

**ALLISON VALLEY METROPOLITAN DISTRICT NO. 2**  
**El Paso County, Colorado**

**FINANCIAL STATEMENTS**  
**December 31, 2016**



**RECEIVED**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Allison Valley Metropolitan District No. 2  
Colorado Springs, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Allison Valley Metropolitan District No. 2 (the District), as of and for the year ended December 31, 2016, 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.

### Auditors' 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 the District as of December 31, 2016, and, the respective changes in financial position 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 Supplemental Information*

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### *Other Supplemental 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 supplemental schedules on pages 23 through 26 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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.

*Stockman Kast Ryan & Co., LLP*

June 13, 2017

## **BASIC FINANCIAL STATEMENTS**

**ALLISON VALLEY METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF NET POSITION**  
**December 31, 2016**

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Cash and investments	\$ 7,316
Cash and investments - Restricted	58,678
Receivable - County Treasurer	199
Property taxes receivable	47,977
Prepaid expense	3,000
Capital assets, not being depreciated	3,625,234
Capital assets, net	<u>2,213,213</u>
Total assets	<u>5,955,617</u>
<b>LIABILITIES</b>	
Accrued interest payable	4,130
Noncurrent liabilities:	
Due in one year	1,266
Due in more than one year	<u>6,887,058</u>
Total liabilities	<u>6,892,454</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred property tax revenue	<u>47,977</u>
Total deferred inflows of resources	<u>47,977</u>
<b>NET POSITION</b>	
Net investment in capital assets	(406,204)
Restricted for:	
Emergency reserves	150
Debt service	11,868
Unrestricted	<u>(590,628)</u>
Total net position	<u>\$ (984,814)</u>

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

**ALLISON VALLEY METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u> <u>Revenue and</u> <u>Changes in</u> <u>Net Position</u>
		<u>Charges</u> <u>for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Capital</u> <u>Grants and</u> <u>Contributions</u>	<u>Governmental</u> <u>Activities</u>
Primary government:					
Government activities:					
General government	\$ 200,097	\$ -	\$ -	\$ -	\$ (200,097)
Interest and related costs on long-term debt	249,063	-	-	-	(249,063)
	<u>\$ 449,160</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(449,160)</u>
General revenues:					
Property taxes					19,913
Specific ownership tax					2,291
Net investment income					105
Total general revenues					<u>22,309</u>
Special items:					
Developer contribution					223,860
Transfer of Developer advances to other governments					2,178,421
Transfer of construction in progress to other governments					(2,178,421)
Total special items					<u>223,860</u>
Change in net position					(202,991)
Net position - Beginning					<u>(781,823)</u>
Net position - Ending					<u>\$ (984,814)</u>

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

**ALLISON VALLEY METROPOLITAN DISTRICT NO. 2**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**December 31, 2016**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and investments	\$ 7,316	\$ -	\$ -	\$ 7,316
Cash and investments - Restricted	150	45,576	12,952	58,678
Receivable from County	-	199	-	199
Property taxes receivable	11,994	35,983	-	47,977
Prepaid expenses	-	3,000	-	3,000
<b>TOTAL ASSETS</b>	<u>\$ 19,460</u>	<u>\$ 84,758</u>	<u>\$ 12,952</u>	<u>\$ 117,170</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred property tax revenue	11,994	35,983	-	47,977
Total deferred inflows of resources	<u>11,994</u>	<u>35,983</u>	<u>-</u>	<u>47,977</u>
<b>FUND BALANCES</b>				
Nonspendable for:				
Prepaid expenses	-	3,000	-	3,000
Restricted for:				
Emergencies (TABOR)	150	-	-	150
Debt service	-	45,775	-	45,775
Capital projects	-	-	12,952	12,952
Unassigned:	7,316	-	-	7,316
Total fund balances	<u>7,466</u>	<u>48,775</u>	<u>12,952</u>	<u>69,193</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 19,460</u>	<u>\$ 84,758</u>	<u>\$ 12,952</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,838,447
Long-term liabilities are not due and payable in the current period and, therefore, are not in the funds:	
Accrued interest on Developer advance	(169,503)
Developer advances payable	(5,437,643)
Loan payable	(1,281,178)
Accrued interest payable	(4,130)
Net position of governmental activities	<u>\$ (984,814)</u>

