

BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2
Eagle County, Colorado

FINANCIAL STATEMENTS
December 31, 2010

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	I
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Assets	1
Statement of Activities.....	2
Fund Financial Statements:	
Governmental Funds	
Balance Sheet - Governmental Funds.....	3
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	4
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	5
General Fund - Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual.....	6
Notes to Financial Statements.....	7
SUPPLEMENTARY INFORMATION	24
Debt Service Fund - Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual.....	25
Capital Projects Fund - Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual.....	26
Summary of Assessed Valuation, Mill Levy and Property Taxes Collected.....	27
Schedule of Debt Service Requirements to Maturity	28

**MONAHAN
LAMPMAN
& HAYS, P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
Buckhorn Valley Metropolitan District No. 2
Gypsum, Colorado

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities and each major fund of the Buckhorn Valley Metropolitan District No. 2, as of and for the year ended December 31, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

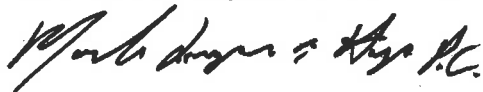
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Buckhorn Valley Metropolitan District No. 2, as of December 31, 2010 and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The District has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be a part of, 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 the missing information.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Buckhorn Valley Metropolitan District No. 2's basic financial statements, taken as a whole. The accompanying financial information listed as other supplemental information in the table of contents is for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material aspects, in relation to the basic financial statements taken as a whole.

As discussed in Note 12, *Subsequent Events*, decreases in the District's assessed valuation as issued in August, 2011, may have a future impact on the District. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.



MONAHAN, LAMPMAN & HAYS, P.C.

September 28, 2011

BASIC FINANCIAL STATEMENTS

BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2
STATEMENT OF NET ASSETS
December 31, 2010

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 3,313
Cash and investments - Restricted	1,062,823
Receivable - County Treasurer	2,735
Interest receivable	2
Property taxes receivable	1,039,223
Bond issue costs, net	504,490
Total assets	<u>2,612,586</u>
LIABILITIES	
Due to Buckhorn Valley Metropolitan District No. 1	39,850
Accrued interest payable	62,659
Deferred property tax revenue	1,039,223
Noncurrent liabilities:	
Due in more than one year	<u>17,093,749</u>
Total liabilities	<u>18,235,481</u>
NET ASSETS	
Restricted for:	
Emergencies	4,000
Debt service	495,599
Capital projects	1,794
Unrestricted	<u>(16,124,288)</u>
Total net assets (deficit)	<u>\$ (15,622,895)</u>

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

BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2
STATEMENT OF ACTIVITIES
Year Ended December 31, 2010

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
General government	\$ 10,411	\$ -	\$ -	\$ (10,411)
Intergovernmental agreement	1,331,205	-	-	(1,331,205)
Interest and fees on long-term debt	956,627	-	-	(956,627)
Total primary government	<u>\$ 2,298,243</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(2,298,243)</u>
General revenues:				
Property taxes				999,139
Specific ownership taxes				34,535
Net investment income				16,322
Total general revenues				<u>1,049,996</u>
Change in net assets				<u>(1,248,247)</u>
Net assets - Beginning				<u>(14,374,648)</u>
Net assets - Ending				<u>\$ (15,622,895)</u>

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

BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2010

	General Fund	Debt Service Fund	Capital Projects	Total Governmental Funds
ASSETS				
Cash and investments	\$ 3,313	\$ -	\$ -	\$ 3,313
Cash and investments - Restricted	4,000	793,166	265,657	1,062,823
Receivable - County Treasurer	304	2,431	-	2,735
Interest receivable	-	2	-	2
Property taxes receivable	115,467	923,756	-	1,039,223
TOTAL ASSETS	\$ 123,084	\$ 1,719,355	\$ 265,657	\$ 2,108,096
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Payable to Buckhorn Valley Metropolitan District No. 1	\$ 1,672	\$ -	\$ 38,178	\$ 39,850
Deferred property tax revenue	115,467	923,756	-	1,039,223
Total liabilities	117,139	923,756	38,178	1,079,073
FUND BALANCES				
Reserved for:				
Emergency reserve	4,000	-	-	4,000
Capital projects	-	-	227,479	227,479
Debt service	-	795,599	-	795,599
Unreserved, reported in General Fund				
Undesignated	1,945	-	-	1,945
Total fund balances	5,945	795,599	227,479	1,029,023
TOTAL LIABILITIES AND FUND BALANCES	\$ 123,084	\$ 1,719,355	\$ 265,657	

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

Other long-term assets are not available to pay for current period expenditures, and therefore, are deferred in the funds.	
Bond issue costs, net	504,490
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore, are not reported in the funds.	
Bonds payable	(14,878,836)
Service obligation to Buckhorn Valley Metropolitan District No. 1	(688,760)
Capital obligation to Buckhorn Valley Metropolitan District No. 1	(1,389,043)
Accrued bond interest	(199,769)
Net assets of governmental activities	\$ (15,622,895)

