

CUCHARS RANCH METROPOLITAN DISTRICT

El Paso County, Colorado

**FINANCIAL STATEMENTS
DECEMBER 31, 2013**

Table of Contents

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT	I
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements	
Balance Sheet – Governmental Funds	3
Statement of Revenues, Expenditures and Changes In Fund Balances – Governmental Funds	4
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Government Funds to the Statement of Activities	5
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	6
Notes to Financial Statements	7
SUPPLEMENTAL INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Debt Service Fund	17
OTHER INFORMATION	
Schedule of Debt Service Requirements to Maturity	18
Summary of Assessed Valuation, Mill Levy and Property Taxes Collected	19

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Cuchares Ranch Metropolitan District
El Paso County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of the Cuchares Ranch Metropolitan District as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Cuchares Ranch Metropolitan District, as of December 31, 2013, 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 Supplementary 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cuchares Ranch Metropolitan District's basic financial statements. The budget to actual schedule for the debt service fund (the Supplemental Information) and the schedule of debt service requirements to maturity and the summary of assessed valuation, mill levy and property taxes collected (the Other Information) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplemental Information is the responsibility of management and was 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 budget to actual schedule for the debt service fund is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Other Information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Dargis & Platt, LLC

May 5, 2014

BASIC FINANCIAL STATEMENTS

CUCHARS RANCH METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
December 31, 2013

	Governmental Activities
ASSETS	
Cash and investments - unrestricted	\$ 34,512
Cash and investments - restricted	135,545
Due from County Treasurer	1,037
Property taxes receivable	180,269
Total assets	351,363
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	
LIABILITIES	
Accounts and wages payable	8,181
Bonds and developer advances payable:	
Due in more than one year	4,270,928
Total liabilities	4,279,109
 DEFERRED INFLOWS OF RESOURCES	
Deferred property taxes revenues	180,269
Total deferred inflows of resources	180,269
 NET POSITION	
Restricted:	
Emergency reserves	900
Debt Service	136,582
Unrestricted	(4,245,497)
Total net position	\$ (4,108,015)

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

**CUCHARS RANCH METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2013**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:					
General government	\$ 32,717	\$ -	\$ -	\$ -	\$ (32,717)
Interest and fiscal charges	264,027	-	-	-	(264,027)
Total governmental activities	<u>\$ 296,744</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(296,744)</u>
General revenues:					
Taxes:					
Property taxes					108,814
Specific ownership taxes					10,863
Total general revenues					<u>119,677</u>
Change in net position					(177,067)
Net position - Beginning of year					(3,930,948)
Net position - End of year					<u>\$ (4,108,015)</u>

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

**CUCHARS RANCH METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2013**

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash and investments - unrestricted	\$ 34,512	\$ -	\$ 34,512
Cash and investments - restricted	-	135,545	135,545
Due from County Treasurer	-	1,037	1,037
Property taxes receivable	-	180,269	180,269
TOTAL ASSETS	\$ 34,512	\$ 316,851	\$ 351,363
 LIABILITIES , DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts and wages payable	\$ 8,181	\$ -	\$ 8,181
Total liabilities	8,181	-	8,181
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenues	-	180,269	180,269
Total deferred inflows of resources	-	180,269	180,269
FUND BALANCES			
Spendable:			
Restricted for emergencies	900	-	900
Restricted for debt service	-	136,582	136,582
Assigned for subsequent year's expenditures	6,910	-	6,910
Unassigned	18,521	-	18,521
Total fund balances	26,331	136,582	162,913
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 34,512	\$ 316,851	

Amounts reported for governmental activities in the Statement of Net Position are different because:

Some liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the Balance Sheet - Governmental Funds.

General obligation limited tax capital appreciation bonds	(4,028,805)
Developer advances principal	(224,188)
Developer advances interest	(17,935)
	(4,270,928)
Net position of governmental activities	\$ (4,108,015)

