

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

**FINANCIAL STATEMENTS**  
**December 31, 2017**



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Office of the State Auditor

May 17, 2018

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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, 2017, 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, 2017, 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 page 22 through 25 are presented for purposes of additional analysis and is 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*

April 30, 2018

## **BASIC FINANCIAL STATEMENTS**

**ALLISON VALLEY METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF NET POSITION**  
**December 31, 2017**

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Cash and investments - Restricted	\$ 79,021
Receivable - County Treasurer	503
Property taxes receivable	145,873
Prepaid expense	12,558
Capital assets, net	<u>3,357,037</u>
Total assets	<u>3,594,992</u>
<b>LIABILITIES</b>	
Accounts payable	26,195
Accrued interest payable	9,714
Noncurrent liabilities:	
Due in one year	12,285
Due in more than one year	<u>9,988,274</u>
Total liabilities	<u>10,036,468</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred property tax revenue	<u>145,873</u>
Total deferred inflows of resources	<u>145,873</u>
<b>NET POSITION</b>	
Net investment in capital assets	(272,019)
Restricted for:	
Emergency reserves	420
Debt service	54,948
Capital projects	19,200
Unrestricted	<u>(6,389,898)</u>
Total net position	<u>\$ (6,587,349)</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, 2017

<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	\$ 292,276	\$ -	\$ -	\$ -	\$ (292,276)
Interest and related costs on long-term debt	322,096	-	-	-	(322,096)
	<u>\$ 614,372</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(614,372)</u>
General revenues:					
Property taxes					47,978
Specific ownership tax					6,500
Net investment income					498
Other income					272
Total general revenues					<u>55,248</u>
Special items:					
Dedicated capital assets to other governments					<u>(5,043,411)</u>
Total special items					<u>(5,043,411)</u>
Change in net position					(5,602,535)
Net position - Beginning					<u>(984,814)</u>
Net position - Ending					<u>\$ (6,587,349)</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, 2017**

	<b>General</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and investments - Restricted	\$ -	\$ 59,821	\$ 19,200	\$ 79,021
Receivable from County	126	377	-	503
Due from other funds	-	1,464	-	1,464
Property taxes receivable	36,468	109,405	-	145,873
Prepaid expenses	9,558	3,000	-	12,558
<b>TOTAL ASSETS</b>	<b>\$ 46,152</b>	<b>\$ 174,067</b>	<b>\$ 19,200</b>	<b>\$ 239,419</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 25,673	\$ -	\$ -	\$ 25,673
Due to Allison Valley 1	522	-	-	522
Due to other funds	1,464	-	-	1,464
Total liabilities	27,659	-	-	27,659
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred property tax revenue	36,468	109,405	-	145,873
Total deferred inflows of resources	36,468	109,405	-	145,873
<b>FUND BALANCES</b>				
Nonspendable for:				
Prepaid expenses	9,558	3,000	-	12,558
Restricted for:				
Emergencies (TABOR)	420	-	-	420
Debt service	-	61,662	-	61,662
Capital projects	-	-	19,200	19,200
Unassigned:	(27,953)	-	-	(27,953)
Total fund balances	(17,975)	64,662	19,200	65,887
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 46,152</b>	<b>\$ 174,067</b>	<b>\$ 19,200</b>	

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. 3,357,037

Long-term liabilities are not due and payable in the current period and, therefore, are not in the funds:

Accrued interest on Developer advance	(660,026)
Developer advances payable	(6,411,700)
Loan payable	(2,928,833)
Accrued interest payable	(9,714)
Net position of governmental activities	<b>\$ (6,587,349)</b>