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

**ALLISON VALLEY METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**Year Ended December 31, 2016**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Property taxes	\$ 4,978	\$ 14,935	\$ -	\$ 19,913
Specific ownership tax	-	2,291	-	2,291
Net investment income	7	85	13	105
Total revenues	<u>4,985</u>	<u>17,311</u>	<u>13</u>	<u>22,309</u>
<b>EXPENDITURES</b>				
Current				
Accounting	14,410	-	-	14,410
Audit	7,325	-	-	7,325
Consulting	112,500	-	-	112,500
County Treasurer's fee	75	224	-	299
Insurance and bonds	5,135	-	-	5,135
Legal	13,693	-	-	13,693
Miscellaneous	3,510	-	20	3,530
Utilities	30,585	-	-	30,585
Debt service				
Loan interest expense	-	31,803	-	31,803
Capital outlay	-	-	3,997,372	3,997,372
Total expenditures	<u>187,233</u>	<u>32,027</u>	<u>3,997,392</u>	<u>4,216,652</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(182,248)</u>	<u>(14,716)</u>	<u>(3,997,379)</u>	<u>(4,194,343)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan proceeds	-	-	648,178	648,178
Developer advance	193,921	6,243	3,997,371	4,197,535
Repay Developer advance	-	-	(609,218)	(609,218)
Transfers in (out)	(2,136)	26,000	(23,864)	-
Total other financing sources (uses)	<u>191,785</u>	<u>32,243</u>	<u>4,012,467</u>	<u>4,236,495</u>
<b>NET CHANGE IN FUND BALANCES</b>	9,537	17,527	15,088	42,152
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>(2,071)</u>	<u>31,248</u>	<u>(2,136)</u>	<u>27,041</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 7,466</u>	<u>\$ 48,775</u>	<u>\$ 12,952</u>	<u>\$ 69,193</u>

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

**ALLISON VALLEY 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, 2016**

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

Net change in fund balances - Total governmental funds	\$	42,152
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Governmental funds report capital outlays as expenditures. In the statement of activities capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset.

Capital outlay		3,997,372
Transfer of construction in progress to Allison Valley Metro 1		(2,178,421)
Depreciation		(12,844)

Long-term debt (e.g., issuance of bonds, the receipt of Developer advances) 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. Neither transaction, however, has any effect on net position.

Loan proceeds		(648,178)
Developer advances		(4,197,535)
Developer advances - transferred to Allison Valley Metro 1		2,178,421
Repayment of Developer advances		528,940
Developer contribution		223,860

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 loan - Change in liability		(2,229)
Accrued interest on Developer advances - Change in liability		(134,529)

Changes in net position of governmental activities	\$	<u>(202,991)</u>
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These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**ALLISON VALLEY METROPOLITAN DISTRICT NO. 2**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL**  
**Year Ended December 31, 2016**

	<u>Original &amp; Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>			
Property taxes	\$ 4,978	\$ 4,978	\$ -
Specific ownership tax	498	-	(498)
Net investment income	1	7	6
Total revenues	<u>5,477</u>	<u>4,985</u>	<u>(492)</u>
<b>EXPENDITURES</b>			
Current			
Accounting	10,000	14,410	(4,410)
Audit	-	7,325	(7,325)
Consulting	-	112,500	(112,500)
Contingency	4,241	-	4,241
County Treasurer's fee	75	75	-
Insurance and bonds	3,000	5,135	(2,135)
Legal	50,000	13,693	36,307
Miscellaneous	192,675	3,510	189,165
Utilities	-	30,585	(30,585)
Total expenditures	<u>259,991</u>	<u>187,233</u>	<u>72,758</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(254,514)</u>	<u>(182,248)</u>	<u>72,266</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Developer advance	255,000	193,921	(61,079)
Transfers to Capital Projects Fund	-	(2,136)	(2,136)
Total other financing sources (uses)	<u>255,000</u>	<u>191,785</u>	<u>(63,215)</u>
<b>NET CHANGE IN FUND BALANCES</b>	486	9,537	9,051
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>22,413</u>	<u>(2,071)</u>	<u>(24,484)</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 22,899</u>	<u>\$ 7,466</u>	<u>\$ (15,433)</u>