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

BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2010

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 111,014	\$ 888,125	\$ -	\$ 999,139
Specific ownership taxes	3,837	30,698	-	34,535
Net investment income	1,287	13,230	1,805	16,322
Total revenues	<u>116,138</u>	<u>932,053</u>	<u>1,805</u>	<u>1,049,996</u>
EXPENDITURES				
Current				
Accounting and audit	5,050	-	-	5,050
Banking fees	21	187	11	219
County Treasurer fees	3,366	26,932	-	30,298
Dues and licenses	538	-	-	538
Insurance	1,425	-	-	1,425
Intergovernmental				
Service obligation to Buckhorn Valley Metropolitan District No. 1	112,685	-	-	112,685
Capital obligation to Buckhorn Valley Metropolitan District No. 1	-	-	2,507,592	2,507,592
Debt service				
Bond interest	-	1,372,614	-	1,372,614
Bond principal	-	3,051,164	-	3,051,164
Paying agent/trustee fees	-	1,750	-	1,750
Total expenditures	<u>123,085</u>	<u>4,452,647</u>	<u>2,507,603</u>	<u>7,083,335</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(6,947)</u>	<u>(3,520,594)</u>	<u>(2,505,798)</u>	<u>(6,033,339)</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	-	7,370,000	7,370,000
Bond issue costs	-	-	(427,338)	(427,338)
Transfer from (to) other funds	-	4,209,385	(4,209,385)	-
Total other financing sources (uses)	<u>-</u>	<u>4,209,385</u>	<u>2,733,277</u>	<u>6,942,662</u>
NET CHANGE IN FUND BALANCES	(6,947)	688,791	227,479	909,323
FUND BALANCES - BEGINNING OF YEAR	<u>12,892</u>	<u>106,808</u>	<u>-</u>	<u>119,700</u>
FUND BALANCES - END OF YEAR	<u>\$ 5,945</u>	<u>\$ 795,599</u>	<u>\$ 227,479</u>	<u>\$ 1,029,023</u>

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

BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2010

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

Net change in fund balances - Total governmental funds	\$ 909,323
<p>Construction of fixed assets and performance of services by Buckhorn Valley Metropolitan District No. 1 creates a liability of the District. This liability is decreased both by cash payments made by the District and through revenues earned from other sources by Buckhorn Valley Metropolitan District No. 1. This is the current year change in Capital and Service Obligations due to Buckhorn Valley Metropolitan District No. 1.</p>	
	1,289,072
<p>The issuance of long-term debt (e.g., bonds, Developer advances) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>	
Bond issuance	(7,370,000)
Bond issue costs	427,338
Bond principal payment	3,051,164
<p>Some expenses reported in the statement of activities do not require the use current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
Amortization of bond issue costs	(20,399)
Accrued interest on bonds - Change in liability	465,255
Changes in net assets of governmental activities	<u>\$ (1,248,247)</u>

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

BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2010

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Property taxes	\$ 115,414	\$ 111,014	\$ (4,400)
Specific ownership taxes	4,039	3,837	(202)
Net investment income	64	1,287	1,223
Total revenues	<u>119,517</u>	<u>116,138</u>	<u>(3,379)</u>
EXPENDITURES			
Current			
Accounting and audit	5,300	5,050	250
Banking fees	-	21	(21)
County Treasurer fees	3,462	3,366	96
Dues and licenses	-	538	(538)
Insurance	2,000	1,425	575
Service obligation to Buckhorn Valley Metropolitan District No. 1	115,000	112,685	2,315
Contingency	2,000	-	2,000
Total general government	<u>127,762</u>	<u>123,085</u>	<u>4,677</u>
EXCESS OF REVENUES OVER (UNDER)			
EXPENDITURES	<u>(8,245)</u>	<u>(6,947)</u>	<u>1,298</u>
NET CHANGE IN FUND BALANCES	(8,245)	(6,947)	1,298
FUND BALANCES - BEGINNING OF YEAR	<u>12,810</u>	<u>12,892</u>	<u>82</u>
FUND BALANCES - END OF YEAR	<u>\$ 4,565</u>	<u>\$ 5,945</u>	<u>\$ 1,380</u>

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

BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 1 - DEFINITION OF REPORTING ENTITY

Buckhorn Valley Metropolitan District No. 2 (District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized by order and decree of the District Court for Eagle County on May 15, 2000, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District was created in conjunction with Buckhorn Valley Metropolitan District No. 1 (District No. 1). The Districts were organized pursuant to a consolidated service plan approved by the Town Council of Gypsum on January 11, 2000, as amended and restated by the 2009 Consolidated Service Plan for Buckhorn Valley Metropolitan District Nos. 1 and 2, dated July 14, 2009, to provide street, drainage, traffic and safety control, transportation, water, sanitary sewage, television relay and translator, mosquito and pest control, and park and recreation improvements and facilities within and without the Districts. The District's service area is located in Eagle County, near the Town of Gypsum, Colorado.

