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Accountant's Compilation Report

Board of Directors
Water Valley Metropolitan District No. 2
Weld County, Colorado

Management is responsible for the accompanying budget of revenues, expenditures, and fund balances of Water Valley Metropolitan District No. 2 for the year ending December 31, 2018, including the estimate of comparative information for the year ending December 31, 2017, and the actual comparative information for the year ending December 31, 2016, in the format prescribed by Colorado Revised Statutes (C.R.S.) 29-1-105. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the budget nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on the accompanying budget.

We draw attention to the summary of significant assumptions which describe that the budget is presented in accordance with the requirements of C.R.S. 29-1-105, and is not intended to be a presentation in accordance with accounting principles generally accepted in the United States of America.

We are not independent with respect to Water Valley Metropolitan District No. 2.

CliftonLarsonAllen LLP

Greenwood Village, Colorado
January 24, 2018



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**WATER VALLEY METROPOLITAN DISTRICT NO. 2
SUMMARY**

**2018 BUDGET AS ADOPTED
WITH 2016 ACTUAL AND 2017 ESTIMATED
For the Years Ended and Ending December 31,**

1/24/2018

	ACTUAL 2016	ESTIMATED 2017	ADOPTED 2018
BEGINNING FUND BALANCES	\$ 163,758	\$ 754,505	\$ 593,909
REVENUES			
1 Property taxes	3,294,992	3,127,945	2,224,511
2 Specific ownership taxes	194,825	231,187	133,471
3 Reimbursed expenditures	-	576,681	-
4 Bond issuance	8,125,000	-	-
5 Bond issue premium	371,133	-	-
6 PILOT - Good Samaritan	105,791	105,791	122,123
7 Interest income	4,290	4,399	2,400
Total revenues	<u>12,096,031</u>	<u>4,046,003</u>	<u>2,482,505</u>
Total funds available	<u>12,259,789</u>	<u>4,800,508</u>	<u>3,076,414</u>
EXPENDITURES			
8 General and administration			
9 County Treasurer's fees	20,264	25,152	9,885
10 Miscellaneous	80	100	100
11 Transfer to PTMD	1,360,006	1,888,347	811,606
12 Debt service			
13 Bond interest Series 2016	134,934	339,694	337,894
14 Bond principal Series 2016	-	90,000	235,000
15 Cost of issuance	185,373	-	-
16 County Treasurer's fees	29,207	21,767	23,482
17 Loan interest	202,398	-	-
18 Loan principal	8,240,000	-	-
19 Miscellaneous	60	1,368	2,421
20 Paying agent fees	-	2,500	2,500
21 Transfer to PTMD - Funding for capital projects	156,633	631,718	-
22 Transfer to PTMD - Series 2010 Bonds	1,176,329	1,205,953	1,215,703
Total expenditures	<u>11,505,284</u>	<u>4,206,599</u>	<u>2,638,591</u>
Total expenditures and transfers out requiring appropriation	<u>11,505,284</u>	<u>4,206,599</u>	<u>2,638,591</u>
ENDING FUND BALANCES	\$ 754,505	\$ 593,909	\$ 437,823
Reserve Fund	\$ 287,588	\$ 287,588	\$ 287,588
FWTB Loan Balance	55,023	-	-
Reserve for future debt service	255,576	156,321	235
Fund Balance Policy	150,000	150,000	150,000
TOTAL RESERVE	<u>\$ 748,187</u>	<u>\$ 593,909</u>	<u>\$ 437,823</u>

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

WATER VALLEY METROPOLITAN DISTRICT NO. 2
PROPERTY TAX SUMMARY INFORMATION
For the Years Ended and Ending December 31,