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, 2017**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Property taxes	\$ 11,994	\$ 35,984	\$ -	\$ 47,978
Specific ownership tax	1,625	4,875	-	6,500
Net investment income	14	412	72	498
Other revenue	<u>272</u>	<u>-</u>	<u>-</u>	<u>272</u>
Total revenues	<u>13,905</u>	<u>41,271</u>	<u>72</u>	<u>55,248</u>
<b>EXPENDITURES</b>				
Current				
Accounting	21,447	-	-	21,447
Audit	9,000	-	-	9,000
Contingency	-	12	-	12
County Treasurer's fee	180	540	-	720
District management	37,500	-	-	37,500
Dues and membership	434	-	-	434
Insurance and bonds	6,892	-	-	6,892
Landscaping	42,777	-	-	42,777
Legal	6,831	-	-	6,831
Miscellaneous	2,579	-	-	2,579
Repairs and maintenance	3,448	-	-	3,448
Snow removal	429	-	-	429
Utilities	34,392	-	-	34,392
Debt service				
Loan interest expense	-	75,924	-	75,924
Loan principal	-	1,266	-	1,266
Non use fees	-	26,708	-	26,708
Paying agent fees	-	3,000	-	3,000
Capital outlay	<u>-</u>	<u>-</u>	<u>2,688,356</u>	<u>2,688,356</u>
Total expenditures	<u>165,909</u>	<u>107,450</u>	<u>2,688,356</u>	<u>2,961,715</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(152,004)</u>	<u>(66,179)</u>	<u>(2,688,284)</u>	<u>(2,906,467)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan proceeds	-	-	1,648,921	1,648,921
Developer advance	126,835	-	2,688,357	2,815,192
Repay Developer advance	(272)	(6,243)	(1,554,437)	(1,560,952)
Transfers in (out)	<u>-</u>	<u>88,309</u>	<u>(88,309)</u>	<u>-</u>
Total other financing sources (uses)	<u>126,563</u>	<u>82,066</u>	<u>2,694,532</u>	<u>2,903,161</u>
<b>NET CHANGE IN FUND BALANCES</b>	(25,441)	15,887	6,248	(3,306)
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>7,466</u>	<u>48,775</u>	<u>12,952</u>	<u>69,193</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ (17,975)</u>	<u>\$ 64,662</u>	<u>\$ 19,200</u>	<u>\$ 65,887</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, 2017**

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

Net change in fund balances - Total governmental funds	\$	(3,306)
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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		2,688,356
Dedicated capital assets to other entities		(5,043,411)
Depreciation		(126,355)

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.

Current year loan principal payment		1,266
Loan proceeds		(1,648,921)
Developer advances		(2,815,192)
Repayment of Developer advances		1,841,135

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		(5,584)
Accrued interest on Developer advances - Change in liability		(490,523)

Changes in net position of governmental activities	\$	<u>(5,602,535)</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, 2017**

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 11,994	\$ 11,994	\$ 11,994	\$ -
Specific ownership tax	1,320	1,320	1,625	305
Net investment income	-	50	14	(36)
Other revenue	-	500	272	(228)
Total revenues	<u>13,314</u>	<u>13,864</u>	<u>13,905</u>	<u>41</u>
<b>EXPENDITURES</b>				
Current				
Accounting	12,100	19,000	21,447	(2,447)
Audit	7,000	7,200	9,000	(1,800)
Contingency	9,171	9,171	-	9,171
County Treasurer's fee	180	180	180	-
District management	37,500	37,500	37,500	-
Dues and membership	600	600	434	166
Insurance and bonds	3,200	6,900	6,892	8
Landscaping	-	40,000	42,777	(2,777)
Legal	9,000	4,000	6,831	(2,831)
Miscellaneous	250	2,000	2,579	(579)
Repairs and maintenance	-	4,597	3,448	1,149
Snow removal	-	572	429	143
Utilities	35,000	35,000	34,392	608
Total expenditures	<u>114,001</u>	<u>166,720</u>	<u>165,909</u>	<u>811</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>				
	<u>(100,687)</u>	<u>(152,856)</u>	<u>(152,004)</u>	<u>852</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Developer advance	100,000	150,000	126,835	(23,165)
Repay Developer advance	-	(272)	(272)	-
Total other financing sources (uses)	<u>100,000</u>	<u>149,728</u>	<u>126,563</u>	<u>(23,165)</u>
<b>NET CHANGE IN FUND BALANCES</b>				
	(687)	(3,128)	(25,441)	(22,313)
<b>FUND BALANCES - BEGINNING OF YEAR</b>				
	<u>4,777</u>	<u>7,466</u>	<u>7,466</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>				
	<u>\$ 4,090</u>	<u>\$ 4,338</u>	<u>\$ (17,975)</u>	<u>\$ (22,313)</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, 2017**

**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, 2017**

**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, 2017**

**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, 2017.

**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 acquisition 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, 2017**

**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.

The District has conveyed assets in the amount of \$5,043,411 to the City and has a warranty and maintenance obligation to the City for a period of two years following the City's preliminary acceptance.