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

**ALLISON VALLEY METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 1 - DEFINITION OF REPORTING ENTITY**

The District, a quasi-municipal corporation and political subdivision of the State of Colorado, was organized by order and decree of the District Court of El Paso County on December 5, 2006, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The Consolidated Service Plan, dated July 12, 2006, formed the Allison Valley Metropolitan District Nos. 1 and 2 (the Districts). The District operates under the Amended and Restated Consolidated Service Plan approved by the City of Colorado Springs (the City) on September 8, 2015. The District's service area is located entirely within the City in El Paso County, Colorado. The Districts were established to provide the following services: streets and drainage, water, sanitary sewer, parks and recreation, traffic safety protection, mosquito control, public transportation, and television relay and translation. Both Districts are residential districts. Allison Valley Metropolitan District No. 1 (Allison Valley 1) also includes commercial properties within its boundaries. See Note 9 regarding intergovernmental agreements between the Districts.

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. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by property taxes and intergovernmental revenues.

The statement of net position reports all financial and capital resources of the District. The difference between the sum of assets and deferred outflows and the sum of liabilities and deferred inflows is reported as net position.

**ALLISON VALLEY METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

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

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and specific ownership taxes. 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 long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

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

**ALLISON VALLEY METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

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

**Budgets**

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures and other financing uses level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

The District has amended its annual budget for the year ended December 31, 2016.

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

Pursuant to the Service Plan as amended on September 8, 2015, the District may certify a maximum operating mill levy of 10.000 mills and a maximum debt service mill levy of 30.000 mills, as adjusted for changes in the ratio of actual value to assessed value property within the District.

**Capital Assets**

Capital assets which include property, plant, equipment and infrastructure assets (e.g. roads, sidewalks and similar items) are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress, and are not included in the calculation of net investment in capital assets.

**ALLISON VALLEY METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

Infrastructure	30-50 years
Park and recreation	15-35 years

It is the policy of the City to accept maintenance responsibility for all capital improvements within the City after a minimum two-year warranty period, except for certain landscaping, park and recreation, and storm drainage improvements specified in the District's Service Plan, upon the District's completion and conveyance of such improvements provided they meet the City's specifications.

**Deferred Inflows of Resources**

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available

**Equity**

**Net Position**

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

**ALLISON VALLEY METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

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

**Fund Balance**

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

- *Nonspendable fund balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.
- *Restricted fund balance* – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.
- *Committed fund balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.
- *Assigned fund balance* – The portion of fund balance that is constrained by the government’s intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.
- *Unassigned fund balance* – The residual portion of fund balance that does not meet any of the criteria described above.

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

**NOTE 3 - CASH AND INVESTMENTS**

Cash and investments as of December 31, 2016, are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$ 7,316
Cash and investments - Restricted	<u>58,678</u>
Total cash and investments	<u><u>\$ 65,994</u></u>

**ALLISON VALLEY METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

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

Cash and investments as of December 31, 2016, consists of the following:

Deposits with financial institutions	<u>\$ 65,944</u>
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**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.

As of December 31, 2016, the District's cash deposits had a bank balance of \$65,944 and a carrying balance of \$65,944.

**Investments**

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

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

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

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- . Obligations of the United States, certain U.S. government agency securities and securities of the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Certain certificates of participation
- . Certain securities lending agreements
- . Bankers' acceptances of certain banks

**ALLISON VALLEY METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

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

- . 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

**Fair Value Measurement and Application**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series); money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee); and CSAFE which record their investments at amortized cost

As of December 31, 2016, the District had no investments.