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, including District No. 1.

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 assets and the statement of activities. These financial statements include all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

The District reports the following major governmental funds:

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

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

BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities by District No. 1.

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

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 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.

Subsequent to the year ended December 31, 2010, supplementary appropriations approved by the District modified the appropriation from \$2,389,710 to \$4,500,000 in the Debt Service Fund and from \$-0- to \$7,265,000 in the Capital Projects Fund.

Pooled Cash and Investments

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Investments are carried at fair value.

Property Taxes

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

BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred revenue in the year they are levied and measurable. The deferred property tax revenues are recorded as revenue in the year they are available or collected.

Amortization

Bond Issue Costs

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as general and debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are legally segregated or are not subject to future appropriation. Designations of unreserved fund balances indicate management's intention for future utilization of such funds and are subject to change by management.

The District considers all unreserved balances to be "reserves" for future operations or capital replacement as defined within Article X, Section 20 of the Constitution of the State of Colorado.

Reserved Fund Balance

Emergency Reserves have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado.

The reserved fund balance in the Debt Service Fund is to be used exclusively for future payments of principal, interest and related costs of the District's General Obligation Bonds.

The reserved fund balance in the Capital Projects Fund is reserved exclusively for the acquisition and construction of capital improvements.

BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenues and expenses. Actual results could vary from the estimates that were used.

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2010 are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and investments	\$ 3,313
Cash and investments - Restricted	<u>1,062,823</u>
Total cash and investments	<u>\$ 1,066,136</u>

Cash and investments as of December 31, 2010 consist of the following:

Deposits with financial institutions	\$ 766,121
Investments	<u>300,015</u>
	<u>\$ 1,066,136</u>

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2010, the District's cash deposits had a bank balance and a carrying balance of \$766,121.

BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Investments

The District has adopted a formal investment policy to invest public funds in a manner which will provide the highest investment return with the maximum security, meet daily cash flow demands, and conforms to all federal, state and local statutes governing the investment of public funds.

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

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

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

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

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

BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

As of December 31, 2010, the District had the following investments:

Investment	Maturity	Fair Value
Federated Treasury Money Market Fund	13 months or less	<u>\$ 300,015</u>

Federated Treasury Money Market Fund

Debt service funds that were included in the trust accounts at UMB Corporate Trust Services were invested in the Federated Treasury Obligations Fund. This portfolio is a money market mutual fund which invests in U.S. Treasury obligations, which are fully guaranteed as to principal and interest by the United States, with maturities of 13 months or less and repurchase agreements collateralized by U.S. Treasury obligations. The Federated Treasury Obligations Fund is rated AAAM by Standard & Poor's.

NOTE 4 - GENERAL OBLIGATION BONDS

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2010:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Series 2003 G.O. Limited Tax Bonds	\$ 2,060,000	\$ -	\$ -	\$ 2,060,000	\$ -
Series 2008 Subordinate G.O. Limited Tax Bonds	8,500,000	-	3,051,164	5,448,836	-
Accrued interest on Subordinate Bonds	653,007	398,537	914,434	137,110	-
Series 2010 G.O. Limited Tax Refunding and Improvement Bonds	-	7,370,000	-	7,370,000	-
	<u>\$ 11,213,007</u>	<u>\$ 7,768,537</u>	<u>\$ 3,965,598</u>	<u>\$ 15,015,946</u>	<u>\$ -</u>

BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 4 - GENERAL OBLIGATION BONDS (CONTINUED)

Limited Tax General Obligation Bonds, Series 2003

The District issued \$2,500,000 of general obligation bonds dated March 1, 2003, with interest of 7% payable on June 1 and December 1, to partially reimburse Buckhorn Valley Metro District No. 1 for costs related to the construction of infrastructure within the District. The principal on the bonds is payable on December 1 and matures in various increments from 2020 through 2023. The bonds were subject to mandatory redemption to the extent of monies still held by the trustee on September 1, 2007 and \$440,000 was repaid in 2007 as required by the bond documents. Bonds maturing on and after December 1, 2013 are subject to optional redemption at the District's option without redemption premium upon payment of principal plus accrued interest to the redemption date. The bonds are limited tax general obligations of the District, payable from ad valorem taxes to be imposed, at a total rate not to exceed 40 mills, adjusted for any changes in law and the assessment ratio.

