                                    |                                                  |                           |                                                                   |
| Current                                                |                                                  |                           |                                                                   |
| County Treasurer's fees                                | 9,585                                            | 9,619                     | (34)                                                              |
| Intergovernmental                                      | 187,955                                          | 187,116                   | 839                                                               |
| Total expenditures                                     | <u>197,540</u>                                   | <u>196,735</u>            | <u>805</u>                                                        |
| <b>NET CHANGE IN FUND BALANCE</b>                      | -                                                | 1,469                     | 1,469                                                             |
| <b>FUND BALANCES (DEFICIT) - BEGINNING<br/>OF YEAR</b> | <u>-</u>                                         | <u>(1,469)</u>            | <u>(1,469)</u>                                                    |
| <b>FUND BALANCES - END OF YEAR</b>                     | <u><u>\$ -</u></u>                               | <u><u>\$ -</u></u>        | <u><u>\$ -</u></u>                                                |

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, 2013**

**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.

**BASE VILLAGE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**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 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 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.

**BASE VILLAGE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**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.

During the year ended December 31, 2013, supplementary appropriations approved by the District modified the appropriation from \$644,028 to \$47,100,000 in the Debt Service Fund and from \$102,233 to \$103,000 in the Capital Projects Fund.

**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 ensuing calendar year. The taxes are payable by April or if in

**BASE VILLAGE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**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 inflows 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.

**Capital Facility Fee**

A fee of \$5,150 will be collected upon the initial 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:

- *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.

**BASE VILLAGE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

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

- *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.

**NOTE 3 – CASH AND INVESTMENTS**

Cash and investments as of December 31, 2013 are classified in the accompanying financial statements as follows:

Statement of net position:

|                                   |                     |
|-----------------------------------|---------------------|
| Cash and investments - Restricted | <u>\$ 1,291,361</u> |
|-----------------------------------|---------------------|

**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.

**BASE VILLAGE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

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

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, 2013, the District had no cash deposits.

**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

**BASE VILLAGE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 3 - INVESTMENTS (CONTINUED)**

As of December 31, 2013, the District had the following investments:

| <b>Investment</b>                         | <b>Maturity</b>                   | <b>Fair Value</b>   |
|-------------------------------------------|-----------------------------------|---------------------|
| Colorado Surplus Asset Fund Trust (CSAFE) | Weighted average<br>Under 60 days | <u>\$ 1,291,361</u> |

**CSAFE**

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

**NOTE 4 - LONG-TERM OBLIGATIONS**

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2013.

|                                     | <b>Balance at<br/>December 31,<br/>2012</b> | <b>Additions</b>     | <b>Reductions</b>    | <b>Balance at<br/>December 31,<br/>2013</b> | <b>Due<br/>Within<br/>One Year</b> |
|-------------------------------------|---------------------------------------------|----------------------|----------------------|---------------------------------------------|------------------------------------|
| <b>Governmental Activities:</b>     |                                             |                      |                      |                                             |                                    |
| General obligations payable:        |                                             |                      |                      |                                             |                                    |
| 2008A Bonds                         | \$ 10,825,000                               | \$ -                 | \$ 10,825,000        | \$ -                                        | \$ -                               |
| Guarantor Bonds                     | 32,550,000                                  | -                    | 31,272,000           | 1,278,000                                   | -                                  |
| Accrued interest on Guarantor Bonds | 3,328,357                                   | 3,002,806            | -                    | 6,331,163                                   | -                                  |
| 2013A Loan                          | -                                           | 20,300,000           | -                    | 20,300,000                                  | 600,000                            |
| 2013B Bonds                         | -                                           | 23,760,000           | -                    | 23,760,000                                  | -                                  |
| Accrued interest on 2013B Bonds     | -                                           | 120,397              | -                    | 120,397                                     | -                                  |
| Developer subordinate note:         |                                             |                      |                      |                                             |                                    |
| 2008D Notes                         | 2,200,000                                   | -                    | 2,200,000            | -                                           | -                                  |
|                                     | <u>\$ 48,903,357</u>                        | <u>\$ 47,183,203</u> | <u>\$ 44,297,000</u> | <u>\$ 51,789,560</u>                        | <u>\$ 600,000</u>                  |

**BASE VILLAGE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**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.