**ALLISON VALLEY METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 4 - CAPITAL ASSETS**

An analysis of the changes in capital assets for the year ended December 31, 2016, follows:

	<u>Balance at December 31, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2016</u>
<b>Governmental activities</b>				
Capital assets, not being depreciated:				
Construction in progress	\$ 3,827,613	\$ 3,997,372	\$ 4,199,751	\$ 3,625,234
Total capital assets, not being depreciated	<u>3,827,613</u>	<u>3,997,372</u>	<u>4,199,751</u>	<u>3,625,234</u>
Capital assets, being depreciated:				
Parks and recreation facilities	180,581	2,021,330	-	2,201,911
Storm drainage facilities	24,146	-	-	24,146
Total capital assets, being depreciated	<u>204,727</u>	<u>2,021,330</u>	<u>-</u>	<u>2,226,057</u>
Less accumulated depreciation for:				
Parks and recreation facilities	-	(12,039)	-	(12,039)
Storm drainage facilities	-	(805)	-	(805)
Total accumulated depreciation	<u>-</u>	<u>(12,844)</u>	<u>-</u>	<u>(12,844)</u>
Total capital assets, being depreciated, net	<u>204,727</u>	<u>2,008,486</u>	<u>-</u>	<u>2,213,213</u>
Governmental activities capital assets, net	<u>\$ 4,032,340</u>	<u>\$ 6,005,858</u>	<u>\$ 4,199,751</u>	<u>\$ 5,838,447</u>

**ALLISON VALLEY METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 5 - LONG-TERM OBLIGATIONS**

The following is an analysis of changes in District's long-term obligations for the year ended December 31, 2016:

	<u>Balance at December 31, 2015</u>	<u>Additions</u>	<u>Decreases</u>	<u>Balance at December 31, 2016</u>	<u>Due Within One Year</u>
Series 2015A Limited Tax					
G.O. Loan	\$ 633,000	\$ 648,178	\$ -	\$ 1,281,178	\$ 1,266
Developer advances					
Operating	153,175	193,921	-	347,096	-
Debt	-	6,243	-	6,243	-
Capital	3,960,767	3,997,371	2,931,222	5,026,916	-
Elite	50,000	-	-	50,000	-
Ginger	7,388	-	-	7,388	-
Interest on Developer					
advances					
Operating	3,540	11,157	-	14,697	-
Capital	11,889	201,352	80,278	132,963	-
Elite	18,296	2,003	-	20,299	-
Ginger	1,248	296	-	1,544	-
	<u>\$ 4,839,303</u>	<u>\$ 5,060,521</u>	<u>\$ 3,011,500</u>	<u>\$ 6,888,324</u>	<u>\$ 1,266</u>

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

**Series 2015A - \$10,000,000 Limited Tax General Obligation Loan**

On December 4, 2015, the District entered into the 2015A Loan Agreement (the Series 2015A Loan) with Zions Bank (successor of Vectra Bank) in an amount not to exceed \$10,000,000, with a maturity date of December 1, 2046. The interest rate is calculated as 3.25% plus the five-year Federal Home Loan Bank Des Moines Fixed Rate on the day of the Advance and is reset on December 1, 2020, and each five year anniversary of such date until maturity. Payments are due semi-annually on June 1 and December 1 of each year, commencing June 1, 2016 through December 1, 2046. The District may prepay the outstanding principal commencing on the second anniversary with a 1% penalty. Prepayments may occur after the third anniversary without penalty. The Series 2015A Loan was executed to reimburse the Developer for infrastructure acquired by the District.