Limited Tax Refunding and Improvement Bonds, Series 2010

The District issued \$7,370,000 of general obligation bonds on May 25, 2010, with interest of 7.25% to 8.50% payable on June 1 and December 1. The bonds are limited tax general obligations of the District issued on a parity basis with the Series 2003 bonds. The Series 2010 bonds are secured by and payable from Pledged Revenue consisting of: (a) the Required Mill Levy, (b) the Specific Ownership Tax derived from the Required Mill Levy, (c) and any other legally available money which the District credits to the bond fund. The Series 2010 bonds are also secured by the 2010 Reserve Fund in the Reserve Requirement Amount of \$300,000. The Required Mill Levy is an ad valorem mill levy upon all taxable property of the District in an amount sufficient to pay the principal of, premium if any, and interest on the Series 2010 and Series 2003 bonds as the same become due and payable and to replenish the 2010 Reserve Fund to the Reserve Requirement, but not in excess of 40 mills (subject to adjustment for changes occurring after January 11, 2000 in the method of calculating assessed valuation, which, as currently adjusted, is 48.945 mills), and for so long as (i) the Surplus Account is less than the Maximum Surplus Amount of \$500,000 or (ii) the Series 2008 Subordinate Bonds are outstanding, not less than 40 mills (subject to adjustment for changes in the method of calculating assessed valuation as detailed above).

Proceeds from the sale of the Series 2010 bonds were used for (a) paying or reimbursing a portion of the costs of acquiring, constructing, relocating, and installing certain public improvements and facilities, (b) refunding a portion of the District's outstanding Series 2008 subordinate bonds and refunding the Original Developer Note, (c) funding the 2010 Reserve Fund, and (d) paying the costs of issuance of the Series 2010 bonds.

BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 4 - GENERAL OBLIGATION BONDS (CONTINUED)

The District's long-term obligations on the above outstanding debt at December 31, 2010, will mature as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ -	\$ 751,900	\$ 751,900
2012	70,000	751,900	821,900
2013	80,000	746,825	826,825
2014	85,000	741,025	826,025
2015	90,000	734,863	824,863
2016-2020	625,000	3,566,650	4,191,650
2021-2025	2,780,000	3,006,950	5,786,950
2026-2030	1,150,000	2,252,075	3,402,075
2031-2035	2,115,000	1,606,500	3,721,500
2036-2039	2,435,000	538,475	2,973,475
	<u>\$ 9,430,000</u>	<u>\$ 14,697,163</u>	<u>\$ 24,127,163</u>

Subordinate Limited Tax General Obligation Bonds, Series 2008

The District issued \$8,500,000 of subordinate general obligation bonds dated February 13, 2008, with simple interest of 6% payable annually on December 15 until the principal amount and interest due thereon is paid at maturity or upon prior redemption, to partially reimburse Buckhorn Valley Metro District No. 1 for costs related to the construction of infrastructure within the District. The Series 2008 bonds, together with interest thereon shall be payable solely from and to the extent of the Subordinate Pledged Revenue. The Bonds shall constitute an irrevocable lien upon the Subordinate Pledged Revenue, *subordinate* to the lien of any Senior Bonds. The Subordinate Pledged Revenue means (a) all Ad Valorem Revenues payable to the District and (b) any other legally available amounts. To the extent pledged revenues are insufficient to make the interest payments due, such shortfall will continue to accrue to future years. During 2010, \$3,051,164 of principal and \$914,434 of accrued interest was repaid from proceeds of the District's Series 2010 Bonds. As of December 31, 2010 the balance of accrued but unpaid interest on the Series 2008 bonds is \$137,110. As amounts are payable from Subordinate Pledged Revenue, there is no annual debt service schedule for the Series 2008 Subordinate Limited Tax General Obligation Bonds.

BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 4 - GENERAL OBLIGATION BONDS (CONTINUED)

Authorized Debt

On May 2, 2000, the District's electors authorized the incurrence of general obligation indebtedness totaling \$63,105,000 at an interest rate not to exceed 18% for a maximum term of 20 years. On November 7, 2000, the District's electors authorized an additional \$67,605,000 of general obligation indebtedness at an interest rate not to exceed 18%, for a maximum term of 40 years. At December 31, 2010, the District has authorized but unissued indebtedness for the following purposes:

	Authorized May 2, 2000 Election	Authorized November 7, 2000 Election	Total Authorized
Streets	\$ 3,000,000	\$ 3,000,000	\$ 6,000,000
Traffic and safety	1,000,000	1,000,000	2,000,000
Water	7,980,000	7,980,000	15,960,000
Sanitation	3,325,000	3,325,000	6,650,000
Parks and recreation	3,990,000	3,990,000	7,980,000
Television relay	500,000	500,000	1,000,000
Mosquito control	250,000	250,000	500,000
Operations and maintenance	500,000	5,000,000	5,500,000
Refunding	21,280,000	21,280,000	42,560,000
Intergovernmental agreements	21,280,000	21,280,000	42,560,000
	<u>\$ 63,105,000</u>	<u>\$ 67,605,000</u>	<u>\$ 130,710,000</u>

BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 4 - GENERAL OBLIGATION BONDS (CONTINUED)