1/24/2018

	ACTUAL 2016	ESTIMATED 2017	ADOPTED 2018
ASSESSED VALUATION - WELD			
Residential	\$ 19,087,900	\$ 23,276,210	\$ 27,947,170
Commercial	2,107,430	2,203,100	1,617,130
Agricultural	50,420	49,030	35,640
Vacant Land	4,317,020	2,913,030	4,279,080
State Assessed	280,070	329,980	441,470
Minerals	720	760	680
Oil and gas	58,516,120	52,537,150	22,717,570
Certified Assessed Value	<u>\$ 84,359,680</u>	<u>\$ 81,309,260</u>	<u>\$ 57,038,740</u>
MILL LEVY			
GENERAL FUND	15.975	20.907	11.554
DEBT SERVICE FUND	23.025	18.093	27.446
Total Mill Levy	<u>39.000</u>	<u>39.000</u>	<u>39.000</u>
PROPERTY TAXES			
GENERAL FUND	\$ 1,347,646	\$ 1,699,933	\$ 659,026
DEBT SERVICE FUND	1,942,382	1,471,128	1,565,485
Levied property taxes	3,290,028	3,171,061	2,224,511
Adjustments to actual/rounding	4,964	-	-
Refund and abatements	-	(43,116)	-
Budgeted Property Taxes	<u>\$ 3,294,992</u>	<u>\$ 3,127,945</u>	<u>\$ 2,224,511</u>
BUDGETED PROPERTY TAXES			
GENERAL FUND	\$ 1,349,679	\$ 1,676,819	\$ 659,026
DEBT SERVICE FUND	1,945,313	1,451,126	1,565,485
	<u>\$ 3,294,992</u>	<u>\$ 3,127,945</u>	<u>\$ 2,224,511</u>

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WATER VALLEY METROPOLITAN DISTRICT NO. 2
GENERAL FUND
2018 BUDGET AS ADOPTED
WITH 2016 ACTUAL AND 2017 ESTIMATED
For the Years Ended and Ending December 31,

1/24/2018

	ACTUAL 2016	ESTIMATED 2017	ADOPTED 2018
BEGINNING FUND BALANCES	\$ -	\$ 156,318	\$ 150,000
REVENUES			
1 Property taxes	1,349,679	1,676,819	659,026
2 Specific ownership taxes	79,803	123,934	39,542
3 PILOT - Good Samaritan	105,791	105,791	122,123
4 Interest income	1,395	737	900
Total revenues	1,536,668	1,907,281	821,591
Total funds available	1,536,668	2,063,599	971,591
EXPENDITURES			
General and administration			
5 County Treasurer's fees	20,264	25,152	9,885
6 Miscellaneous	80	100	100
7 Transfer to PTMD	1,360,006	1,888,347	811,606
Total expenditures	1,380,350	1,913,599	821,591
Total expenditures and transfers out requiring appropriation	1,380,350	1,913,599	821,591
ENDING FUND BALANCES	\$ 156,318	\$ 150,000	\$ 150,000
Fund Balance Policy	\$ 150,000	\$ 150,000	\$ 150,000
TOTAL RESERVE	\$ 150,000	\$ 150,000	\$ 150,000

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

WATER VALLEY METROPOLITAN DISTRICT NO. 2
DEBT SERVICE FUND
2018 BUDGET AS ADOPTED
WITH 2016 ACTUAL AND 2017 ESTIMATED
For the Years Ended and Ending December 31,

