

**CATHEDRAL PINES METROPOLITAN DISTRICT**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2014**



**RECEIVED**

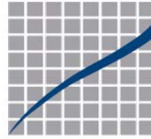
*By Justin L. Smith at 2:45 pm, Sep 29, 2015*



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**BiggsKofford**

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

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Board of Directors

**Cathedral Pines Metropolitan District**

Colorado Springs, Colorado

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Cathedral Pines Metropolitan District ("District") as of and for the year ended December 31, 2014, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2014, the respective changes in financial position and the respective 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 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 which 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 opinions on the basic financial statements are 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 District's basic financial statements. The supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*BiggsKofford, P.C.*

Colorado Springs, Colorado  
September 29, 2015

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## **BASIC FINANCIAL STATEMENTS**

**CATHEDRAL PINES METROPOLITAN DISTRICT**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2014**

	<u>Governmental Activities</u>
<b><u>ASSETS</u></b>	
Cash and investments	\$ 64,787
Cash and investments - restricted	213,294
Accounts receivable - County Treasurer	3,515
Property taxes receivable	386,991
Other receivables	12,400
Capital assets:	
Capital assets, net	1,615,020
<b>Total assets</b>	<b>2,296,007</b>
<b><u>LIABILITIES</u></b>	
Accounts payable	175,708
Accrued liabilities	30,725
Accrued interest payable	23,826
Developer advances - due within one year	12,377
Noncurrent liabilities:	
Bonds payable - due within one year	75,000
Bonds payable - due in more than one year	4,765,000
<b>Total liabilities</b>	<b>5,082,636</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>	
Deferred tax revenues	386,991
<b>Total deferred inflows of resources</b>	<b>386,991</b>
<b><u>NET POSITION</u></b>	
Invested in capital assets, net of related debt	(3,261,183)
Restricted for:	
Debt service	213,294
Emergency reserve	23,744
Unrestricted	(149,475)
<b>Total net position</b>	<b>\$ (3,173,620)</b>

The accompanying notes and independent auditor's report  
should be read with this financial statement.



**CATHEDRAL PINES METROPOLITAN DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2014**

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net Revenue and Change in Net assets of Primary Government - Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>FUNCTIONS/PROGRAMS</b>					
<b>PRIMARY GOVERNMENT:</b>					
General government	\$ 351,697	\$ -	\$ -	\$ -	\$ (351,697)
Fire damage and reimbursements	528,859	-	417,625	-	(111,234)
Interest and related costs on long-term debt	276,853	-	-	-	(276,853)
<b>Total primary government</b>	<b>\$ 1,157,409</b>	<b>\$ -</b>	<b>\$ 417,625</b>	<b>\$ -</b>	<b>(739,784)</b>
<b>GENERAL REVENUES:</b>					
Property taxes					382,792
Specific ownership taxes					40,540
HOA reimbursements					9,000
Rental income					93,760
Investment earnings					2,090
Late fees					4,600
<b>Total general revenues</b>					<b>532,782</b>
<b>Changes in net position</b>					<b>(207,002)</b>
<b>Net position, beginning of year</b>					<b>(2,966,618)</b>
<b>Net position, end of year</b>					<b>\$ (3,173,620)</b>

The accompanying notes and independent auditor's report should be read with this financial statement.

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**CATHEDRAL PINES METROPOLITAN DISTRICT**  
**BALANCE SHEETS**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2014**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Total Governmental Funds</b>
<b><u>ASSETS</u></b>			
Cash and investments	\$ 64,787	\$ -	\$ 64,787
Cash and investments - restricted	-	213,294	213,294
Accounts receivable - County Treasurer	3,515	-	3,515
Property taxes receivable	121,929	265,062	386,991
Other receivables	12,400	-	12,400
<b>Total assets</b>	<b>\$ 202,631</b>	<b>\$ 478,356</b>	<b>680,987</b>
<b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u></b>			
<b><u>Liabilities</u></b>			
Accounts payable	175,708	-	175,708
Accrued liabilities	30,725	-	30,725
<b>Total liabilities</b>	<b>206,433</b>	<b>-</b>	<b>206,433</b>
<b><u>Deferred inflows of resources</u></b>			
Deferred tax revenues	121,929	265,062	386,991
<b>Total deferred inflows of resources</b>	<b>121,929</b>	<b>265,062</b>	<b>386,991</b>
<b><u>Fund balance</u></b>			
<b>Restricted for:</b>			
Debt service	-	213,294	213,294
Emergency reserve	23,744	-	23,744
<b>Unassigned:</b>			
General government	(149,475)	-	(149,475)
<b>Total fund balances</b>	<b>(125,731)</b>	<b>213,294</b>	<b>87,563</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 202,631</b>	<b>\$ 478,356</b>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Capital assets, net	1,615,020
Long-term liabilities, including developer advances payable and bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds payable	(4,840,000)
Developer advances	(12,377)
Accrued interest payable	(23,826)
<b>Net position of governmental activities</b>	<b>\$ (3,173,620)</b>

The accompanying notes and independent auditor's report should be read with this financial statement.