	<u>Authorization Used</u>			<u>Remaining at December 31, 2010</u>
	<u>Series 2003 Bonds</u>	<u>Series 2008 Bonds</u>	<u>Series 2010 Bonds</u>	
Streets	\$ 1,000,000	\$ 2,761,387	\$ 1,583,900	\$ 654,713
Traffic and safety	-	22,638	-	1,977,362
Water	1,125,000	3,443,301	943,600	10,448,099
Sanitation	375,000	1,156,211	640,500	4,478,289
Parks and recreation	-	570,895	202,000	7,207,105
Television relay	-	41,793	-	958,207
Mosquito control	-	-	-	500,000
Operations and maintenance	-	503,775	-	4,996,225
Refunding	-	-	4,000,000	38,560,000
Intergovernmental agreements	-	-	-	42,560,000
	<u>\$ 2,500,000</u>	<u>\$ 8,500,000</u>	<u>\$ 7,370,000</u>	<u>\$ 112,340,000</u>

Pursuant to the District's amended Service Plan, the District is permitted to issue general obligation debt of up to \$9,900,000, with a 40 mill debt service levy limit, subject to adjustment for changes in the method of calculating the assessment of property for taxation purposes. Contractual general obligation debt represented by the Master IGA between the District and District No. 1 shall not count against the bonded general obligation debt limitation.

NOTE 5 - AGREEMENTS

District Facilities Construction and Service Agreement

The First Amended and Restated District Facilities Construction and Service Agreement dated March 3, 2003, generally provides that Buckhorn Valley Metropolitan District No. 2 (the Taxing District) will pay to Buckhorn Valley Metropolitan District No. 1 (the Operating District) over a period of years the costs of: 1) the construction, acquisition, and equipping of certain public facilities and services (the Facilities); and 2) the operation and maintenance of the Facilities. The Agreement states that the obligation required thereunder is a general obligation debt of the Taxing District subject to certain limitations, and as such the question of whether the Taxing District should enter into and perform the Agreement was submitted at an election held on May 2, 2000 and was approved by the District electorate.

BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 5 - AGREEMENTS (CONTINUED)

Under the Agreement, the Taxing District covenants to levy the taxes necessary, together with other available funds, to meet the payment obligations set forth in the Agreement. In return for the payment of the monies required to be paid under the Agreement, the Operating District agrees to: 1) acquire, construct and equip the Facilities; 2) thereafter provide for their operation and maintenance; and 3) utilize the Facilities, provide or have others provide to the property within, and the inhabitants of both Districts, all related services (the Services), including but not limited to water and sanitation services, street maintenance, television services, parks and recreation services and mosquito control services, as well as certain administrative services.

As set forth in the Agreement, though the total obligation of the Taxing District represented by the Agreement will be treated for financial disclosure purposes as a \$45,590,000 debt obligation, the actual obligations to provide for the construction, acquisition and equipping of the Facilities and for the provision of the Services, are classified as two separate obligations and each is contingent and limited to the extent that the Taxing District is able to meet its obligations through certain limited means. In the case of the Facilities, except as provided below, in any given year the Taxing District is obligated to fund its construction and acquisition only to the extent it would be capable of funding it through the issuance of general obligation debt in an aggregate principal amount not to exceed the greater of \$2 million or 50% of the assessed value of the taxable property within the boundaries of the Taxing District as they may, from time to time, be enlarged. Such general obligation debt limitation is subject to automatic increase if applicable Colorado law increases the amount by which such debt may be issued. The Taxing District has the option in any year to pay for the construction, acquisition and equipping costs of the Facilities on an annual basis pursuant to the provisions of and the schedule set forth in the Agreement.

Similarly, in the case of the Services, in any given year the Taxing District is obligated to fund its costs only to the extent it is capable of funding through tax revenues resulting from the certification by the Taxing District against the assessed value of the taxable property lying within its boundaries, as such boundaries may from time to time be enlarged.

To the extent that in any year the Taxing District does not fund its obligations under the Agreement, the amounts not funded are carried forward as obligations in future years under the Agreement. In addition, the Operating District may supplement the revenues from the Taxing District through the imposition of fees against the properties and inhabitants of the Taxing District for the services that the Operating District provides.

BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 5 - AGREEMENTS (CONTINUED)

The Agreement may be terminated by either District upon one year's notice, provided that the Taxing District may terminate the Agreement only if, prior to the time of termination, all remaining payments and financial obligations set forth in the Agreement are paid to the Operating District in full. The Operating District may terminate the Agreement only if, in the context of the termination, the Operating District either: 1) transfers to the Taxing District, free and clear and in its entirety, its interest in the Facilities and in each and every one and all of the water rights, contracts, leases, easements, properties held in fee, and any other personal, real or intangible property then held or owned by the Operating District and necessary for the continued provision of the Services; or 2) makes the transfer to another governmental entity or entities pursuant to such terms and conditions for the continued provision of the Facilities and Services as may be satisfactory to the Board of Directors of the Taxing District; or 3) in the event the Operating District is dissolving in accordance with Colorado law, makes the transfer pursuant to such terms and conditions for the continued provision of the Facilities and Services as may be held in accordance with that law by an appropriate Colorado Court.