1/24/2018

	ACTUAL 2016	ESTIMATED 2017	ADOPTED 2018
BEGINNING FUND BALANCES	\$ 163,758	\$ 598,187	\$ 443,909
REVENUES			
1 Property taxes	1,945,313	1,451,126	1,565,485
2 Specific ownership taxes	115,022	107,253	93,929
3 Reimbursed expenditures	-	576,681	-
4 Bond issuance	8,125,000	-	-
5 Bond issue premium	371,133	-	-
6 Interest income	2,895	3,662	1,500
Total revenues	10,559,363	2,138,722	1,660,914
Total funds available	10,723,121	2,736,909	2,104,823
EXPENDITURES			
Debt service			
7 Bond interest Series 2016	134,934	339,694	337,894
8 Bond principal Series 2016	-	90,000	235,000
9 Cost of issuance	185,373	-	-
10 County Treasurer's fees	29,207	21,767	23,482
11 Loan interest	202,398	-	-
12 Loan principal	8,240,000	-	-
13 Miscellaneous	60	1,368	2,421
14 Paying agent fees	-	2,500	2,500
15 Transfer to PTMD - Funding for capital projects	156,633	631,718	-
16 Transfer to PTMD - Series 2010 Bonds	1,176,329	1,205,953	1,215,703
Total expenditures	10,124,934	2,293,000	1,817,000
Total expenditures and transfers out requiring appropriation	10,124,934	2,293,000	1,817,000
ENDING FUND BALANCES	\$ 598,187	\$ 443,909	\$ 287,823
Reserve Fund	\$ 287,588	\$ 287,588	\$ 287,588
FWTB Loan Balance	55,023	-	-
Reserve for future debt service	255,576	156,321	235
TOTAL RESERVE	\$ 598,187	\$ 443,909	\$ 287,823

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

WATER VALLEY METROPOLITAN DISTRICT NO. 2
2018 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS

Services Provided

Water Valley Metropolitan District No. 2 (District), a quasi-municipal corporation and a political subdivision of the State of Colorado, was organized by order and decree of the District Court for the Town of Windsor, Weld County, Colorado in 1994, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes).

The District was organized to provide water and wastewater services, street construction, installation of safety control devices and construction and maintenance of parks and recreation facilities. The District is a Financing District organized in conjunction with two other related Districts – Poudre Tech Metropolitan District and Water Valley Metropolitan District No. 1. Poudre Tech Metropolitan District serves as the Operating District which is responsible for managing the construction and operation of facilities and improvements needed for Water Valley Districts Nos. 1 and 2 (Financing Districts) which are responsible for providing the funding and tax base needed to support the Financing Plan for capital improvements.

At its organizational election held on November 8, 1994, the voters approved general obligation indebtedness of \$5,720,000 for water system, \$6,150,000 for sanitation system, \$11,865,000 for street system, \$4,860,000 for parks and recreational facilities, \$710,000 for traffic and safety controls, \$420,000 for fire protection and \$680,000 for television relay. The voters also approved an annual tax increase of \$1,700,000, or by such lesser annual amount as may be necessary to pay the District's general costs.

The District prepares its budget on the modified accrual basis of accounting in accordance with the requirements of Colorado Revised Statutes C.R.S. 29-1-105.

Revenues

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, sale of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

The calculation of the taxes levied is displayed on the Property Tax Summary page of the budget using the mill levy adopted by the District.

WATER VALLEY METROPOLITAN DISTRICT NO. 2
2018 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS

Revenues (continued)

Specific Ownership Taxes

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on vehicle licensing within the County as a whole. The specific ownership taxes are allocated by the County Treasurer to all taxing entities within the County. The budget assumes that the District's share will be equal to approximately 6% of the property taxes collected.

Interest income

Interest income is from delinquent property taxes and estimated based on prior years' receipts.

PILOT – Good Samaritan

This payment in lieu of property taxes (PILOT) is collected by the District from the Evangelical Lutheran Good Samaritan Society calculated by using the District's mill levy against the assessed value of the property as defined by the agreement between the parties.

Expenditures

County Treasurer's Fees

County Treasurer's collection fees have been computed at 1.5% of property taxes.

Transfer to Poudre Tech Metro District

Property taxes generated from the 11.554 mills levied by the District for operations and maintenance, net of fees, are expected to be transferred to Poudre Tech Metropolitan District, the Operating District, which pays all administrative and operating expenditures of the District.