On December 2, 2013, the 2008A Bonds were refunded and paid in full.

**BASE VILLAGE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**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.

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.

On December 2, 2013, the Letter of Credit serving the Series 2008A bonds terminated, in connection with which, the Series 2008A bonds were redeemed and refunded in full through a draw on the Letter of Credit.

**\$32,550,000 Guarantor Bonds, Series 2011, dated December 23, 2011.** On December 2, 2013, \$31,272,000 of Guarantor bonds were refunded with the Series 2013A loan and Series 2013B Bonds, leaving a remaining balance of \$1,278,000. The Guarantor bonds were held by Snowmass Acquisition Company LLC (SAC, see Note 6) as of December 31, 2013. Under the Fourth Supplemental Indenture of Trust, the underlying indenture is suspended, provided that the Guarantor bonds shall continue to bear interest at a rate of 10% and may be refunded at any date by the District. However, the District has no obligation to impose a mill levy for the purpose of repayment. Any amount remaining unpaid at maturity date of December 1, 2038 shall be deemed fully discharged without further action by the District.

**BASE VILLAGE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

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

**\$20,300,000 Senior Tax-Free Loan Refunding & Improvement, Series 2013A, dated December 2, 2013.** The loan matures on December 2, 2020, with mandatory redemption principal payments starting at \$600,000 on December 1, 2014 and interest payments due on June 1 and December 1 at a fixed interest rate of 3.05% per annum. The loan may be prepaid without premium or penalty starting on and after September 2, 2016. A balloon payment of \$16,430,000 is due on the maturity date. In the event that the refinancing is not successful prior to that time, the loan balance will begin to bear interest at an adjusted rate 11.05%.

The loan is secured and payable from the following sources, net of any collection costs: (1) property tax revenues from the "Required Mill Levy", and (2) specific ownership tax revenue related to the "Required Mill Levy". The term "Required Mill Levy" includes both a debt service mill levy and an operations mill levy component. The Required Mill Levy is 37.5 mills for debt service 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.

**\$23,760,000 Subordinate Limited Tax Revenue Refunding Bond, Series 2013B, dated November 13, 2013.** The bond matures on December 15, 2043 and has an interest rate of 6.50% that will be imposed on the unpaid principal amount. The bond is secured and payable from the following sources, net of any collection costs: (1) property tax revenues from the "Required Mill Levy", (2) specific ownership tax revenue related to the "Required Mill Levy", (3) capital fees, and (4) any other legally available money.

Pledged Revenues from the Required Mill Levy are available to pay for commitments under the Bond Resolution only after subtracting the Required Mill Levy revenues due under the Loan Agreement. To the extent of available Pledged Revenues, interest and principal payments are due annually on or before December 15, beginning on or after the Custodial Eligibility Date, defined as the first date on which the Debt to Assessed Ratio is equal to or less than 50%, until the bond is paid in full. However, any amount remaining unpaid on the bond maturity date shall be deemed fully discharged without further action by the District or the Owner.

The District's pledge of capital fees revenue toward the repayment of the bond is not subordinate to the loan, but rather is a first priority pledge. Capital fees are due annually on or before December 15 starting on December 15, 2014.

**BASE VILLAGE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

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

**Capital Pledge Agreement between the District and Base Village No. 1**

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. The Agreement was terminated on December 2, 2013.

On December 2, 2013, the District entered into an agreement (the Capital Pledge Agreement) with Base Village No. 1 in connection with the issuance of the District's Series 2013A loan and Series 2013B bond. 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. For the year ended December 31, 2014, the District does not require a capital levy from District No. 1 to support debt service.