**ALLISON VALLEY METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)**

The District may make advance requests one each calendar year quarter in amounts not less than \$50,000, and not to exceed the aggregate amount of \$10,000,000. Loan advances and interest rates as of December 31, 2016 are as follows:

<u>Loan Date</u>	<u>Loan Amount</u>	<u>Interest</u>
December 4, 2015	\$ 633,000	4.005%
August 3, 2016	219,708	3.653%
August 24, 2016	306,109	3.623%
October 18, 2016	122,361	3.608%
	<u>\$ 1,281,178</u>	

The Series 2015A Loan is secured and payable from the Pledged Revenue, consisting of monies derived by property and specific ownership taxes, as derived by the debt mill levy, system development fees, and any other legally available monies of the District credited to the Loan Fund.

**Series 2015B - Limited Tax General Obligation Loan**

On December 21, 2015, the District entered into the 2015B Loan Agreement (the Series 2015B Loan) with Zions Bank (successor of Vectra Bank) in the amount of the lesser of (i) \$3,500,000, plus the amount, if any, which is not funded pursuant to the Series 2015A Loan by December 21, 2018 and which is transferred to the amount which may be advanced pursuant to the Series 2015B Loan or (ii) \$10,000,000. The interest rate is calculated as 3.25% plus the five-year Federal Home Loan Bank Des Moines Fixed Rate on the day of the Advance and is reset on December 1, 2020, and each five year anniversary of such date until maturity. Payments are due semi-annually on June 1 and December 1 of each year, commencing June 1, 2016 through December 1, 2046. The Series 2015B Loan was executed to reimburse the Developer for infrastructure acquired by the District.

No loan advances have been requested on the Series 2015B Loan as of December 31, 2016. The District may make advance requests once each calendar year quarter in amounts not less than \$50,000, and not to exceed the maximum advance amount.

The Series 2015B Loan is secured and payable from the Pledged Revenue, consisting of monies derived by property taxes, specific ownership taxes, system development fees, and any other legally available monies of the District credited to the Loan Fund. The Series 2015B Loan is parity debt to the Series 2015A Loan.

**ALLISON VALLEY METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)**

The District's long-term obligations will mature as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,266	\$ 49,562	\$ 50,828
2018	12,285	49,183	61,468
2019	12,285	48,732	61,017
2020	12,933	48,281	61,214
2021	9,616	47,806	57,422
2022-2026	76,238	231,526	307,764
2027-2031	108,251	215,556	323,807
2032-2036	206,224	187,471	393,695
2037-2041	333,709	138,624	472,333
2042-2046	508,371	61,334	569,705
	<u>\$ 1,281,178</u>	<u>\$ 1,078,075</u>	<u>\$ 2,359,253</u>

**Authorized Debt**

On November 7, 2006, the District's electorate authorized the issuance of indebtedness in an amount not to exceed \$30,000,000 for infrastructure improvements at an interest rate not to exceed 16% and \$30,000,000 for refunding the District's debt or other obligations.

On November 3, 2015, the District held an election to authorize issuance of indebtedness. The District Board determined, upon advice of legal counsel, that the authorizations approved in the November 7, 2006 election were valid and would not be modified as proposed in the 2015 ballot issues at this time.

	<u>Amount Authorized November 7, 2006</u>	<u>Authorization Used 2015A Loan</u>	<u>Remaining at December 31, 2016</u>
Streets and storm drainage	\$ 17,000,000	\$ 1,178,387	\$ 15,821,613
Water improvements	1,000,000	31,402	968,598
Sanitary sewer improvements	2,000,000	21,604	1,978,396
Parks and recreation	7,000,000	12,958	6,987,042
Traffic safety controls	1,000,000	28,497	971,503
Mosquito control	1,000,000	-	1,000,000
Public transportation	500,000	8,330	491,670
TV relay and translation	500,000	-	500,000
Refunding of debt	30,000,000	-	30,000,000
	<u>\$ 60,000,000</u>	<u>\$ 1,281,178</u>	<u>\$ 58,718,822</u>

**ALLISON VALLEY METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)**

Pursuant to the Consolidated Service Plan as amended and restated on September 8, 2015, the District can issue bond indebtedness of up to an aggregate of \$30,000,000. However, by election, the voters have authorized each district to separately issue bonds of up to \$30,000,000. In addition, the maximum debt service mill levy for the District is 30.000 mills, as adjusted for changes in the ratio of actual value to assessed value property within the District. As of December 31, 2016, the calculated adjusted debt service mill levy was 30.000 mills.