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

**CUCHARS RANCH METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended December 31, 2013**

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
REVENUES			
Property tax	\$ -	\$ 108,814	\$ 108,814
Specific ownership tax	-	10,863	10,863
Total revenues	<u>-</u>	<u>119,677</u>	<u>119,677</u>
EXPENDITURES			
Current:			
Accounting and audit	6,295	-	6,295
Legal	21,122	-	21,122
Director's fees and payroll taxes	753	-	753
Insurance and bonds	1,934	-	1,934
County Treasurer's fees	-	1,632	1,632
Office supplies	22	-	22
Bank service charges	359	-	359
Dues and subscriptions	314	-	314
Other	286	-	286
Debt service:			
Paying agent fees	-	200	200
Total expenditures	<u>31,085</u>	<u>1,832</u>	<u>32,917</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(31,085)</u>	<u>117,845</u>	<u>86,760</u>
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	<u>30,000</u>	<u>(30,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>30,000</u>	<u>(30,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(1,085)	87,845	86,760
FUND BALANCES - BEGINNING OF YEAR	27,416	48,737	76,153
FUND BALANCES - END OF YEAR	<u>\$ 26,331</u>	<u>\$ 136,582</u>	<u>\$ 162,913</u>

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

**CUCHARS RANCH METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2013**

A reconciliation reflecting the differences between the governmental funds net change in fund balances and change in net position reported for governmental activities in the Statement of Activities as follows:

Net change in fund balances - Total governmental funds	<u>\$ 86,760</u>
<p>Long-term debt (e.g. bonds, loans) provide 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.</p>	
Accretion on capital appreciation bonds	(245,892)
Interest on developer advances	<u>(17,935)</u>
	<u>(263,827)</u>
Change in net position - Governmental activities	<u><u>\$ (177,067)</u></u>

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

**CUCHARS RANCH METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2013**

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUES			
Total revenues	\$ -	\$ -	\$ -
EXPENDITURES			
Accounting and audit	9,000	6,295	2,705
Legal	15,000	21,122	(6,122)
Director's fees and payroll taxes	1,000	753	247
Insurance and bonds	2,000	1,934	66
Office supplies	200	22	178
Bank service charges	-	359	(359)
Dues and subscriptions	300	314	(14)
Other	-	286	(286)
Contingency	4,000	-	4,000
Total expenditures	<u>31,500</u>	<u>31,085</u>	<u>415</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(31,500)</u>	<u>(31,085)</u>	<u>415</u>
OTHER FINANCING SOURCES (USES)			
Transfer in	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Total other financing sources (uses)	<u>30,000</u>	<u>30,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(1,500)	(1,085)	415
FUND BALANCE - BEGINNING OF YEAR	25,429	27,416	1,987
FUND BALANCE - END OF YEAR	<u>\$ 23,929</u>	<u>\$ 26,331</u>	<u>\$ 2,402</u>

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

**CUCHARES RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 1 – DEFINITION OF REPORTING ENTITY

Cuchares Ranch Metropolitan District (District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized on December 20, 2007 and is governed pursuant to provisions of the Colorado Special District Act. The District's boundaries are located in El Paso County, Colorado. The District was established to provide financing for the construction, operation and maintenance of public infrastructure improvements within and without the District's boundaries. Since organization, all District services have been provided by the Colorado Centre Metropolitan District pursuant to an addendum to an inclusion agreement (See Note 5).

The District has no employees and all operations and administrative functions are contracted.

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 is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the District are described as follows:

Government-wide and Fund Financial Statements

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

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

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

**CUCHARES RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Expenditures for capital assets are shown as increases in assets and redemption of bonds and notes are recorded as a reduction in liabilities.

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. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation paid. All other revenue items are considered to be measurable and available only when cash is received by the District.

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 general obligation debt of the governmental funds.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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 Local Government Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall each year to adopt 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.

**CUCHARES RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 funds' average equity balance in 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 certified by December 15 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 30 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 inflows of resources 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.

Fund Equity

Fund balance for governmental funds are reported in the categories listed below to make the nature and extent of the constraints placed on a government's fund balances more transparent. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance—the amount of fund balance that is not in spendable form (such as inventory or prepaids) or is legally or contractually required to be maintained intact.

Restricted fund balance—the amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance—amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.

Assigned fund balance—amounts the District intends to use for a specific purpose. Intent can be expressed by the District Board of Directors or by an official or body to which the District Board of Directors delegates the authority.

**CUCHARS RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District Board of Directors has provided otherwise in its commitment or assignment actions.

NOTE 3 - CASH AND INVESTMENTS

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

Statement of Net Position:

Cash and investments – unrestricted	\$ 34,512
Cash and investments – restricted	<u>135,545</u>
Total cash and investments	<u><u>\$ 170,057</u></u>

Cash and investments as of December 31, 2013 consist of the following:

Deposits with financial institutions	<u><u>\$ 170,057</u></u>
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Cash Deposits

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 equal to 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, 2013, the District's cash deposits had a bank balance of \$170,057 and carrying balance of \$170,057.