**Deferred Inflows of Resources**

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

**Net Position**

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

**Fund Balance**

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

**ALLISON VALLEY METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

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

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

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

**Deficits**

The General Fund reported a deficit in the fund financial statements as of December 31, 2017. The deficit will be eliminated with the receipt of funds advanced by the Developer in 2018.

**NOTE 3 - CASH AND INVESTMENTS**

Cash and investments as of December 31, 2017, are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments - Restricted	\$ <u>79,021</u>
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Cash and investments as of December 31, 2017, consists of the following:

Deposits with financial institutions	\$ <u>79,021</u>
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**ALLISON VALLEY METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

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

**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, 2017, the District's cash deposits had a bank balance of \$79,201 and a carrying balance of \$79,201.

**Investments**

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

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

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

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

- . Obligations of the United States, certain U.S. government agency securities and securities of the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Certain certificates of participation
- . Certain securities lending agreements
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- . Local government investment pools

As of December 31, 2017, the District had no investments.

**ALLISON VALLEY METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 4 - CAPITAL ASSETS**

An analysis of the changes in capital assets for the year ended December 31, 2017, follows:

	<u>Balance at December 31, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2017</u>
<b>Governmental activities</b>				
Capital assets, not being depreciated:				
Construction in progress	\$ 3,625,234	\$ 2,069,559	\$ 5,694,793	\$ -
Total capital assets, not being depreciated	<u>3,625,234</u>	<u>2,069,559</u>	<u>5,694,793</u>	<u>-</u>
Capital assets, being depreciated:				
Parks and recreation facilities	2,201,911	189,752	-	2,391,663
Storm drainage facilities	<u>24,146</u>	<u>1,080,427</u>	<u>-</u>	<u>1,104,573</u>
Total capital assets, being depreciated	<u>2,226,057</u>	<u>1,270,179</u>	<u>-</u>	<u>3,496,236</u>
Less accumulated depreciation for:				
Parks and recreation facilities	(12,039)	(96,687)	-	(108,726)
Storm drainage facilities	<u>(805)</u>	<u>(29,668)</u>	<u>-</u>	<u>(30,473)</u>
Total accumulated depreciation	<u>(12,844)</u>	<u>(126,355)</u>	<u>-</u>	<u>(139,199)</u>
Total capital assets, being depreciated, net	<u>2,213,213</u>	<u>1,143,824</u>	<u>-</u>	<u>3,357,037</u>
Governmental activities capital assets, net	<u>\$ 5,838,447</u>	<u>\$ 3,213,383</u>	<u>\$ 5,694,793</u>	<u>\$ 3,357,037</u>

**ALLISON VALLEY METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 5 - LONG-TERM OBLIGATIONS**

The following is an analysis of changes in District's long-term obligations for the year ended December 31, 2017:

	<u>Balance at December 31, 2016</u>	<u>Additions</u>	<u>Decreases</u>	<u>Balance at December 31, 2017</u>	<u>Due Within One Year</u>
Series 2015A Limited Tax G.O. Loan	\$ 1,281,178	\$ 1,648,921	\$ 1,266	\$ 2,928,833	\$ 12,285
Developer advances					
Operating	347,096	126,835	272	473,659	-
Debt	6,243	-	6,243	-	-
Capital	5,026,916	2,688,357	1,834,620	5,880,653	-
Elite	50,000	-	-	50,000	-
Ginger	7,388	-	-	7,388	-
Interest on Developer advances					
Operating	14,697	17,969	-	32,666	-
Capital	132,963	470,256	-	603,219	-
Elite	20,299	2,003	-	22,302	-
Ginger	1,544	295	-	1,839	-
	<u>\$ 6,888,324</u>	<u>\$ 4,954,636</u>	<u>\$ 1,842,401</u>	<u>\$ 10,000,559</u>	<u>\$ 12,285</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, 2017**

**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, 2017 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%
January 23, 2017	364,961	4.065%
May 27, 2017	218,316	4.028%
July 25, 2017	412,095	4.013%
October 23, 2017	653,549	3.975%
	<u>\$ 2,930,099</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, 2017. 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, 2017**