**CATHEDRAL PINES METROPOLITAN DISTRICT**  
**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2014**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b><u>REVENUES</u></b>			
Property taxes	\$ 120,606	\$ 262,186	\$ 382,792
Specific ownership taxes	40,540	-	40,540
Reimbursements	9,000	-	9,000
Rental income	93,760	-	93,760
Other income	4,600	-	4,600
Fire/flood FEMA and reimbursements	417,625	-	417,625
Net investment income	446	1,644	2,090
<b>Total revenues</b>	<b>686,577</b>	<b>263,830</b>	<b>950,407</b>
<b><u>EXPENDITURES</u></b>			
Current:			
Accounting	18,000	-	18,000
Bank charges	130	-	130
Capital expenses	5,921	-	5,921
Cleaning	4,271	-	4,271
Event expense	35,005	-	35,005
Fire/flood restoration and mitigation	528,859	-	528,859
Insurance	17,757	-	17,757
Professional fees	14,956	-	14,956
Licenses and fees	1,974	6,110	8,084
Management expense	30,000	-	30,000
Office expense	1,313	-	1,313
Payroll taxes	5,350	-	5,350
Salaries	16,728	-	16,728
Security	1,581	-	1,581
Snow removal	2,765	-	2,765
Telephone	1,420	-	1,420
Trash	3,421	-	3,421
Utilities	29,483	-	29,483
Landscape maintenance	22,856	-	22,856
Repairs and maintenance	48,824	-	48,824

The accompanying notes and independent auditor's report  
should be read with this financial statement.

**CATHEDRAL PINES METROPOLITAN DISTRICT**  
**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2014**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Debt service:			
Bond principal	-	65,000	65,000
Interest expense	853	275,605	276,458
<u>Total expenditures</u>	<u>791,467</u>	<u>346,715</u>	<u>1,138,182</u>
<u>Excess of expenditures over revenues</u>	<u>(104,890)</u>	<u>(82,885)</u>	<u>(187,775)</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
<u>Transfers in (out)</u>	<u>300</u>	<u>(300)</u>	<u>-</u>
<u>Total other financing sources (uses)</u>	<u>300</u>	<u>(300)</u>	<u>-</u>
<u>Net change in fund balances</u>	<u>(104,590)</u>	<u>(83,185)</u>	<u>(187,775)</u>
<u>Fund balances, beginning of year</u>	<u>(21,141)</u>	<u>296,479</u>	<u>275,338</u>
<u>Fund balances, end of year</u>	<u>\$ (125,731)</u>	<u>\$ 213,294</u>	<u>\$ 87,563</u>

The accompanying notes and independent auditor's report  
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**CATHEDRAL PINES METROPOLITAN DISTRICT**  
**RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2014**

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

<b>Net change in fund balances - total governmental funds</b>	\$	(187,775)
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Governmental funds report capital outlays as expenditures. In the statement of activities capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset.

Capital outlay		5,922
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The issuance of debt provides current financial resources to government funds, while the repayment of debt principal consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Principal payment on bonds payable		65,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in accrued interest payable		(395)
Depreciation expense		(89,754)

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<b>Changes in net position of governmental activities</b>	<b>\$</b>	<b>(207,002)</b>
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The accompanying notes and independent auditor's report should be read with this financial statement.