Investments

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

**CUCHARES RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

The District follows Colorado State Statutes which specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- . Obligations of the United States and certain U.S. government agency securities and securities of the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . 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

At December 31, 2013 the District had no investments.

Restricted Cash and Investments

At December 31, 2013, the District reports cash and investments in the amount of \$135,545 held by the Debt Service Fund as restricted.

NOTE 4 – LONG-TERM OBLIGATIONS

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

	<u>Balance December 31, 2012</u>	<u>Interest Compounded</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance December 31, 2013</u>	<u>Current Portion</u>
Governmental Activities:						
G. O. Limited Tax Capital						
Appreciation Bonds	\$ 3,782,913	\$ -	\$ 245,892	\$ -	\$ 4,028,805	\$ -
Developer Advances:						
Principal	210,169	14,019	-	-	224,188	-
Interest	14,019	(14,019)	17,935	-	17,935	-
	<u>\$ 4,007,101</u>	<u>\$ -</u>	<u>\$ 263,827</u>	<u>\$ -</u>	<u>\$ 4,270,928</u>	<u>\$ -</u>

General Obligation Limited Tax Capital Appreciation Bonds, Series 2011

On May 1, 2012, the District issued \$4,545,000 General Obligation Limited Tax Capital Appreciation Bonds, Series 2011 to finance the costs of construction and certain infrastructure. The bonds bear interest at a rate of 6.5% and mature in annual installments on December 1 of each year beginning in 2018 through 2041. Interest is due to be paid annually on December 1 beginning in 2016 through 2041.

**CUCHARS RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 4 – LONG-TERM OBLIGATIONS (CONTINUED)

The bonds are secured by pledged revenue comprised of (a) the required mill levy; (b) the specific ownership taxes collected by the District; and (c) any other legally available moneys which the District's Board of Directors determines in its sole discretion to apply as pledged revenue. The required mill levy consists of an ad valorem mill levy (a mill being equal to 1/10 of 1¢) imposed upon all taxable property of the District each year in the amount of forty-five (45) mills less \$30,000 for operations and maintenance of the District; provided however, that (i) in the event the method of calculating assessed valuation is changed after the date of issuance of the Bonds, the forty-five (45) mill levy provided herein will be increased or decreased to reflect such changes, such increases or decreases to be determined by the District's Board of Directors in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenues generated by the mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes, but in no event will any such adjustment increase the amount of the Required Mill Levy higher than fifty (50) mills; and (ii) in the event the mill levy provided herein would produce revenue in excess of that required to repay all principal and interest on the Bonds, then such mill levy shall be reduced to a mill levy which will produce revenue sufficient to repay all principal and interest on the Bonds.

For purposes of the foregoing, a change in the ratio of actual valuation to assessed valuation shall be deemed to be a change in the method of calculating assessed valuation.

The Bonds shall be subject to redemption prior to maturity as follows: (a) *Optional Redemption* - the bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$5,000, on December 1, 2015, and on any date thereafter, upon payment of par and accrued interest, without redemption premium and, (b) *Mandatory Sinking Fund Redemption* - the bonds also are subject to mandatory sinking fund redemption prior to the maturity date, in part, by lot, upon payment of par and accrued interest, without redemption premium, on December 1 beginning in 2018.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ -	\$ -	\$ -
2015	-	-	-
2016	-	295,425	295,425
2017	-	295,425	295,425
2018	5,000	295,425	300,425
2019-2023	355,000	1,436,500	1,791,500
2024-2028	615,000	1,287,975	1,902,975
2029-2033	960,000	1,046,175	2,006,175
2034-2038	1,445,000	675,025	2,120,025
2039-2041	1,165,000	155,025	1,320,025
	<u>\$ 4,545,000</u>	<u>\$ 5,486,975</u>	<u>\$ 10,031,975</u>

**CUCHARES RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 4 – LONG-TERM OBLIGATIONS (CONTINUED)

As of December 31, 2013, the District had the following authorized but unissued debt.