In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area within the limitations of the District's Service Plan.

**Developer Advances**

The District has entered into Reimbursement Agreements with Allison Valley Development Company, LLC (the Developer) to repay advances made by the Developer for operation and maintenance and capital improvement costs. For operations and maintenance, the District agrees to repay the Developer along with accrued interest rate of the greater of 4.25% or Prime Rate published by Kirkpatrick Bank plus 1%. For capital improvements, the District agrees to repay the Developer along with accrued interest at the rate set forth on the initial debt offering, from the day of each advance. The District's repayment obligations pursuant to these agreements are subject to annual appropriation. As of December 31, 2016, outstanding Developer advances for operations and debt totaled \$353,339 with accrued interest of \$14,697 and outstanding advances for capital improvements totaled \$5,026,916 with accrued interest of \$132,963.

**Reimbursement Agreement**

On November 14, 2013, the District entered into a Reimbursement Agreement to repay advances made by Elite Properties of America, Inc. (Elite) and Ginger I, LLC (Ginger) for organization, and operations and maintenance (O&M) costs. The District agreed to repay Elite and Ginger for such advances plus accrued interest at the rate set forth on the initial bond offering, which is 4.005%. This Agreement does not constitute a debt of the District and any reimbursements shall be made subject to annual appropriations at the District's discretion. As of December 31, 2016, outstanding advances under the agreement for Elite totaled \$50,000 and accrued interest totaled \$20,299; for Ginger, outstanding advances totaled \$7,388 and accrued interest totaled \$1,544.

**ALLISON VALLEY METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 6 - NET POSITION**

The District has net position consisting of three components – net investment in capital assets, restricted and unrestricted net position.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2016, the District had net investment in capital assets calculated as follows:

	<b>Governmental Activities</b>
Net investment in capital assets:	
Capital assets, net (excluding assets anticipated to be conveyed to other governmental entities)	\$ 4,729,694
Current portion of outstanding long-term obligations	(1,023)
Noncurrent portion of outstanding long-term obligations	(5,097,912)
Unspent loan proceeds	(36,963)
Net investment in capital assets	\$ (406,204)

The restricted component of net position consists of assets 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 as of December 31, 2016, as follows:

	<b>Governmental Activities</b>
Restricted net position:	
Emergencies	\$ 150
Debt service reserve	11,868
Total restricted net position	\$ 12,018

The District has a deficit in unrestricted net position. This deficit amount is a result of the District being responsible for the repayment of Developer advances for operations and maintenance costs.

**NOTE 7 - RELATED PARTIES**

The Developer of the property which constitutes the District is Allison Valley Development Company, LLC. The members of the Board of Directors are officers, employees or associated with the Developer and may have conflicts of interest in dealing with the District. See Note 5 concerning advances made by the Developer.

**ALLISON VALLEY METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 8 - ECONOMIC DEPENDENCY**

The District has not yet established a revenue base sufficient to pay operational expenditures. Until an independent revenue base is established, continuation of operations in the District will be dependent upon funding by the Developer.

**NOTE 9 – INTERGOVERNMENTAL AGREEMENTS**

On December 6, 2007, the District entered into an Intergovernmental Agreement (IGA) with Allison Valley 1. The IGA was supplemented on October 20, 2016. The purpose of the IGA is to clarify specific provisions of the Amended Service Plan.

The Districts agree to share the costs of the financing, construction, operation and maintenance of facilities as contemplated in the Consolidated Service Plan. It is anticipated that the total capital costs of the Districts will not exceed \$30,000,000, which the Districts will share. The Districts will share the capital costs 55% to Allison Valley 1 and 45% to Allison Valley 2. The percentages correspond to the approximate relative amount of assessed value of each district to the total projected at build-out for the total project.