**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>
2018	\$ 12,285	\$ 116,571	\$ 128,856
2019	41,966	116,114	158,080
2020	44,263	114,764	159,027
2021	22,807	112,695	135,502
2022	27,652	111,788	139,440
2023-2027	182,050	538,856	720,906
2028-2032	289,417	497,975	787,392
2033-2037	524,443	422,131	946,574
2038-2042	836,682	294,748	1,131,430
2043-2046	947,268	96,209	1,043,477
	<u>\$ 2,928,833</u>	<u>\$ 2,421,851</u>	<u>\$ 5,350,684</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, 2017</u>
Streets and storm drainage	\$ 17,000,000	\$ 1,978,692	\$ 15,021,308
Water improvements	1,000,000	456,535	543,465
Sanitary sewer improvements	2,000,000	346,992	1,653,008
Parks and recreation	7,000,000	98,579	6,901,421
Traffic safety controls	1,000,000	40,972	959,028
Mosquito control	1,000,000	-	1,000,000
Public transportation	500,000	8,329	491,671
TV relay and translation	500,000	-	500,000
Refunding of debt	30,000,000	-	30,000,000
	<u>\$ 60,000,000</u>	<u>\$ 2,930,099</u>	<u>\$ 57,069,901</u>

**ALLISON VALLEY METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**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, 2017, 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, which were amended effective January 1, 2017, 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. Pursuant to the First Amendment to the Reimbursement Agreement, payments to the Developer shall be applied first to principal then to interest. As of December 31, 2017, outstanding Developer advances for operations and debt totaled \$473,658 with accrued interest of \$32,666 and outstanding advances for capital improvements totaled \$5,880,653 with accrued interest of \$603,219. Changing the payment application to principal first decreased the outstanding principal an additional \$280,172 and decreased the accrued interest an additional \$9,799.

**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, 2017, outstanding advances under the agreement for Elite totaled \$50,000 and accrued interest totaled \$22,302; for Ginger, outstanding advances totaled \$7,388 and accrued interest totaled \$1,839.

**ALLISON VALLEY METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**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, 2017, 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)	\$ 3,357,037
Current portion of outstanding long-term obligations	(5,029)
Noncurrent portion of outstanding long-term obligations	(3,601,681)
Unspent loan proceeds	(22,346)
Net investment in capital assets	\$ (272,019)

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, 2017, as follows:

	<b>Governmental Activities</b>
Restricted net position:	
Emergencies	\$ 420
Debt service reserve	54,948
Capital projects	19,200
Total restricted net position	\$ 74,568

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, maintenance and infrastructure 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, 2017**

**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, 2017**

**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 Capital Projects Fund to the Debt Service Fund was the capitalized interest portion of the loan proceeds.

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, 2017**

	<b>Budget</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		<b>Positive (Negative)</b>
<b>REVENUES</b>				
Property taxes	\$ 35,983	\$ 35,983	\$ 35,984	\$ 1
Specific ownership tax	3,960	6,460	4,875	(1,585)
Interest Income	100	300	412	112
Total revenues	<u>40,043</u>	<u>42,743</u>	<u>41,271</u>	<u>(1,472)</u>
<b>EXPENDITURES</b>				
Loan interest expense	65,000	76,000	75,924	76
Loan principal	1,266	1,266	1,266	-
Non use fee	25,000	25,000	26,708	(1,708)
Paying agent fee	-	3,000	3,000	-
County Treasurer's fee	540	540	540	-
Contingency	3,196	3,196	12	3,184
Total expenditures	<u>95,002</u>	<u>109,002</u>	<u>107,450</u>	<u>1,552</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(54,959)</u>	<u>(66,259)</u>	<u>(66,179)</u>	<u>80</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Repay Developer advance	-	(6,250)	(6,243)	7
Transfers in from Capital Projects Fund	50,000	50,000	94,474	44,474
Transfers out to Capital Projects Fund	-	(5,150)	(6,165)	(1,015)
Total other financing sources (uses)	<u>50,000</u>	<u>38,600</u>	<u>82,066</u>	<u>43,466</u>
<b>NET CHANGE IN FUND BALANCES</b>	(4,959)	(27,659)	15,887	43,546
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>54,536</u>	<u>48,775</u>	<u>48,775</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 49,577</u>	<u>\$ 21,116</u>	<u>\$ 64,662</u>	<u>\$ 43,546</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, 2017**