<u>Purpose</u>	<u>Amount Authorized 11/4/2008</u>	<u>Amount Issued 5/1/2012</u>	<u>Authorized But Unissued</u>
Water	\$ 4,000,000	\$ (1,042,169)	\$ 2,957,831
Sanitation	4,000,000	(1,487,124)	2,512,876
Streets	4,000,000	(1,845,724)	2,154,276
Safety protection	4,000,000	-	4,000,000
Park and recreation	4,000,000	(169,983)	3,830,017
Public transportation	4,000,000	-	4,000,000
Mosquito control	4,000,000	-	4,000,000
Operations	4,000,000	-	4,000,000
Refunding	4,000,000	-	4,000,000
	<u>\$ 36,000,000</u>	<u>\$ (4,545,000)</u>	<u>\$ 31,455,000</u>

Developer Advances

On November 3, 2008, and as subsequently amended, the District entered into a Funding and Reimbursement Agreement (Agreement) with Fountain Mesa Investments II, LLC (the Developer). Per the Agreement, the Developer agreed to loan the District one or more sums of money, not to exceed the aggregate of \$250,000. The funds loaned to the District bear simple interest at 8% per annum from the date of any such advance was made until the date of the execution of one or more reimbursements notes, bonds, or other instruments (Reimbursement Obligation) to further evidence the District's obligation to repay the funds loaned. Once the Reimbursement Obligation was executed, the interest began compounding. On November 6, 2012, the District entered into an annually appropriated Revenue and Limited Tax Obligation Promissory Note in the amount not to exceed \$250,000 dated as of January 1, 2013 and maturing on December 31, 2013. On November 4, 2013, to become effective as of January 1, 2014, the District entered into the sixth amendment to the Agreement with the Developer. This amendment increased the amount the Developer agreed to loan to the District to \$300,000 through December 31, 2014. Also on January 1, 2014, the District entered into an annually appropriated Revenue and Limited Tax Obligation Promissory Note in the amount not to exceed \$300,000 dated as of January 1, 2014 and maturing on December 31, 2014. As of December 31, 2013, the advances and accrued interest amount to \$242,123.

NOTE 5 – INTERGOVERNMENTAL AGREEMENTS

On February 26, 2009, concurrent with the inclusion of properties into the Colorado Centre Metropolitan District ("CCMD"), the District and CCMD entered into an Addendum to Inclusion Petition Agreement (the "Addendum"). The Addendum provides, inter alia,: 1) consent for the overlapping of district boundaries for the District and CCMD pursuant to §32-1-107(3), C.R.S.; 2) CCMD will provide all services to properties located within the District, absent separate agreement authorizing the provision of services by the District; 3) the District continues to be empowered to

**CUCHARES RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 5 – INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

finance construct, acquire and install public improvements authorized under the District's Service Plan, as amended, provided that such improvements are dedicated to other governmental entities for ongoing operation and maintenance; 4) CCMD will not object to the incurring of debt or other obligations or expenses for the benefit of the District to allow the District to finance, construct, acquire and install public improvements necessary to receive services by CCMD; and 5) in the event the District were required to consolidate with another district, the District agrees to continue to pay its outstanding general obligation debt, if any. The remaining provisions of the Addendum are terms, conditions and agreements between the Petitioners and CCMD and do not involve the District.

NOTE 6 - FUND EQUITY

At December 31, 2013, the District reported the following classifications of fund equity.

Restricted Fund Balance

The restricted fund balance in the amount of \$900 in the General Fund is comprised of the Emergency Reserves that have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 10).

The restricted fund balances in the Debt Service Fund in the amount of \$136,582 is to be used exclusively for debt service requirements (see Note 4).

Assigned Fund Balance

The assigned fund balance in the General Fund in the amount of \$6,910 is comprised of amounts assigned by the Board of Directors by a resolution to eliminate the projected budgetary deficit in the subsequent year's budget.

NOTE 7 - NET POSITION

The District has net position consisting of two components – restricted and unrestricted.

Restricted assets include net position that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2013 as follows:

Restricted:	
Emergencies	\$ 900
Debt Service	<u>136,582</u>
	<u><u>\$ 137,482</u></u>

**CUCHARS RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 7 - NET POSITION (CONTINUED)

In the government-wide financial statements, the District's had an unrestricted net position deficit of \$4,245,497 as a result of capital improvements that were funded with long-term debt that have been dedicated to other entities, while the long-term debt remains an obligation of the District.

NOTE 8 – INTERFUND TRANSFERS

During the year ended December 31, 2013, the District transferred \$30,000 from the Debt Service Fund to the General Fund to be used for the payment operations and maintenance expenditures as allowed by the General Obligation Limited Tax Capital Appreciation Bonds, Series 2011 (See Note 4).

NOTE 9 – RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, as amended from time to time, the District may be exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2013. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

NOTE 10 - TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations that 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.