**CATHEDRAL PINES METROPOLITAN DISTRICT**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**YEAR ENDED DECEMBER 31, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b><u>REVENUES</u></b>				
Property taxes	\$ 121,200	\$ 121,200	\$ 120,606	\$ (594)
Specific ownership taxes	38,400	33,242	40,540	7,298
Reimbursements	21,000	9,000	9,000	-
Rental income	60,360	94,310	93,760	(550)
Other income	-	-	4,600	4,600
Fire/flood FEMA and reimbursements	-	442,063	417,625	(24,438)
Net investment income	350	293	446	153
<b>Total revenues</b>	<b>241,310</b>	<b>700,108</b>	<b>686,577</b>	<b>(13,531)</b>
<b><u>EXPENDITURES</u></b>				
Current:				
Accounting	18,000	18,000	18,000	-
Bank charges	250	119	130	(11)
Capital expenses	-	5,922	5,921	1
Cleaning	2,600	4,171	4,271	(100)
Event expense	23,000	34,259	35,005	(746)
Fire/flood restoration and mitigation	-	507,938	528,859	(20,921)
Insurance	13,000	14,856	17,757	(2,901)
Professional fees	11,000	13,205	14,956	(1,751)
Licenses and fees	2,500	1,940	1,849	91
Management expense	30,000	30,000	30,000	-
Office expense	1,250	1,237	1,438	(201)
Payroll taxes	2,500	5,350	5,350	-
Salaries	34,244	15,202	16,728	(1,526)
Security	1,500	1,581	1,581	-
Snow removal	4,500	3,850	2,765	1,085
Telephone	1,500	1,420	1,420	-
Trash	2,800	3,425	3,421	4
Utilities	24,000	31,661	29,483	2,178
Landscape maintenance	35,333	25,855	22,856	2,999
Repairs and maintenance	33,333	68,162	48,824	19,338

The accompanying notes and independent auditor's report  
should be read with this financial statement.



**CATHEDRAL PINES METROPOLITAN DISTRICT**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**YEAR ENDED DECEMBER 31, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Debt service:				
Interest expense	-	552	853	(301)
Total expenditures	241,310	788,705	791,467	(2,762)
Excess of expenditures over revenues	-	(88,597)	(104,890)	(16,293)
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers in	-	-	300	300
Net change in fund balance	<u>\$ -</u>	<u>\$ (88,597)</u>	(104,590)	<u>\$ (15,993)</u>
Fund balance, beginning of year			(21,141)	
Fund balance, end of year			<u>\$ (125,731)</u>	

The accompanying notes and independent auditor's report  
should be read with this financial statement.

**CATHEDRAL PINES METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

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**1. DEFINITION OF REPORTING ENTITY**

Cathedral Pines Metropolitan District ("District"), a quasi-municipal corporation, is governed pursuant to the provisions of the Colorado Special District Act. The District was formed in 2004 to provide parks and recreation, street improvements, storm sewer, flood, and surface drainage maintenance for the Cathedral Pines community which is located in El Paso County, Colorado ("County"). The District is governed by an elected, five-member board of directors, which is the policy making body of the District.

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 reporting 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.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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 plus deferred outflow of resources and liabilities plus deferred inflow of resources of the District is reported as net position.

See independent auditor's report

**CATHEDRAL PINES METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Government-wide and fund financial statements (continued)

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

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

Measurement focus, basis of accounting and financial statement position

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 collectable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and intergovernmental revenue. 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:

*General fund* - The general fund is used to account for all financial resources of the District except those required to be accounted for in another fund.

*Debt service fund* - The debt service fund accounts for the servicing of general long-term debt and revenues generated and received by the District that are required to be used in payment of long-term debt.

See independent auditor's report

**CATHEDRAL PINES METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Measurement focus, basis of accounting and financial statement position (continued)

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

The District incurred expenditures in excess of appropriations in the general fund for the year ended December 31, 2014, which may be in violation of the local government budget law.

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 and attaches as an enforceable lien 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, at the taxpayer's election, in February and June in equal installments. 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 to the District monthly.

See independent auditor's report

**CATHEDRAL PINES METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Property taxes (continued)

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

Capital assets

Capital assets, which include parks, trails and monuments, community building and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with initial individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized.

Depreciation is computed using the straight-line method over the following estimated economic useful lives:

Parks, trails and monuments	20 years
Community building	30 years
Equipment	5 years

Maintenance and repairs are charged to expense as incurred. At the time of retirement or disposition of depreciable assets, the related cost and accumulated depreciation are removed from the accounts, and the resulting gain or loss is reflected in revenues or expenses.

Interfund balances

The District reports interfund balances that are representative of lending/borrowing arrangements between funds in the fund financial statements as due to/from other funds. The interfund balances have been eliminated in the government-wide statements.

See independent auditor's report

**CATHEDRAL PINES METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Fund equity

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

*Nonspendable fund balance* - The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or is legally or contractually required to be maintained intact.