The following is an analysis of the changes in the District's Capital and Service obligations for the year ended December 31, 2010:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Service obligation liability	\$ 625,588	\$ 175,857	\$ 112,685	\$ 688,760
Capital obligation liability	2,741,287	1,155,348	2,507,592	1,389,043
	<u>\$ 3,366,875</u>	<u>\$ 1,331,205</u>	<u>\$ 2,620,277</u>	<u>\$ 2,077,803</u>

Advance and Reimbursement and Facilities Acquisition Agreement

The Advance and Reimbursement and Facilities Acquisition Agreement entered into between Buckhorn Valley Metropolitan District No. 1 and Buckhorn Valley Metropolitan District No. 2 (the Districts), and Buckhorn Valley Development, LLC (the Developer), generally provides that the advance of funds by the Developer for the organization of the Districts, maintenance and operation costs shall be reimbursed together with an interest rate of 8% per annum on such sums advanced. In addition, the advance of funds by the Developer for capital construction of certain public improvements and facilities shall be reimbursed, upon certification and approval by the Districts, from the issuance of Bonds, whereas the Districts are authorized to issue public debt instruments, including general obligation bonds, which the Districts may issue for the purpose of satisfying its obligations to construct or acquire the public infrastructure necessary for the development of the Districts. In the event the Bonds do not issue, the proceeds from such Bonds

BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 5 - AGREEMENTS (CONTINUED)

are not sufficient to repay the advances, or additional advances are made thereunder, the Districts shall make payment for the actual capital construction costs from funds available within any fiscal year and not otherwise required for operations, capital improvements and debt service costs and expenses of the Districts. This reimbursement obligation is and shall be subordinate to any bonded indebtedness of the Districts now in existence or hereafter created, and shall be subject to the limitations of the Districts' Service Plan. The payment of obligations under the agreement are subject to annual appropriation by the Board of Directors of the Districts in their sole discretion, and the terms and conditions of the agreement shall not be construed as a multiple-fiscal year direct or indirect District debt or other financial obligation within the meaning of Article X, Section 20 of the Colorado Constitution.

Management Services Agreement

A Management Services Agreement was entered into between Buckhorn Valley Metropolitan District No. 1 and Buckhorn Valley Metropolitan District No. 2 (the Districts), and Buckhorn Valley Development, LLC (the Manager), dated January 13, 2009. The Agreement generally provides that the Manager shall conduct all of the Districts' ordinary operational and business affairs, shall provide general supervision and project administration for all projects, facilities and contracts, and provide property management services. District No. 1 shall direct the Manager in the provision of the Management Services under the agreement, and the Manager shall obtain approval from District No. 1 prior to providing any Management Services that vary from the Management Services set forth in the agreement, whereas District No. 1 is responsible for the management of the affairs of both District No. 1 and District No. 2 pursuant to the Master IGA between the Districts. The Manager shall be paid under the Management Services Fee Schedule which may be adjusted upon amendment to the agreement. The Agreement was amended June 16, 2009, effective retroactively to January 14, 2009, establishing a base management fee of \$10,320 per month, with an hourly fee schedule for additional services. This Agreement was terminated effective August 31, 2010.

On September 11, 2010, the District and Buckhorn Valley Metropolitan District No. 1 entered into a Management Services Agreement with Colorado Land Management LLC (New Manager). The Agreement generally provides that the New Manager shall conduct all of the Districts' ordinary operational and business affairs, shall provide general supervision and project administration for all projects, facilities and contracts, and provide property management services. District No. 1 shall direct the New Manager in the provision of the Management Services under the Agreement, and the New Manager shall obtain approval from District No. 1 prior to providing any Management Services that vary from the Management Services set forth

BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 5 - AGREEMENTS (CONTINUED)

in the Agreement, whereas District No. 1 is responsible for the management of the affairs of both District No. 1 and District No. 2 pursuant to the Master IGA between the Districts. The New Manager shall be paid a monthly base management fee of \$5,000, plus an hourly rate for services not included in the monthly base management fee.

NOTE 6 - INTERFUND AND OPERATING TRANSFERS

The transfer of \$4,209,385 from the Capital Projects Fund to Debt Service Fund was to fund the repayment of principal and interest on the Series 2008 Subordinate Bonds and to establish the 2010 Required Reserve from the Series 2010 bond proceeds.