	Budget		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>REVENUES</b>				
Net investment income	\$ -	\$ 100	\$ 72	\$ (28)
Total revenues	<u>-</u>	<u>100</u>	<u>72</u>	<u>(28)</u>
<b>EXPENDITURES</b>				
Current				
Contingency	-	25,000	-	25,000
Capital outlay				
Consulting / engineering	238,500	-	-	-
Planning	353,250	-	-	-
Drainage	-	430,000	429,045	955
Water infrastructure	240,300	386,047	386,007	40
Sewer infrastructure	319,500	319,500	308,931	10,569
Streets	2,101,050	1,201,050	1,180,856	20,194
Traffic safety controls	22,500	22,500	434	22,066
Park and recreation	121,050	191,050	189,752	1,298
Transportation	22,500	171,393	171,393	-
Television transmission and relay	-	30,000	21,938	8,062
Total expenditures	<u>3,418,650</u>	<u>2,776,540</u>	<u>2,688,356</u>	<u>88,184</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(3,418,650)</u>	<u>(2,776,440)</u>	<u>(2,688,284)</u>	<u>(88,212)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan proceeds	600,000	1,600,000	1,648,921	48,921
Developer advance	2,868,650	2,768,650	2,688,357	(80,293)
Repay Developer advance	-	(1,560,000)	(1,554,437)	5,563
Transfers in from Debt Service Fund	-	6,165	6,165	-
Transfers out to Debt Service Fund	(50,000)	(50,000)	(94,474)	(44,474)
Total other financing sources (uses)	<u>3,418,650</u>	<u>2,764,815</u>	<u>2,694,532</u>	<u>(70,283)</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	(11,625)	6,248	(17,873)
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>-</u>	<u>12,952</u>	<u>12,952</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ -</u>	<u>\$ 1,327</u>	<u>\$ 19,200</u>	<u>\$ (17,873)</u>

**ALLISON VALLEY METROPOLITAN DISTRICT NO. 2**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
**December 31, 2017**

<b>\$10,000,000 Limited Tax General Obligation Loan Series 2015A Dated December 4, 2015 Draws - \$2,930,099 Interest Rate - Variable (Reset December 1, 2020) Principal Due December 1 Interest Payable June 1 and December 1</b>			
<b>Year Ended December 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2018	\$ 12,285	\$ 116,571	\$ 128,856
2019	41,966	116,114	158,080
2020	44,263	114,764	159,027
2021	22,807	112,695	135,502
2022	27,652	111,788	139,440
2023	33,880	110,689	144,569
2024	40,389	109,637	150,026
2025	43,952	107,731	151,683
2026	29,301	105,983	135,284
2027	34,528	104,816	139,344
2028	41,655	103,725	145,380
2029	49,179	101,784	150,963
2030	57,953	99,827	157,780
2031	66,744	97,519	164,263
2032	73,886	95,120	169,006
2033	84,958	91,919	176,877
2034	94,396	88,535	182,931
2035	104,835	84,777	189,612
2036	113,626	80,823	194,449
2037	126,628	76,077	202,705
2038	138,347	71,037	209,384
2039	151,717	65,531	217,248
2040	166,368	59,654	226,022
2041	181,018	52,866	233,884
2042	199,232	45,660	244,892
2043	216,812	37,728	254,540
2044	235,026	29,176	264,202
2045	253,887	19,739	273,626
2046	241,543	9,566	251,109
	<b>\$ 2,928,833</b>	<b>\$ 2,421,851</b>	<b>\$ 5,350,684</b>

**ALLISON VALLEY METROPOLITAN DISTRICT NO. 2  
SUMMARY OF ASSESSED VALUATION, MILL LEVY AND  
PROPERTY TAXES COLLECTED  
December 31, 2017**

<b>Year Ended December 31,</b>	<b>Prior Year Assessed Valuation for Current Year Property Tax Levy</b>	<b>Mills Levied</b>	<b>Property Taxes</b>		<b>Percent Collected to Levied</b>
			<b>Levied</b>	<b>Collected</b>	
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%
2017	\$ 1,199,440	40.000	\$ 47,978	\$ 47,978	100.00%
Estimated for year ending December 31, 2018	\$ 3,441,070	42.392	\$145,873		