**CUCHARS RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

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

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

On November 4, 2008, the voters of the District authorized the District taxes to be increased by \$2,000,000 annually, or by such lesser annual amount necessary to pay the District's operations, maintenance, and other expenses, such amount to consist of an ad valorem mill levy imposed without limitation of rate. The proceeds of these taxes and the investment income thereon to be collected and spent by the District as a voter-approved revenue change in 2009 and in each year thereafter, without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, or Section 29-1-301, Colorado Revised Statutes, and without limiting in any year the amount of other revenues that may be collected by the District.

Also on November 4, 2008, the voters of the District authorized the District to collect, retain and spending any and all amounts annually from any revenue sources, whatsoever other than ad valorem taxes, including but not limited to tap fees, facility fees, service charges, inspection charges, administrative charges, grants or any other fee, rate, toll, penalty, income, or charge imposed, collected, or authorized by law to be imposed or collected by the District. Such revenues to be collected and spent by the District as a voter-approved revenue changes without regard to any spending, revenue-raising, or other limitation within Article X, Section 20 of the Colorado Constitution, and without limiting in any year the amount of other revenues that may be collected and spent by the District.

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.

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

SUPPLEMENTAL INFORMATION

**CUCHARES RANCH METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
For the Year Ended December 31, 2013**

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUES			
Property tax	\$ 108,801	\$ 108,814	\$ 13
Specific ownership tax	10,388	10,863	475
Net investment income	100	-	(100)
Total revenues	<u>119,289</u>	<u>119,677</u>	<u>388</u>
EXPENDITURES			
County Treasurer's fees	1,632	1,632	-
Paying agent fees	2,000	200	1,800
Total expenditures	<u>3,632</u>	<u>1,832</u>	<u>1,800</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>115,657</u>	<u>117,845</u>	<u>2,188</u>
OTHER FINANCING SOURCES (USES)			
Transfers (out)	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	85,657	87,845	2,188
FUND BALANCE - BEGINNING OF YEAR	50,487	48,737	(1,750)
FUND BALANCE - END OF YEAR	<u>\$ 136,144</u>	<u>\$ 136,582</u>	<u>\$ 438</u>

OTHER INFORMATION

**CUCHARS RANCH METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2013**

**\$4,545,000 General Obligation Limited Tax
Capital Appreciation Bonds, Series 2011
Dated May 1, 2012
Interest Rate 6.5%**

<u>Year Ending December 31,</u>	<u>Principal and Interest Due December 1</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ -	\$ 295,425	\$ 295,425
2017	-	295,425	295,425
2018	5,000	295,425	300,425
2019	45,000	295,100	340,100
2020	65,000	292,175	357,175
2021	70,000	287,950	357,950
2022	85,000	283,400	368,400
2023	90,000	277,875	367,875
2024	100,000	272,025	372,025
2025	110,000	265,525	375,525
2026	125,000	258,375	383,375
2027	130,000	250,250	380,250
2028	150,000	241,800	391,800
2029	160,000	232,050	392,050
2030	175,000	221,650	396,650
2031	190,000	210,275	400,275
2032	210,000	197,925	407,925
2033	225,000	184,275	409,275
2034	245,000	169,650	414,650
2035	265,000	153,725	418,725
2036	290,000	136,500	426,500
2037	310,000	117,650	427,650
2038	335,000	97,500	432,500
2039	360,000	75,725	435,725
2040	390,000	52,325	442,325
2041	415,000	26,975	441,975
	<u>\$ 4,545,000</u>	<u>\$ 5,486,975</u>	<u>\$ 10,031,975</u>

**CUCHARS RANCH METROPOLITAN DISTRICT
SUMMARY OF ASSESSED VALUATION , MILL LEVY
AND PROPERTY TAXES COLLECTED
TOTAL DISTRICT
December 31, 2013**

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mills Levied</u>			<u>Property Taxes</u>		<u>Percentage Collected to Levied</u>
		<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Levied</u>	<u>Collected</u>	
2009	\$ 45,150	25.000	20.000	45.000	\$ 2,032	\$ 2,031	100.0%
2010	\$ 140,180	45.000	0.000	45.000	\$ 6,308	\$ 6,500	103.0%
2011	\$ 412,110	45.000	0.000	45.000	\$ 18,545	\$ 19,075	102.9%
2012	\$ 1,665,770	45.000	0.000	45.000	\$ 74,960	\$ 74,083	98.8%
2013	\$ 2,417,800	0.000	45.000	45.000	\$108,801	\$108,814	100.0%
Estimated for year ending December 31, 2014	\$ 4,005,980	0.000	45.000	45.000	\$180,269		

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