The Districts agree to allocate the \$30,000,000 debt capacity authorized by the Consolidated Service Plan using the same percentage as the capital costs (55% for Allison Valley 1 and 45% for Allison Valley 2). In dollar terms the allocation of the debt capacity is \$16,500,000 for Allison Valley 1 and \$13,500,000 for Allison Valley 2. The Districts are allowed, but are not required to, allocate the voter-approved debt capacity that is available for each category of improvements using the 55/45 ratio.

**NOTE 10 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property and public officials' liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

**ALLISON VALLEY METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 11 - TAX, SPENDING AND DEBT LIMITATIONS**

Article X, Section 20 of the Colorado Constitution, commonly known 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.

On November 7, 2006, the District's voters authorized the District to increase property taxes \$750,000 annually, without limitation of rate and without regard to any spending, revenue raising or other limitations contained within Article X, Section 20 of the Colorado Constitutions (TABOR) or Section 29-1-301, C.R.S., to pay the District's operations, maintenance and other expenses. Additionally, the District's electors authorized the District to collect, spend or retain all revenue 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.

**NOTE 12 - INTERFUND AND OPERATING TRANSFERS**

The transfer from the General Fund to the Capital Projects Fund was to cure the Capital Project Fund deficit fund balance at December 31, 2015. The transfer from the Capital Projects Fund to the Debt Service Fund was the capitalized interest portion of the loan proceeds. The transfer from the Debt Service Fund to the Capital Project Fund was property tax revenue to be used towards capital outlay.

This information is an integral part of the accompanying financial statements.

## **SUPPLEMENTARY INFORMATION**

**ALLISON VALLEY METROPOLITAN DISTRICT NO. 2**  
**DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL**  
**Year Ended December 31, 2016**

	<b>Budget</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Property taxes	\$ 14,935	\$ 14,935	\$ 14,935	\$ -
Specific ownership tax	1,493	1,493	2,291	798
Interest Income	-	-	85	85
Total revenues	<u>16,428</u>	<u>16,428</u>	<u>17,311</u>	<u>883</u>
<b>EXPENDITURES</b>				
Loan interest expense	-	32,000	31,803	197
County Treasurer's fee	224	224	224	-
Contingency	16,428	-	-	-
Total expenditures	<u>16,652</u>	<u>32,224</u>	<u>32,027</u>	<u>197</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(224)</u>	<u>(15,796)</u>	<u>(14,716)</u>	<u>1,080</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Developer advance	-	-	6,243	6,243
Transfers in from Capital Projects Fund	-	38,941	38,941	-
Transfers out to Capital Projects Fund	-	-	(12,941)	(12,941)
Total other financing sources (uses)	<u>-</u>	<u>38,941</u>	<u>32,243</u>	<u>(6,698)</u>
<b>NET CHANGE IN FUND BALANCES</b>	(224)	23,145	17,527	(5,618)
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>13,175</u>	<u>31,248</u>	<u>31,248</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 12,951</u>	<u>\$ 54,393</u>	<u>\$ 48,775</u>	<u>\$ (5,618)</u>

**ALLISON VALLEY METROPOLITAN DISTRICT NO. 2**  
**CAPITAL PROJECT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL**  
**Year Ended December 31, 2016**