Series 2013A Loan principal and interest will mature as follows:

|           | <u>Principal</u>     | <u>Interest</u>     | <u>Total</u>         |
|-----------|----------------------|---------------------|----------------------|
| 2014      | \$ 600,000           | \$ 626,029          | \$ 1,226,029         |
| 2015      | 620,000              | 609,195             | 1,229,195            |
| 2016      | 635,000              | 591,639             | 1,226,639            |
| 2017      | 655,000              | 570,386             | 1,225,386            |
| 2018      | 670,000              | 550,131             | 1,220,131            |
| 2019-2020 | 17,120,000           | 1,030,527           | 18,150,527           |
|           | <u>\$ 20,300,000</u> | <u>\$ 3,977,907</u> | <u>\$ 24,277,907</u> |

**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.

**BASE VILLAGE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

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

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.

On December 2, 2013, Series 2008D Note was paid in full.

**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, 2013, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

|                       | <b>Authorized<br/>November 6,<br/>2007 Election</b> | <b>Authorization<br/>Used<br/>Series 2008<br/>A&amp;B</b> | <b>Authorization<br/>Used<br/>Series 2008D</b> | <b>Authorization<br/>Used<br/>Series 2013<br/>A&amp;B</b> | <b>Remaining at<br/>December 31,<br/>2013</b> |
|-----------------------|-----------------------------------------------------|-----------------------------------------------------------|------------------------------------------------|-----------------------------------------------------------|-----------------------------------------------|
| 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                                       |
|                       | <u>\$ 107,500,000</u>                               | <u>\$ 47,750,000</u>                                      | <u>\$ 2,200,000</u>                            | <u>\$ -</u>                                               | <u>\$ 57,550,000</u>                          |

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, the District has issued \$47,750,000 (inclusive of \$4,179,943 of cost excludable as described above) of General Obligation Bonds and \$2,200,000 in the form of a Developer Subordinate Note.

During 2013, the District refunded its Series 2008A bonds, repaid its Developer Subordinate Note, and reduced its Guarantor Bond obligation through the issuance of the 2013A Loan and 2013B bond. No additional authorization was used as the District issued less debt than was previously issued with the 2008 obligations and Subordinate Note.

**BASE VILLAGE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**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 \$1,291,000 as of December 31, 2013.

The District's unrestricted net position as of December 31, 2013 is \$(51,841,719). 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 SAC. 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 intergovernmental agreement made certain changes to accommodate the issuance of the Series 2008A and Series 2008B bonds. The issuance of the 2013A Loan and 2013B bonds by the District also fall under the parameters of this Agreement. During 2013, the District remitted \$187,116 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.

**BASE VILLAGE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 7 - DISTRICT AGREEMENTS (CONTINUED)**

**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.

**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. The Agreement terminated on December 2, 2013.

On November 13, 2013, the District entered into an Operations Guarantee Agreement with Base Village Metropolitan District No. 1 and SAC, for the purpose of establishing a source of supplementary funding for operating costs during the Obligation Period which lasts as long as the date hereof and through and including the final maturity date of the 2013A Loan, December 2, 2020.

In the event that the Districts do not have sufficient funds to pay Operating Costs during the aforementioned period, SAC 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 SAC has the ability to provide supplemental funding, if requested.

**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

**BASE VILLAGE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 7 - DISTRICT AGREEMENTS (CONTINUED)**

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 – INTERFUND TRANSFER**

During 2013, the District transferred \$102,361 from the Capital Projects fund to the Debt Service fund to pay costs related to the debt issuance.

**NOTE 9 - 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, 2013. 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 10 - 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.