NOTE 7 - NET ASSETS

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

Restricted assets include net assets that are restricted for use either externally by creditors, grantors, contributors, or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. As of December 31, 2010, the District had restricted net assets as follows:

	<u>Governmental Activities</u>
Restricted net assets:	
Emergency reserve	\$ 4,000
Revenues pledged for debt service	495,599
Capital projects	<u>1,794</u>
Total restricted assets	<u><u>\$ 501,393</u></u>

The District's unrestricted net assets as of December 31, 2010 are \$(16,124,288). In the current and previous years, the District transferred bond proceeds to District No. 1 for the construction of facilities benefiting both Districts pursuant to the District Facilities Construction and Service Agreement. The long-term debt which funded the construction of these facilities remains an obligation of the District.

BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 8 - RELATED PARTIES

The prior developer of the property which constitutes the District is Roark Partners, LLLP (Roark). During 2010, a majority of the members of the Board of Directors had a financial interest in Roark. Roark is the owner of the District's Series 2008 subordinate bonds.

The current developer of the property is Buckhorn Valley Development LLC (BV Development), a Colorado corporation. During 2010, a majority of the members of the Board of Directors were employees of, owners of, or otherwise associated with BV Development, and may have conflicts of interest in dealing with the District. During 2011, the property owned by BV Development was foreclosed and the current owner is Texas Capital Bank N.A. One board member is the registered agent of Colorado Land Management LLC (see Note 5) and another board member is the owner of a company that has contracted to provide construction improvements to District No. 1.

NOTE 9 - LETTER OF CREDIT BOND

During 2010, the District and Buckhorn Valley Metropolitan District No. 1 established an irrevocable standby letter of credit with Colorado Business Bank in the original amount of \$602,687, which was issued to the Town of Gypsum to bond the completion of certain road improvements on Buckhorn Valley Boulevard. The amount of the letter of credit was amended to \$115,611 on September 23, 2010. Security for the letter of credit is held by Buckhorn Valley Metropolitan District No. 1 in a business money market account at Colorado Business Bank. Monies in this account were funded with project funds of the District's Series 2010 bond issue.

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) as of December 31, 2010. 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, public officials liability and workers compensation 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.

BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

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.

On May 2, 2000, and again on November 7, 2000, a majority of the District's electors authorized an annual increase of up to \$500,000 in property tax collections for operations and maintenance and to collect, retain, and spend up to \$250,000 annually from any other revenue source other than ad valorem taxes.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The District'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 but not limited to the interpretation of how to calculate Fiscal Year Spending and other limits, will require judicial interpretation.

NOTE 12 - SUBSEQUENT EVENTS

Management has evaluated events subsequent to December 31, 2010, through the issuance date of this report. In August 2011, preliminary assessed valuations for the taxable year 2011 for properties within the boundaries of Buckhorn Valley Metropolitan District No. 1 and Buckhorn Valley Metropolitan District No. 2 were issued from the Eagle County Assessor's Office. The preliminary assessed valuation is approximately 46% of the preceding fiscal year. Management has evaluated the potential impact this may have on the Districts and the ability to meet future debt service requirements and has concluded that no adjustments need to be made to the financial statements regarding the potential outcome of this uncertainty.

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

SUPPLEMENTARY INFORMATION

BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2010

	<u>Original</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Property taxes	\$ 923,329	\$ 923,329	\$ 888,125	\$ (35,204)
Specific ownership taxes	32,317	32,317	30,698	(1,619)
Net investment income	29,505	29,505	13,230	(16,275)
Total revenues	<u>985,151</u>	<u>985,151</u>	<u>932,053</u>	<u>(53,098)</u>
EXPENDITURES				
Banking fees	-	200	187	13
Capital obligation to Buckhorn Valley Metropolitan District No. 1	956,970	-	-	-
County Treasurer fees	27,700	27,700	26,932	768
Interest - 2003 bonds	-	144,200	144,200	-
Interest - 2008 bonds	282,540	915,000	914,436	564
Interest - 2010 bonds	1,112,500	315,000	313,978	1,022
Paying agent/trustee fees	5,000	2,000	1,750	250
Principal - 2008 bonds	-	3,051,900	3,051,164	736
Principal - 2010 bonds	5,000	-	-	-
Contingency	-	44,000	-	44,000
Total expenditures	<u>2,389,710</u>	<u>4,500,000</u>	<u>4,452,647</u>	<u>47,353</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,404,559)</u>	<u>(3,514,849)</u>	<u>(3,520,594)</u>	<u>(5,745)</u>
OTHER FINANCING SOURCES (USES)				
Transfer from (to) other funds	-	4,210,000	4,209,385	(615)
Total other financing sources (uses)	<u>-</u>	<u>4,210,000</u>	<u>4,209,385</u>	<u>(615)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	<u>(1,404,559)</u>	<u>695,151</u>	<u>688,791</u>	<u>(6,360)</u>
FUND BALANCES - BEGINNING OF YEAR	<u>5,900,950</u>	<u>106,808</u>	<u>106,808</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 4,496,391</u>	<u>\$ 801,959</u>	<u>\$ 795,599</u>	<u>\$ (6,360)</u>

BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2010

	<u>Original</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Net investment income	\$ -	\$ -	\$ 1,805	\$ 1,805
Total revenues	<u>-</u>	<u>-</u>	<u>1,805</u>	<u>1,805</u>
EXPENDITURES				
Banking fees	-	-	11	(11)
Capital obligation to Buckhorn Valley Metropolitan District No. 1	-	2,600,000	2,507,592	92,408
Contingency	-	25,000	-	25,000
Total expenditures	<u>-</u>	<u>2,625,000</u>	<u>2,507,603</u>	<u>117,397</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(2,625,000)</u>	<u>(2,505,798)</u>	<u>119,202</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	7,370,000	7,370,000	-
Bond issue costs	-	(430,000)	(427,338)	2,662
Transfer from (to) other funds	-	(4,210,000)	(4,209,385)	615
Total other financing sources (uses)	<u>-</u>	<u>2,730,000</u>	<u>2,733,277</u>	<u>3,277</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>105,000</u>	<u>227,479</u>	<u>122,479</u>
FUND BALANCES - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ 105,000</u>	<u>\$ 227,479</u>	<u>\$ 122,479</u>

**BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2
SUMMARY OF ASSESSED VALUATION, MILL LEVY AND
PROPERTY TAXES COLLECTED**

December 31, 2010

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mills Levied</u>	<u>Total Property Taxes</u>		<u>Percentage Collected to Levied</u>
			<u>Levied</u>	<u>Collected</u>	
2003	\$ 1,195,860	40.000	\$ 47,834	\$ 47,834	100.00%
2004	\$ 2,448,580	43.000	\$ 105,289	\$ 105,970	100.65%
2005	\$ 2,564,470	43.000	\$ 110,272	\$ 110,257	99.99%
2006	\$ 3,220,310	43.000	\$ 138,473	\$ 138,434	99.97%
2007	\$ 5,685,710	42.934	\$ 244,110	\$ 244,109	100.00%
2008	\$ 8,170,190	43.118	\$ 352,282	\$ 352,151	99.96%
2009	\$ 11,715,460	42.728	\$ 500,578	\$ 490,649	98.02%
2010	\$ 18,864,630	55.063	\$ 1,038,743	\$ 999,139	96.19%
Estimated for the year ending December 31, 2011	\$ 18,873,350	55.063	\$ 1,039,223		

NOTE:

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

BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2010

	\$2,500,000		\$7,370,000		Total All Bonds
	General Obligation Limited Tax Bonds Dated March 1, 2003 Interest Rate of 7.0% Interest Payable June 1 and December 1 Principal Due December 1		General Obligation Limited Tax Refunding and Improvement Bonds Dated May 24, 2010 Interest Rate of 7.25% - 8.50% Interest Payable June 1 and December 1 Principal Due December 1		
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2011	\$ -	\$ 144,200	\$ -	\$ 607,700	\$ 751,900
2012	-	144,200	70,000	607,700	821,900
2013	-	144,200	80,000	602,625	826,825
2014	-	144,200	85,000	596,825	826,025
2015	-	144,200	90,000	590,663	824,863
2016	-	144,200	95,000	584,137	823,337
2017	-	144,200	105,000	577,250	826,450
2018	-	144,200	115,000	569,638	828,838
2019	-	144,200	110,000	561,300	815,500
2020	70,000	144,200	130,000	553,325	897,525
2021	100,000	139,300	140,000	543,900	923,200
2022	110,000	132,300	150,000	533,750	926,050
2023	1,780,000	124,600	160,000	522,875	2,587,475
2024	-	-	170,000	511,275	681,275
2025	-	-	170,000	498,950	668,950
2026	-	-	185,000	484,500	669,500
2027	-	-	200,000	468,775	668,775
2028	-	-	215,000	451,775	666,775
2029	-	-	235,000	433,500	668,500
2030	-	-	315,000	413,525	728,525
2031	-	-	350,000	386,750	736,750
2032	-	-	380,000	357,000	737,000
2033	-	-	425,000	324,700	749,700
2034	-	-	460,000	288,575	748,575
2035	-	-	500,000	249,475	749,475
2036	-	-	535,000	206,975	741,975
2037	-	-	585,000	161,500	746,500
2038	-	-	630,000	111,775	741,775
2039	-	-	685,000	58,225	743,225
	<u>\$ 2,060,000</u>	<u>\$ 1,838,200</u>	<u>\$ 7,370,000</u>	<u>\$ 12,858,963</u>	<u>\$ 24,127,163</u>

NOTE:

No annual debt service schedule for the Series 2008 Subordinate Limited Tax General Obligation Bonds is provided because amounts are payable from subordinate pledged revenue, which may or may not be sufficient to make debt service payments when due.