	<b>Budget</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Net investment income	\$ -	\$ -	\$ 13	\$ 13
Total revenues	<u>-</u>	<u>-</u>	<u>13</u>	<u>13</u>
<b>EXPENDITURES</b>				
Current				
Contingency	6,060	186,059	-	186,059
Miscellaneous	-	-	20	(20)
Capital outlay				
Consulting / engineering	-	500,000	-	500,000
Water infrastructure	-	500,000	428,559	71,441
Sewer infrastructure	-	500,000	313,776	186,224
Streets and drainage	775,000	3,275,000	2,675,697	599,303
Traffic safety controls	-	500,000	7,921	492,079
Park and recreation	-	500,000	564,199	(64,199)
Transportation	-	500,000	266	499,734
Television Relay	-	-	6,954	(6,954)
Total expenditures	<u>781,060</u>	<u>6,461,059</u>	<u>3,997,392</u>	<u>2,463,667</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(781,060)</u>	<u>(6,461,059)</u>	<u>(3,997,379)</u>	<u>(2,463,654)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan proceeds	805,000	805,000	648,178	(156,822)
Developer advance	40,000	7,040,000	3,997,371	(3,042,629)
Repay Developer advance	-	(500,000)	(609,218)	(109,218)
Transfers in from General Fund	-	-	2,136	2,136
Transfers in from Debt Service Fund	-	-	12,941	12,941
Transfers out to Debt Service Fund	(60,000)	(38,941)	(38,941)	-
Total other financing sources (uses)	<u>785,000</u>	<u>7,306,059</u>	<u>4,012,467</u>	<u>(3,293,592)</u>
<b>NET CHANGE IN FUND BALANCES</b>	3,940	845,000	15,088	829,912
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>1,010</u>	<u>(2,136)</u>	<u>(2,136)</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 4,950</u>	<u>\$ 842,864</u>	<u>\$ 12,952</u>	<u>\$ 829,912</u>

**ALLISON VALLEY METROPOLITAN DISTRICT NO. 2**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
**December 31, 2016**

**\$10,000,000 Limited Tax General  
Obligation Loan  
Series 2015A**

**Dated December 4, 2015**

**Draws - \$1,281,178**

**Interest Rate - Variable (Reset December 1, 2020)**

**Principal Due December 1**

**Interest Payable June 1 and December 1**

<u>Year Ended</u> <u>December 31,</u>	<u>Interest Payable June 1 and December 1</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,266	\$ 49,562	\$ 50,828
2018	12,285	49,183	61,468
2019	12,285	48,732	61,017
2020	12,933	48,281	61,214
2021	9,616	47,806	57,422
2022	12,812	47,437	60,249
2023	14,093	46,945	61,038
2024	17,303	46,403	63,706
2025	19,218	45,740	64,958
2026	12,812	45,001	57,813
2027	14,741	44,509	59,250
2028	18,569	43,944	62,513
2029	21,147	43,229	64,376
2030	24,975	42,418	67,393
2031	28,819	41,456	70,275
2032	32,662	40,348	73,010
2033	37,139	39,091	76,230
2034	41,631	37,661	79,292
2035	45,474	36,060	81,534
2036	49,318	34,311	83,629
2037	55,724	32,414	88,138
2038	60,848	30,271	91,119
2039	65,973	27,932	93,905
2040	72,379	25,395	97,774
2041	78,785	22,612	101,397
2042	87,105	19,583	106,688
2043	94,792	16,233	111,025
2044	103,112	12,587	115,699
2045	112,080	8,621	120,701
2046	111,282	4,310	115,592
	<u>\$ 1,281,178</u>	<u>\$ 1,078,075</u>	<u>\$ 2,359,253</u>

**ALLISON VALLEY METROPOLITAN DISTRICT NO. 2  
SUMMARY OF ASSESSED VALUATION, MILL LEVY AND  
PROPERTY TAXES COLLECTED  
December 31, 2016**

<b>Year Ended <u>December 31,</u></b>	<b>Prior Year Assessed Valuation for Current Year Property <u>Tax Levy</u></b>	<b>Mills <u>Levied</u></b>	<b>Property Taxes</b>		<b>Percent Collected to Levied</b>
			<b><u>Levied</u></b>	<b><u>Collected</u></b>	
2012	\$ 47,450	40.000	\$ 1,898	\$ 1,898	100.00%
2013	\$ 47,470	40.000	\$ 1,899	\$ 1,899	100.00%
2014	\$ 48,720	40.000	\$ 1,949	\$ 1,949	100.00%
2015	\$ 64,600	40.000	\$ 2,584	\$ 2,584	100.00%
2016	\$ 497,820	40.000	\$ 19,913	\$ 19,913	100.00%
Estimated for year ending December 31, 2017	\$ 1,199,440	40.000	\$ 47,977		