**BASE VILLAGE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 10 - TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)**

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, 2013**

|                                          | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|------------------------------------------|----------------------------|-------------------------|---------------------------|-------------------------------------------------------------------|
| <b>REVENUES</b>                          |                            |                         |                           |                                                                   |
| Property taxes                           | \$ 1,198,060               | \$ 1,201,647            | \$ 1,201,647              | \$ -                                                              |
| Specific ownership tax                   | 35,940                     | 35,890                  | 35,890                    | -                                                                 |
| Capital facility fees                    | -                          | 283,250                 | 283,250                   | -                                                                 |
| Investment income                        | 1,600                      | 2,553                   | 2,553                     | -                                                                 |
| Total revenues                           | <u>1,235,600</u>           | <u>1,523,340</u>        | <u>1,523,340</u>          | <u>-</u>                                                          |
| <b>EXPENDITURES</b>                      |                            |                         |                           |                                                                   |
| Current                                  |                            |                         |                           |                                                                   |
| County Treasurer's fees                  | 59,903                     | 60,116                  | 60,116                    | -                                                                 |
| Bond principal                           | 175,000                    | -                       | -                         | -                                                                 |
| Bond interest                            | 54,125                     | 13,524                  | 13,524                    | -                                                                 |
| Bond issue costs                         | -                          | 806,412                 | 806,412                   | -                                                                 |
| Paying agent/trustee fees                | 8,000                      | 6,500                   | 6,500                     | -                                                                 |
| Letter of credit fees                    | 311,000                    | 311,172                 | 311,172                   | -                                                                 |
| Remarketing fees                         | 30,400                     | 22,800                  | 22,800                    | -                                                                 |
| Miscellaneous                            | -                          | 2,658                   | 2,658                     | -                                                                 |
| Contingency                              | 5,600                      | 1,579,818               | -                         | 1,579,818                                                         |
| Total expenditures                       | <u>644,028</u>             | <u>2,803,000</u>        | <u>1,223,182</u>          | <u>1,579,818</u>                                                  |
| <b>EXCESS OF REVENUE OVER (UNDER)</b>    |                            |                         |                           |                                                                   |
| <b>EXPENDITURES</b>                      | <u>591,572</u>             | <u>(1,279,660)</u>      | <u>300,158</u>            | <u>1,579,818</u>                                                  |
| <b>OTHER FINANCING SOURCES (USES)</b>    |                            |                         |                           |                                                                   |
| Bond issuance                            | -                          | 45,600,000              | 44,060,000                | (1,540,000)                                                       |
| Refunding payment                        | -                          | (44,297,000)            | (44,297,000)              | -                                                                 |
| Transfer from other fund                 | -                          | 102,361                 | 102,361                   | -                                                                 |
| Total other financing sources (uses)     | <u>-</u>                   | <u>1,405,361</u>        | <u>(134,639)</u>          | <u>(1,540,000)</u>                                                |
| <b>NET CHANGE IN FUND BALANCE</b>        | 591,572                    | 125,701                 | 165,519                   | 39,818                                                            |
| <b>FUND BALANCES - BEGINNING OF YEAR</b> | <u>1,151,329</u>           | <u>1,125,481</u>        | <u>1,125,481</u>          | <u>-</u>                                                          |
| <b>FUND BALANCES - END OF YEAR</b>       | <u>\$ 1,742,901</u>        | <u>\$ 1,251,182</u>     | <u>\$ 1,291,000</u>       | <u>\$ 39,818</u>                                                  |