*Restricted fund balance* - The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

*Committed fund balance* - The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the board of directors. The constraint may be removed or changed only through formal action of the board of directors.

*Assigned fund balance* - The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the board of directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

*Unassigned fund balance* - The residual portion of fund balance that does not meet any of the criteria described above.

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

Subsequent events

Management has evaluated subsequent events through the date of the attached independent accountant's review report, the date these financial statements were available to be issued.

See independent auditor's report

**CATHEDRAL PINES METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

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**3. CASH AND INVESTMENTS**

Cash and investments as of December 31, 2014 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 278,081

Cash and investments as of December 31, 2014 consist of the following:

Deposits with financial institutions	\$ 64,787
Investments	213,294
	<u>\$ 278,081</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. The 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 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.

Investments

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

The District generally limits its concentration of investments to those identified 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.

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**3. CASH AND INVESTMENTS (CONTINUED)**

Investments (continued)

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

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

- Obligations of the United States and certain United States government agency securities
- Certain international agency securities
- General obligation and revenue bonds of United States local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certificates of deposit in Colorado PDPA approved banks or savings banks
- \* Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

As of December 31, 2014, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Debt service money market	Less than 1 year	<u>\$ 213,294</u>

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**4. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2014 was as follows:

	Balance 1/1/14	Additions/ Reclass- ifications	Dispositions/ Reclass- ifications	Balance 12/31/14
Community building	\$ 1,328,384	\$ -	\$ -	\$ 1,328,384
Parks, trails and monuments	897,355	-	-	897,355
Equipment	8,000	5,922	-	13,922
Less: accumulated depreciation	<u>(534,887)</u>	<u>(89,754)</u>	<u>-</u>	<u>(624,641)</u>
Capital assets, net	<u>\$ 1,698,852</u>	<u>\$ (83,832)</u>	<u>\$ -</u>	<u>\$ 1,615,020</u>

Depreciation expense for the year ended December 31, 2014 totaled \$89,754.

**5. LONG-TERM OBLIGATIONS**

2008 Series Bonds

On December 14, 2007, the District issued general obligation limited tax bonds with a face value of \$5,000,000. The bonds bear interest at a rate of 5.625% per annum to be paid to the bondholders semi-annually on each June 1 and December 1, beginning June 1, 2008. The bonds mature on December 1, 2037 and are subject to redemption prior to maturity at the discretion of the District, as a whole or in integral multiples of \$5,000 on December 1, 2017 or on any date thereafter. The bonds are subject to mandatory sinking fund redemption requirements beginning in 2011.

The bonds are secured and payable from pledged revenue, consisting of monies derived by (1) the required mill levy of a minimum of 25.000 mills, or such lesser mill levy which, when combined with other pledged revenue then held in the bond fund, will permit the District to fully fund the bond fund for the next bond year and pay the bonds as they come due; and (2) any other legally available monies which the District determines in its absolute discretion, to transfer to the trustee for application as pledged revenue.

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

2008 Series Bonds (continued)

The District is required, pursuant to the bond agreements, to maintain bond and reserve cash accounts. The purpose of the reserve cash account is to provide adequate reserves to meet principal and interest requirements if the bond account does not have enough funding. The reserve account is required to be maintained as long as the bonds are outstanding.

The following is a summary of changes in 2008 Series Bonds of the District during the year ended December 31, 2014:

	<u>Balance 1/1/14</u>	<u>Additions</u>	<u>Repayments/ Defeasance</u>	<u>Balance 12/31/14</u>
Series 2008 General Obligation Bonds	<u>\$ 4,905,000</u>	<u>\$ -</u>	<u>\$ (65,000)</u>	<u>\$ 4,840,000</u>

Annual requirements to amortize the 2008 Series Bonds are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	75,000	272,250	347,250
2016	85,000	268,031	353,031
2017	90,000	263,250	353,250
2018	105,000	258,187	363,187
2019	110,000	252,281	362,281
2020-2024	710,000	1,156,782	1,866,782
2025-2029	1,035,000	922,780	1,957,780
2030-2034	1,480,000	584,156	2,064,156
2035-2037	<u>1,150,000</u>	<u>132,470</u>	<u>1,282,470</u>
Total	<u>\$ 4,840,000</u>	<u>\$ 4,110,187</u>	<u>\$ 8,950,187</u>

Developer advances

The District entered into a reimbursement agreement ("Agreement") with the developer under which the District agreed to reimburse the developer for operations and maintenance and capital advances made on behalf of the District. The District agreed to repay the developer advances along with accrued interest at a rate of 5.625% per annum. As of December 31, 2014, outstanding developer advances totaled \$12,377 and related accrued interest totaled \$1,450.