A portion of the property taxes generated from the 27.446 mills levied by the District for debt service, net of fees, are expected to be transferred to Poudre Tech Metropolitan District to pay for a portion of the debt service on the Series 2010 Bonds issued by Poudre Tech Metropolitan District.

Debt Service

Principal and interest payments are provided based on the attached debt amortization schedule from the General Obligation Refunding Bonds, Series 2016.

WATER VALLEY METROPOLITAN DISTRICT NO. 2
2018 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS

Debt and Leases

On January 31, 2014, the District entered into a loan agreement with First Western Trust Bank to obtain a loan in the aggregate original amount of up to \$8,240,000 (Loan). The maturity date of the Loan is January 31, 2021, with an interest rate of 4.04%, paid semiannually on June 1 and December 1. The proceeds from the initial Loan funding were used to finance certain public improvements, reimburse the Developer for prior advances related to public improvements constructed by the Developer on behalf of the District, and pay the costs of issuing the Loan.

On July 8, 2016, the District issued \$8,125,000 in General Obligation Refunding Bonds, Series 2016 (Bonds) to prepay the Loan described above. The Bonds are general obligations of the District secured and payable from Pledged Revenue which include Property Tax Revenue, net of costs of collection, and any other legally available amounts. The Bonds are due December 1, 2040, with an interest rate of 2.00%-5.25%, paid semiannually on June 1 and December 1. The Bonds maturing on December 1, 2040, are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$5,000, in any order of maturity, and in whole or partial maturities (and if in part in such order of maturities as the District is to determine and by lot within maturities), on December 1, 2026, and on any date thereafter, upon payment of par, and accrued interest thereon, without redemption premium. The Bonds maturing on December 1, 2033, are subject to mandatory sinking fund redemption, prior to maturity, in part, by lot in such manner as the Trustee is to determine, on December 1 of each year at a redemption price equal to the principal amount thereof (with no redemption premium), plus accrued interest.

The District has no operating or capital leases.

Reserve Funds

Emergency Reserve/Other Reserve

The District has not provided for an emergency reserve equal to at least 3% of fiscal year spending for 2018, as defined under TABOR, because net tax revenue is transferred to Poudre Tech Metropolitan District, the Operating District, which provides for the required reserve amount. However, the District has committed to maintain a reasonable level of unrestricted fund balance in the General Fund to mitigate temporary revenue shortfalls or unplanned one-time expenditures that may occur in the future.

Debt Service Reserve

The Series 2016 Bonds are secured by amounts on deposit in the Debt Service Reserve Fund which was funded from the bond proceeds in the amount of the reserve requirement of \$287,588.

This information is an integral part of the accompanying budget.

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

\$8,125,000
General Obligation Refunding Bonds, Series 2016
Dated July 8, 2016
Principal due December 1
Interest Rate 2.0%-5.25% Payable
June 1 and December 1

Year Ended December 31,	Principal		Interest		Total	
2018	\$	235,000	\$	337,894	\$	572,894
2019		240,000		332,606		572,606
2020		245,000		326,606		571,606
2021		255,000		320,175		575,175
2022		260,000		313,162		573,162
2023		265,000		305,362		570,362
2024		275,000		297,081		572,081
2025		285,000		288,144		573,144
2026		295,000		278,525		573,525
2027		305,000		268,200		573,200
2028		315,000		256,000		571,000
2029		330,000		243,400		573,400
2030		340,000		230,200		570,200
2031		355,000		216,600		571,600
2032		370,000		202,400		572,400
2033		385,000		187,600		572,600
2034		400,000		172,200		572,200
2035		420,000		151,200		571,200
2036		445,000		129,150		574,150
2037		465,000		105,788		570,788
2038		490,000		81,375		571,375
2039		515,000		55,650		570,650
2040		545,000		28,613		573,613
	\$	8,035,000	\$	5,127,931	\$	13,162,931

This financial information should be read only in connection with the accompanying accountant's compilation report and the summary of significant assumptions.