**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, 2013**

|                                                         | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|---------------------------------------------------------|----------------------------|-------------------------|---------------------------|-------------------------------------------------------------------|
| <b>REVENUES</b>                                         |                            |                         |                           |                                                                   |
| Investment income                                       | \$ 50                      | \$ 123                  | \$ 123                    | \$ -                                                              |
| Other income                                            | -                          | 629                     | -                         | (629)                                                             |
| Total revenues                                          | <u>50</u>                  | <u>752</u>              | <u>123</u>                | <u>(629)</u>                                                      |
| <b>EXPENDITURES</b>                                     |                            |                         |                           |                                                                   |
| Intergovernmental                                       | <u>102,233</u>             | <u>-</u>                | <u>-</u>                  | <u>-</u>                                                          |
| Total expenditures                                      | <u>102,233</u>             | <u>-</u>                | <u>-</u>                  | <u>-</u>                                                          |
| <b>EXCESS OF REVENUES OVER<br/>(UNDER) EXPENDITURES</b> | <u>(102,183)</u>           | <u>752</u>              | <u>123</u>                | <u>629</u>                                                        |
| <b>OTHER FINANCING SOURCES (USES)</b>                   |                            |                         |                           |                                                                   |
| Transfer to other fund                                  | <u>-</u>                   | <u>(103,000)</u>        | <u>(102,361)</u>          | <u>639</u>                                                        |
| Total other financing sources (uses)                    | <u>-</u>                   | <u>(103,000)</u>        | <u>(102,361)</u>          | <u>639</u>                                                        |
| <b>NET CHANGE IN FUND BALANCES</b>                      | (102,183)                  | (102,248)               | (102,238)                 | 10                                                                |
| <b>FUND BALANCES - BEGINNING OF YEAR</b>                | <u>102,183</u>             | <u>102,248</u>          | <u>102,248</u>            | <u>-</u>                                                          |
| <b>FUND BALANCES - END OF YEAR</b>                      | <u>\$ -</u>                | <u>\$ -</u>             | <u>\$ 10</u>              | <u>\$ 10</u>                                                      |

**BASE VILLAGE METROPOLITAN DISTRICT NO. 2**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
**December 31, 2013**

**\$20,300,000 Senior Tax-Free Loan Refunding & Improvement**  
**Fixed Rate Loan, Series 2013A**  
**Dated December 2, 2013**  
**Principal Payable December 1**  
**Interest at 3.05 %**  
**Payable June 1 and December 1**

| <u>Year Ended December 31,</u> | <u>Principal</u>     | <u>Interest</u>     | <u>Total<br/>Debt<br/>Service</u> |
|--------------------------------|----------------------|---------------------|-----------------------------------|
| 2014                           | \$ 600,000           | \$ 626,029          | \$ 1,226,029                      |
| 2015                           | 620,000              | 609,195             | 1,229,195                         |
| 2016                           | 635,000              | 591,639             | 1,226,639                         |
| 2017                           | 655,000              | 570,386             | 1,225,386                         |
| 2018                           | 670,000              | 550,131             | 1,220,131                         |
| 2019                           | 690,000              | 529,412             | 1,219,412                         |
| 2020                           | 16,430,000           | 501,115             | 16,931,115                        |
|                                | <u>\$ 20,300,000</u> | <u>\$ 3,977,907</u> | <u>\$ 24,277,907</u>              |

**BASE VILLAGE METROPOLITAN DISTRICT NO. 2**  
**SCHEDULE OF ASSESSED VALUATION,**  
**MILL LEVY AND PROPERTY TAXES COLLECTED**  
**December 31, 2013**

| <b>Year Ended<br/>December 31,</b>                       | <b>Prior<br/>Year Assessed<br/>Valuation<br/>for Current<br/>Year Property<br/>Tax Levy</b> | <b>Mills Levied</b> |                         | <b>Total Property Taxes</b> |                  | <b>Percentage<br/>Collected<br/>to Levied</b> |
|----------------------------------------------------------|---------------------------------------------------------------------------------------------|---------------------|-------------------------|-----------------------------|------------------|-----------------------------------------------|
|                                                          |                                                                                             | <b>Operations</b>   | <b>Debt<br/>Service</b> | <b>Levied</b>               | <b>Collected</b> |                                               |
| 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%                                        |
| 2013                                                     | \$ 32,201,150                                                                               | 6.000               | 37.500                  | \$ 1,400,750                | \$ 1,394,022     | 99.52%                                        |
| Estimated for<br>the year ending<br>December 31,<br>2014 | \$ 35,695,930                                                                               | 6.000               | 37.500                  | \$ 1,552,773                |                  |                                               |

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.