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**6. NET POSITION**

The District has net position consisting of three components - invested in capital assets, net of related debt; restricted; and unrestricted.

Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by the outstanding balance of debt that is attributable to the acquisition, construction, or improvement of those assets.

As of December 31, 2014, the District had net position invested in capital assets, net of related debt as follows:

Invested in capital assets, net of related debt:	
Capital assets, net	\$ 1,615,020
Related debt	<u>(4,876,203)</u>
Invested in capital assets, net of related debt	<u><u>\$ (3,261,183)</u></u>

Restricted net position includes the net position that is restricted for use either by external restrictions 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 a restricted net position of as of December 31, 2014 as follows:

Restricted net position:	
Emergencies (see Note 10)	\$ 23,744
Debt service (see Note 6)	<u>213,294</u>
	<u><u>\$ 237,038</u></u>

The District's unrestricted net position as of December 31, 2014 totaled a deficit of \$149,475.

**7. RELATED PARTIES**

The developer of the property which constitutes the District is Cathedral Pines Development Company and the management company for the District is HP Development, LLC. The members of the board of directors of the District are officers, employees or associated with the developer and management company and may have conflicts of interest in dealing with the District.

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**7. RELATED PARTIES (CONTINUED)**

The District entered into a month-to-month agreement with HP Development, LLC for reimbursement of administrative costs including accounting services, and other administrative overhead. This agreement requires payment of \$1,500 per month effective January 1, 2008. This agreement will remain in effect until either party gives notice of termination at least 60 days in advance. Expenses related to this agreement for the year ended December 31, 2014 totaled \$18,000.

The District entered into a month-to-month agreement with HP Development, LLC to manage the maintenance and repair work of the District. This agreement requires payment of \$2,500 per month effective January 1, 2008. This agreement will remain in effect until either party gives notice of termination at least 60 days in advance. Management expense for the year ended December 31, 2014 totaled \$30,000.

The District also paid booking fees of \$7,150 to HP Development, LLC for events at the community center during the year ended December 31, 2014.

The District contracted services from relatives of board members totaling \$32,250 during the year ended December 31, 2014.

The District leases office space to Cathedral Pines Development under an agreement expiring December 31, 2014. The lease requires minimum monthly payments of \$280. Rent income for the years ended December 31, 2014 totaled \$3,360. On expiration, the agreement continues on a month-to-month basis.

**8. 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, 2014. 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.

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**8. RISK MANAGEMENT (CONTINUED)**

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

**9. 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 within the State of Colorado.

Spending and revenue limits are determined based on the prior 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. Revenues in excess of the fiscal year spending limit must be refunded unless the voters approve retention of such revenues. The District's voters approved a ballot issue allowing the District to retain all revenues.

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 the interpretation of how to calculate fiscal year spending limits, will likely require judicial interpretation.

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## **SUPPLEMENTARY INFORMATION**

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**CATHEDRAL PINES METROPOLITAN DISTRICT**  
**DEBT SERVICE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**YEAR ENDED DECEMBER 31, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b><u>REVENUES</u></b>				
Property taxes	\$ 263,600	\$ 263,600	\$ 262,186	\$ (1,414)
Net investment income	1,200	1,187	1,644	457
Total revenues	<u>264,800</u>	<u>264,787</u>	<u>263,830</u>	<u>(957)</u>
<b><u>EXPENDITURES</u></b>				
Current:				
Licenses and fees	6,104	6,191	6,110	81
Bond principal	65,000	65,000	65,000	-
Interest expense	275,906	275,904	275,605	299
Contingency	850	-	-	-
Total expenditures	<u>347,860</u>	<u>347,095</u>	<u>346,715</u>	<u>380</u>
Expenditures in excess of revenues	(83,060)	(82,308)	(82,885)	(577)
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfer out	-	-	(300)	(300)
Total other financing uses	<u>-</u>	<u>-</u>	<u>(300)</u>	<u>(300)</u>
Net change in fund balance	<u>\$ (83,060)</u>	<u>\$ (82,308)</u>	(83,185)	<u>\$ (877)</u>
Fund balance, beginning of year			<u>296,479</u>	
Fund balance, end of year			<u>\$ 213,294</u>	

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